

NORTHGATE



DRIVING PROFITABLE GROWTH

Northgate plc
Annual Report and Accounts
for the year ended 30 April 2015

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

The Northgate Difference

- ⌚ No capital or contractual commitment
- ⌚ Ease of flexing number and type of vehicles
- ⌚ 24/7 support

Navigating the Report

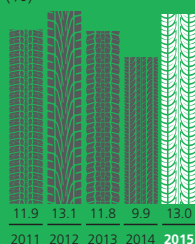
- 📄 For further information within this document and relevant page numbers
- ☰ Additional information online



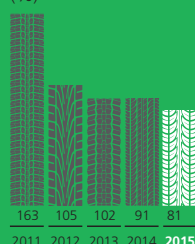
Highlights

Underlying financial

ROCE (%)



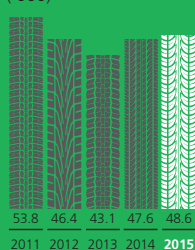
Gearing (%)



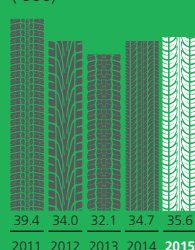
- Profit before tax⁽¹⁾ £85.0m (2014 – £60.3m)
- EPS⁽²⁾ 51.0p (2014 – 35.1p)
- Dividend per share 14.5p (2014 – 10.0p)

Operational

UK Vehicles on Hire ('000)



Spain Vehicles on Hire ('000)



- Eight new UK sites opened in the year



Footnotes can be found on page 30

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NORTHGATE

HASSLE FREE.

FLEXIBLE.

TRUSTED.



Chairman's statement

We are pleased by the continued growth delivered by the Group. The investment in our people, systems and infrastructure is producing results.



Bob Mackenzie | Chairman

I am pleased to report continued progress made against our strategy for growth in the UK and Spain, which has supported a strong underlying performance in the year as follows:

- Operating profit⁽¹⁾ of £97.8m (2014 – £72.6m);
- Profit before tax⁽¹⁾ of £85.0m (2014 – £60.3m);
- Basic earnings per share⁽²⁾ of 51.0p (2014 – 35.1p);
- Return on capital employed⁽³⁾ of 13.0% (April 2014 – 9.9%).

The Group remains committed to exploiting opportunities to drive growth, where an appropriate level of return exists, as we believe this is key to delivering significant returns to shareholders.

Our strategy remains as follows:

- In the UK, the primary focus is on growing the business through our existing network and by adding new sites to increase our customer coverage;
- In Spain, now we have reached an acceptable level of return, we are targeting growth through our existing network, with the potential to add one or two new sites.

We are particularly targeting growth with small and medium sized enterprises in both our main territories. Our focus on delivering attractive returns to shareholders has increased our efforts on this profitable market segment.

The Group's profit before tax⁽¹⁾ for the year ended 30 April 2015 was adversely impacted by the weakening Euro. On a constant currency basis the profit before tax would have been £2.6m higher.

The largest cost to the business is the holding cost of the vehicle rental fleet. This is the difference between the purchase price and the residual value achieved at the end of the vehicle's rental life. Over the past five years the Group has developed and improved its vehicle sales channels, which has helped both to reduce the holding costs and improve returns. Following the ongoing strength of residual values of the vehicle hire fleet, our depreciation rates were reduced on 1 May 2012 and 1 May 2014 in the UK and on 1 May 2014 in Spain. The impact of these changes on Group operating profit for the year is an increase of £11.4m, being £8.4m in the UK and £3.0m in Spain.

The current year Return on Capital Employed (ROCE) has also been impacted by the costs of opening and operating 15 new sites in the UK since February 2013. These sites were opened to provide better coverage to both our existing and new customers. The impact of these new sites in the year was an increase in operating profit of £0.2m (2014 – £2.3m loss) and a 0.6% (2014 – 0.5%) reduction in ROCE.

13.0%
ROCE
increased from 9.9%





Group net debt reduced to £337.8m during the year, benefitting from the weakening Euro rate. Gearing⁽⁴⁾ reduced to 81% (April 2014 – 91%).

UK

Our operating margin⁽⁵⁾ increased to 22.2% (2014 – 17.4%) and ROCE to 14.1% (April 2014 – 11.2%).

The average number of vehicles on hire for the full year was 48,700, an 8% increase on the 45,300 achieved in the prior year.

Vehicles on hire increased from 47,600 at 30 April 2014 to 48,600 at 30 April 2015, an increase of 1,000 compared to an increase of 4,500 in the prior year. Vehicles on hire with regional customers (primarily SMEs) increased 1,600 (5%), with our national customer business (primarily large companies) reducing by 600 (4%).

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

We are particularly targeting growth with small and medium sized enterprises in both our main territories. Our focus on delivering attractive returns to shareholders has increased our efforts on this profitable market segment.

Seven new sites had been opened by 30 April 2014 and a further eight sites were opened in the year ended 30 April 2015. As a whole, the sites are trading in line with initial expectations. We still expect each new site to operate with an average fleet of approximately 600 vehicles by the end of year three.

Based on experience to date these new sites become profitable on a trading to date basis after two years and we expect ROCE to exceed 16% in year four as the sites reach maturity. We anticipate opening a further 14 sites over the next two to three years.

Spain

The continued focus on improving returns increased ROCE in our Spanish business to 12.8% (April 2014 – 9.2%), with operating margin⁽⁶⁾ increasing to 22.9% (2014 – 17.1%).

The average number of vehicles on hire for the full year was 35,500, an 8% increase on the 33,000 achieved in the prior year.

Vehicles on hire increased from 34,700 at 30 April 2014 to 35,600 at 30 April 2015, an increase of 900 compared to an increase of 2,600 in the prior year. Whilst overall growth was less than achieved in the prior year, due mainly to the reduction in national customer business noted below, the ongoing targeting of higher margin SME business continues to be successful and has resulted in improved returns.

Vehicles on hire with regional customers increased by 1,400 (8%), with our national customer business reducing by 500 (3%).

Dividend

The Board recognises the importance of the dividend to investors and sets its policy after taking into account the desire to have a progressive dividend, with the intention to keep cover in the range of 3.75x to 2.50x.

The Board considers the current policy to be appropriate given the strength of the balance sheet whilst ensuring the Group has sufficient resources to pursue future opportunities to invest to deliver growth.

Chairman's statement

CONTINUED

The Board is proposing a final dividend of 10.2p (2014 – 6.8p). Including the interim dividend paid of 4.3p (2014 – 3.2p), the total dividend relating to the year would be 14.5p (2014 – 10.0p). This represents a 45% increase in the year and maintains a 3.5x cover on underlying earnings⁽²⁾.

Board changes

This will be my final report as Chairman of the Group following my decision to retire at the AGM in September. Since joining in February 2010 significant progress has been made in restructuring the Group, with a primary focus on doing the simple things well and improving our ROCE. Key financial highlights over the past five years have been as follows:

- Profit before tax of £85.0m⁽¹⁾ compared to £36.5m⁽⁷⁾ in the year ended 30 April 2010;
- ROCE of 13.0%⁽³⁾ from 8.4%⁽⁸⁾ in the year ended 30 April 2010;
- Net debt of £337.8m, reduced from £598.3m⁽⁹⁾ at 30 April 2010; and
- The re-introduction of a dividend.

Andrew Page joined the Group on 2 December 2014 and subject to re-election will take over as Chairman following the AGM. I am delighted that Andrew agreed to join Northgate. He brings a wealth of financial and management experience in businesses making regular major capital investment decisions. Having worked with Andrew over the past seven months the Board is convinced he will contribute enormously to the future development of Northgate.

Jan Astrand will also retire from the Group at the AGM in September following 14 years of service. I would like to thank Jan for his tremendous efforts and wise counsel over this period. He has made a considerable contribution to the Group and our Spanish business.

We are currently in the process of recruiting a new non-executive Director.

Current trading and outlook

We are pleased by the continued growth delivered by the Group in the year ended 30 April 2015. In particular, the continued investment in our people, systems and infrastructure is producing results, as is our focus on seeking profitable growth. Encouragingly, trading from the new sites in the UK is in line with initial plans and we have made significant progress in our vehicle sales channels.

The Board remains confident that we are well positioned to deliver further growth and attractive returns to shareholders and the Group is currently trading in line with our expectations.

Bob Mackenzie

Chairman
29 June 2015

45%
INCREASE
in dividend



HASSLE FREE

We leverage
technology to
ensure a smooth
customer
experience



Find out more about the Group at:
www.northgateplc.com



PEUGEOT

NORTHGATE



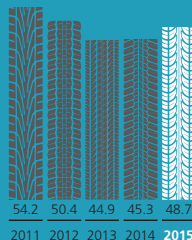
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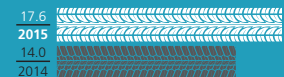
PARTNER



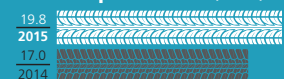
Find out more about our UK business at:
www.northgatevehiclehire.co.uk



Vehicle sales (000's)



Vehicle purchases (000's)



8%
INCREASE
 in average
 vehicles on hire

Operating margin⁽⁵⁾
22.2%
Closing employees
2,100
Closing fleet
56,100

Group at a glance

The Group continues to grow in both territories in which we operate. The number of vehicles sold have been balanced against this to maintain an optimal fleet age and mix.



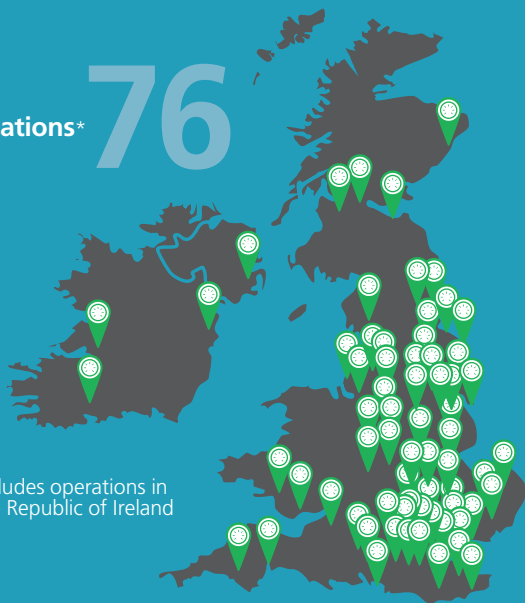
UK

Customer numbers increased by 7% during the year, predominantly with SMEs. As a result our fleet size grew by 4% to accommodate the increased demand.



UK
Locations*

76



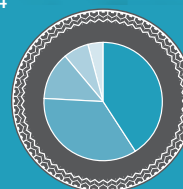
* Includes operations in the Republic of Ireland

Fleet mix 2015



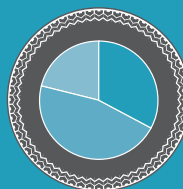
- Medium vans 42%
- Small vans 34%
- Large commercial vehicles 13%
- Cars 7%
- Buses, 4x4 and other specialist vehicles 4%

2014



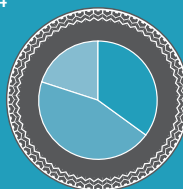
- Medium vans 41%
- Small vans 35%
- Large commercial vehicles 13%
- Cars 7%
- Buses, 4x4 and other specialist vehicles 4%

Fleet by customer size 2015



- Corporate fleets (>100) 33%
- Small and medium sized (5-100) 46%
- Micro fleets (<5) 21%

2014



- Corporate fleets (>100) 35%
- Small and medium sized (5-100) 45%
- Micro fleets (<5) 20%

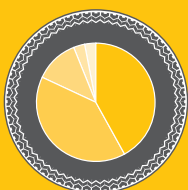
HASSLE FREE. FLEXIBLE. TRUSTED.



SPAIN

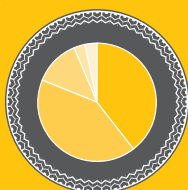
Customer numbers grew by 22%, predominantly through SME customers. This led to 4% fleet growth to ensure that we continue to meet our customers' needs.

Fleet mix
2015



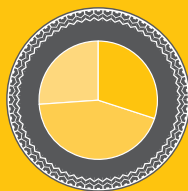
- Small vans 42%
- Cars 40%
- Large vans 12%
- 4x4 3%
- Large commercial and other 3%

2014



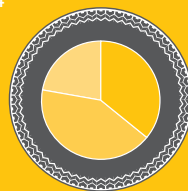
- Small vans 38%
- Cars 44%
- Large vans 10%
- 4x4 5%
- Large commercial and other 3%

Fleet by customer size
2015



- Corporate fleets (>100) 30%
- Small and medium sized (5-100) 44%
- Micro fleets (<5) 26%

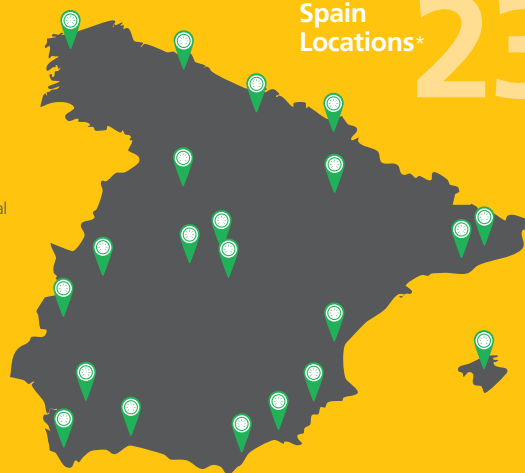
2014



- Corporate fleets (>100) 36%
- Small and medium sized (5-100) 42%
- Micro fleets (<5) 22%

Spain
Locations*

23



* Excludes the Canary Islands

FÁCIL. FLEXIBLE. DE CONFIANZA.

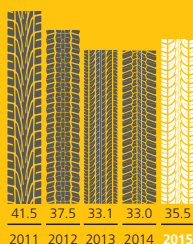


Find out more about our Spanish business at:
www.northgateplc.es

Vehicle sales (000's)



Vehicle purchases (000's)



Operating margin⁽⁶⁾

22.9%

Closing employees

900

Closing fleet

39,400

8%
INCREASE
in average
vehicles on hire

Marketplace

Overview

The Group operates predominantly in the light commercial vehicle (LCV) sector in the UK, Ireland and Spain.

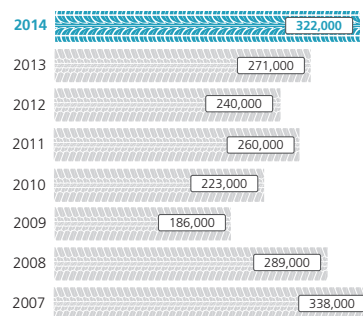
LCVs are characterised as vehicles with a weight limit of up to 3.5 tonnes, predominantly used for commercial purposes.

The total market size as defined by the number of LCVs on the road ('the vehicle parc') is estimated at 3.7m vehicles in the UK and 2.2m in Spain.

Vehicle registrations

A key indicator of activity within the LCV sector is through the number of new vehicle registrations in each year, which have progressed as follows:

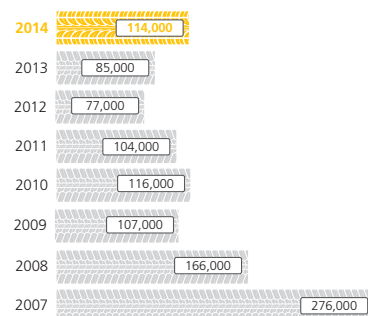
UK



Source: SMMT

Registrations are on a calendar year basis

Spain



Source: ANFAC

The registration of new vehicles reduced dramatically following the 2007–08 recession, with the UK almost returning to pre-recessionary levels in 2014. The recovery in Spain has lagged behind but showed significant growth of 34% in 2014.

Whilst the number of new registrations has dropped significantly over the past six years, the overall size of the vehicle parc has remained relatively stable, resulting in an increase in the average age of vehicles on the road.

Market characteristics

LCV operators have to decide how to procure vehicles, with the main alternatives being:

- Outright purchase of new vehicles;
- Contract hire or other long term financing arrangement;
- Flexible rental;
- Daily rental; or
- Acquisition of used vehicles in the secondary market.

The choice of acquisition method will depend upon the operational flexibility required, overall cost and the operator's availability of capital.

The market can be segmented based upon this need.

**8%
INCREASE**

in average vehicles
on hire in both the
UK and Spain



The main characteristics of each segment are outlined as follows:

	Characteristics	Typical competitors
Acquisition (new)	Long term commitment requiring availability of upfront capital to fund acquisition. Operators bear the full risk of operating the vehicle and funding running costs. The purchaser bears the risk of the residual value of the vehicle. This can be the cheapest headline cost, but overall holding cost can be higher if vehicles are not fully utilised. Vehicle failure can also lead to significant costs of business interruption.	Franchised dealers.
Contract hire	Long term contractual commitment (typically a minimum of 36 months). Penalties for early return of vehicles and excess mileage usage. Varying levels of operational support offered at additional cost.	Large companies often backed by financial institutions.
Flexible rental	No contractual or capital commitment coupled with operational flexibility and fleet management support. Vehicles are supplied fully inclusive of maintenance and without penalty for excess mileage. Customers have the ability to change the quantity and type of vehicles they have on hire easily. Flexible rental often provides the best whole life value for operators.	Some national companies but predominantly small regional operators.
Daily rental	Flexible, satisfying short term requirements at short notice but cost can be prohibitive for longer term vehicle requirements.	A combination of large multinationals down to small local operators.
Acquisition (secondary market)	Typically sold directly to owner managed businesses who may have capital constraints.	Franchised dealers and some national retailers down to small local operators and individuals trading via the Internet. Auction houses selling directly to the trade.

The Group operates in the flexible rental sector, with the emphasis being on educating potential customers that flexible rental, whilst not the cheapest headline cost, can provide the most benefit in terms of overall running costs and operational flexibility.

Northgate is the largest flexible rental provider in the UK and Spain with a market share of over 20% in both countries within that market.

Barriers to entry into the flexible rental sector are low, with new entrants often pursuing aggressive pricing strategies in order to gain market share. The emphasis of the Group remains on pricing our service commensurate with the level of customer service and operational flexibility provided.

The Group's vehicles which have reached the end of their rental life are also retailed directly within the secondary vehicle market or sold through auction if not of a retail standard.

Marketplace

CONTINUED

Customer segmentation

Fleet operators within the LCV sector can typically be characterised as follows:

Customer type	Common characteristics	Share of Northgate business
Corporate fleets (>100 vehicle fleets)	Fleet requirements are often balanced between a long term core need for vehicles and more flexible, medium and shorter term requirements. Fleets of this size are often provided through more than one acquisition method. Some operators will manage their fleet internally whilst others fully outsource to a fleet management provider.	UK 33% Spain 30%
SMEs (5–100 vehicle fleets)	Resource constraints mean that there often is not scope for managing vehicle fleets in-house. SMEs therefore often value operational flexibility which makes flexible rental an attractive alternative, particularly as it can provide the lowest whole life cost. An unwillingness to manage multiple suppliers also allows vehicle providers to take on a greater proportion, if not all, of the customer's vehicle requirements. The operational flexibility, especially for those businesses exposed to seasonal fluctuations or short term uncertainty, makes flexible rental an attractive prospect. The ability to return a vehicle when it is not needed or swap it for a more suitable alternative is often considered more important than the headline rental cost.	UK 46% Spain 44%
Micro businesses (<5 vehicle requirement)	Availability of capital, coupled with the hassle free service that flexible rental provides makes it an attractive alternative to other acquisition methods. A van is often a key element of trade for a micro business. Using flexible rental minimises the risk of business interruption through vehicle failure.	UK 21% Spain 26%

FLEXIBLE

Customers are able
to flex the quantity
and type of the
vehicles they have
on hire at
short notice



Find out more about the Group at:
www.northgateplc.com

Our strategy

The Group is seeking to increase returns through attracting new customers and improving retention rates, as well as matching pricing to customer usage. The combination of these factors will drive growth in both the UK and Spain.

Vision

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

Strategy for Growth – Group

The Group continues to seek to maximise shareholder return through exploiting the opportunities available to it through focussing on:

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

THREE DRIVERS

The three drivers we have identified to achieve this growth are:

CUSTOMER

1

NUMBERS

Retaining current customers and the attraction of new customers to the Group is a key priority. During the year we have seen an increase of 14% (2014 – 21%) in the number of businesses choosing to partner with us. This links to our customer service KPI.

INCREASING SHARE

2

OF CUSTOMER SPEND

We previously identified that a number of our customers partnered with more than one solution provider for their flexible vehicle needs, often as a result of vehicle availability or network reach issues. Through improving account management processes we have seen an increased level of activity from our existing customers. This links to our customer service and asset management KPI's.

PRICING

3

EFFICIENTLY

Improved information availability across the Group allows us to better match rates charged to customers with their usage. This enables us to take account of whole life vehicle running costs when determining pricing for customers. Minimum hurdle rates are also in place to avoid us taking on low margin business which constrains ROCE. This links to our pricing KPI.

SUCCESS IN THE COMBINATION OF THE ABOVE THREE FACTORS WILL HELP DRIVE OUR ROCE AND EPS PERFORMANCE



See our Key performance indicators on pages 32 and 33



14%
**INCREASE IN
CUSTOMER
NUMBERS**



Find out more about Northgate plc at:
www.northgateplc.com

Our business model

We have identified a clear market need, and our model ensures we offer the best solution.

Flexible rental

Operating a fleet of vehicles is both a crucial but potentially costly part of many businesses. Flexible rental allows customers to rent the type of vehicle they require for the length of time they need it. There are a number of reasons why flexible rental may be the best option for our customers' fleet needs. These are shown in the table below.

How we operate

In order to provide the best possible service to customers, as well as maximising returns, our business model focuses on the process of sustaining our fleet of vehicles through its rental life cycle.



Why choose flexible rental?

Factor	Explanation	Need met by
No capital or contractual commitment	No capital commitment frees up customers' cash for them to invest elsewhere. No contractual commitment avoids the risk of customers being burdened with a vehicle they may no longer require.	
No mileage penalties	Pricing is agreed based upon understanding of our customers' business. Punitive charges are not imposed for exceeding absolute mileage limits on each vehicle.	 
No residual market risk	Fluctuations in the values of used vehicles would otherwise increase uncertainty to our customers. We manage the risk of residual values through our disposal network.	 
Ability to flex vehicle size	Our customers' vehicle needs vary and so flexible rental allows them to change the size and type of vehicle to match the demands on their business at any given time.	
Inclusive of maintenance	The costs of maintaining a vehicle can soon mount up, increasing the overall cost of vehicle ownership. With flexible rental we take on the responsibility of servicing and maintenance.	 
24/7 support	Our national networks of branches and workshops provide 24/7 support, with replacement vehicles on hand to keep customers on the move.	  *
No early termination costs	We recognise that elements of our customers' business are unpredictable. Customers are therefore able to return vehicles as and when the need arises without being penalised.	 

* Available at additional cost.

KEY:  Flexible  Contract hire  Purchase

BUY

- Knowledge of our customers enables us to offer the vehicles they need
- We benefit from our size to negotiate pricing directly with manufacturers
- Purchases are balanced against sales to optimise the age, condition and utilisation of vehicles

MANAGE

- Network of branches across the UK and Spain
- Delivering flexible, hassle free and trusted service to our customers
- Ensuring vehicle availability meets demand
- Maintaining vehicles to a high standard through our national networks of maintenance facilities



SELL

- Proven process for assessing when a vehicle should be sold
- We offer the widest range of vehicles available in the market
- Use of optimal disposal routes – retail, trade or auction
- Established and growing Van Monster retail operation

Operational review

Attracting and retaining customers is a key area of focus, with specific programmes being implemented to improve retention and increase the number of new customers we work with.



Bob Contreras | Chief Executive

Group

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

Flexible rental

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

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

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

Review of the year

UK

We are pleased to report that our operating margin⁽⁵⁾ increased to 22.2% (2014 – 17.4%) and ROCE increased to 14.1% (April 2014 – 11.2%). This was mainly driven by the 8% increase in average vehicles on hire, improved asset management and a reduction in vehicle depreciation rates.

The changes in vehicle depreciation rates on 1 May 2012 and 1 May 2014 increased the current year operating profit by £8.4m. The new sites opened since February 2013 increased operating profit by £0.2m.

Adjusting for the depreciation changes and the new sites opened since February 2013 would reduce the current year operating margin to 20.7%.

Vehicles on hire and hire rates

As we have stated previously we are particularly targeting growth through small and medium sized customers. This strategy has been successful to date with customer numbers increasing by over 29% over the past two years.

Looking at our business split over the past year shows the following:

Closing vehicles on hire

	30 April 2015	30 April 2014	Change
Regional	33,800	32,200	1,600
National	14,800	15,400	(600)
	48,600	47,600	1,000

During the year we have experienced higher than planned levels of staff turnover within our sales force which meant that achievement against targets has been impacted. We have responded by implementing a number of changes, strengthening management of the sales team, which we anticipate will improve retention rates and further support our growth as we move forward.

**7%
INCREASE**

in UK customer
numbers since
April 2014

Average hire revenue per vehicle has been stable when compared to the same period last year.

Whilst revenue per vehicle has remained stable, improved customer profiling has reduced vehicle holding and maintenance costs. One of the main drivers of these reduced costs is the number of miles being driven by customers. Comparing end of vehicle rental life mileages shows the average miles being driven has fallen 8% when compared to the prior year.

After adjusting for damage recharged to customers, maintenance costs for the year ended 30 April 2015 are 2% higher than in the prior year, compared to an 8% increase in average fleet size.

Network

We previously identified large areas of the country where significant numbers of potential customers were not effectively serviced by an accessible Northgate site. We commenced our expansion plans in the final quarter of the year ended 30 April 2013 and opened seven sites by 30 April 2014.

Eight more sites have been opened in the year ended 30 April 2015, bringing the total branch network to 76. On average we anticipate these sites become profitable on a trading to date basis after two years and we expect ROCE to exceed 16% in year four as the sites reach maturity.

We estimate that each new site will, on average, operate a fleet of 600 vehicles by the end of year three, with vehicles on hire being 240 after 12 months, 410 after 24 months and 540 at the end of year three. Trading to date shows the following as at 30 April 2015:

	No. of sites	Ave. age (months)	Ave. on hire
0-6 months	4	2	110
7-12 months	4	10	240
13-18 months	2	15	200
19-24 months	3	21	380
25+ months	2	25	500

The 15 sites opened since February 2013 now have 3,900 vehicles on hire, of which 1,900 have been generated in the year ended 30 April 2015.

The impact of the 15 sites opened since February 2013 was an operating profit of £0.2m (2014 – £2.3m loss).

Our first focus was on establishing an enhanced branch network within the London area which provides the largest commercial opportunity. With the London footprint largely complete, we will continue the network expansion and have identified a further 14 locations across the remainder of the UK which would support a site at our required level of return. This would take the network up to 90 branches and we expect to reach this level in the next two to three years.

Asset Management

Utilisation for the period was 88% (2014 – 88%). Whilst utilisation remains a priority, we are also focused on ensuring that each branch has the right range of vehicles available for customers at all times to support the growth opportunities available. The fleet size increased from 53,900 at 30 April 2014 to 56,100 at 30 April 2015.



Operational review

CONTINUED

Following the decision to age the vehicle fleet in the prior year, purchases returned to expected levels and totalled 19,800 in the year ended 30 April 2015 compared to 17,000 in the same period in the prior year. The average age of the rental fleet is 21.1 months at 30 April 2015, compared to 22.3 months at 30 April 2014.

A total of 17,600 vehicles were sold compared to 14,000 in the year ended 30 April 2014.

With vehicle holding costs (depreciation) being the largest cost to the business, the disposal of vehicles is an area where significant progress and investment has been made over the past five years.

There are three main disposal channels that are utilised in the UK: retail, trade sales and auction. Retail sales (sold directly to end users) are where we sell our end of rental life fleet via our own Van Monster brand. Residuals are at a premium where the vehicle is sold via this channel.

In order to increase the number and percentage of vehicles being sold via this channel we have implemented the following initiatives over the past five years:

- Increased Van Monster retail outlets from seven in April 2010 to 13 at 30 April 2015;
- Increased brand awareness and customer reach through investment in online marketing;
- The introduction of seven defleet centres across the UK, where all defleeted rental vehicles are sent and where their disposal channel selection is made by experienced vehicle sales professionals; and
- Customer profiling of rental customers who use the vehicle in such a way that the whole life holding costs are minimised and returns maximised.

Looking at progress since the year ended April 2010, the percentage sold via the more profitable retail channel has increased from 19% to 31% in the year ended 30 April 2015. In the same period last year 27% were sold via this retail channel. In absolute terms the number sold via the retail channel has increased from 3,800 last year to 5,500 in the year ended 30 April 2015, an increase of 45%.

New LCV registrations were 322,000 in the 12 months ended 31 December 2014, this compares to the pre-recession peak seen in 2007 of 338,000. The impact of increased registrations will mean greater supply to the second hand market over the coming years and this increased supply is likely to put downward pressure on the residual values of vehicles. Our strategy of maximising sales via the more profitable retail sales channel aims to manage this market dynamic.

The improved resale values achieved, coupled with the increased number of vehicles being disposed of, resulted in a reduction in the depreciation charge of £27.8m, compared to a reduction of £20.0m in the prior year.

Spain

The Spanish economy continues to show signs of improvement and our Spanish business is well positioned to take advantage of this. We believe our product proposition is particularly suited to address the requirements of small and medium sized customers who struggle to obtain bank financing and appreciate the flexibility and service we provide. Growth, coupled with improved asset management, operational efficiency and the reduction in vehicle depreciation rates, led to an operating margin⁽⁶⁾ increase to 22.9% (2014 – 17.1%) and ROCE increased to 12.8% (April 2014 – 9.2%).

The change in vehicle depreciation rates on 1 May 2014 increased the current year operating profit in Spain by £3.0m. Adjusting for the impact of the depreciation change would reduce the current year operating margin to 20.8%.

Vehicles on hire and hire rates

Vehicles on hire at 30 April 2015 were 35,600, an increase of 900 in the year, compared to an increase of 2,600 in the same period last year. It is pleasing to see that the continued efforts in the commercial area of the business have led to sustained profitable growth.

Overall growth has been more modest this year as our Spanish business is targeting growth with higher margin SME customers (Regional) and being selective about renewing or defending larger business (National) as we continue to focus on improving returns. This has been achieved by a focus on the SME sector where we have seen a wider recognition and acceptance of our product proposition, and through an increased sales force and improved marketing focus.

Looking at our business split over the past year shows the following:

Closing vehicles on hire

	30 April 2015	30 April 2014	Change
Regional	19,900	18,500	1,400
National	15,700	16,200	(500)
	35,600	34,700	900

Customer numbers continue to increase, growing by 1,200 (22%) since 30 April 2014, compared to an increase of 900 in the prior year.

**22%
INCREASE**
in Spain customer
numbers since
April 2014



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

As a result of a change in our customer profile and productivity improvements, our vehicle maintenance costs are only 2% higher for the year ended 30 April 2015 compared to the prior year, despite the average fleet size being 8% higher.

Asset Management

Utilisation for the period was 91% (2014 – 92%). The fleet size in our Spanish operation increased from 37,800 at 30 April 2014 to 39,400 at 30 April 2015. In the year ended 30 April 2015, 12,400 vehicles have been purchased compared to 10,700 in the same period last year.

The average age of the rental fleet is 23.7 months at 30 April 2015, compared to 24.3 months at 30 April 2014.

A total of 10,300 vehicles were sold compared to 8,300 in the same period last year.

As with the UK business the vehicle holding cost (depreciation) is the largest cost in Spain. There are four main disposal channels that are open to Spain: retail sales, trade sales, auction and exports. As in the UK, retail sales are made via our Van Monster brand and attract higher residual values.

In order to increase the number and percentage of vehicles being sold via this channel the following has occurred over the past five years:

- Increased Van Monster retail outlets from one in April 2010 to eight at 30 April 2015;
- Increased brand awareness and customer reach via investment in online marketing; and
- Customer profiling to attract rental customers who use the vehicle in such a way that the whole life holding costs are minimised.

Due to the lower number and concentration of vehicle hire sites in Spain, we do not require the defleet centres that the UK operates as the relevant disposal expertise is available at all sites.

Looking at progress since the year ended April 2010, the percentage sold via the more profitable retail channel has increased from 2% to 16% in the year ended 30 April 2015, the same percentage as that sold in the prior year. In absolute terms the number sold via the retail channel has increased from 1,300 last year to 1,600 in the year ended 30 April 2015.

The improved resale values achieved, coupled with the increased number of vehicles being disposed of, resulted in a reduction in the depreciation charge of €16.0m, compared to a reduction of €6.8m in the prior year.

Given the continuing strength of used vehicle residual values, Spanish depreciation rates on the vehicle fleet have been reduced by 1.0%, taking effect from 1 May 2015. Based on the composition of the fleet as at 30 April 2015, this is expected to reduce the depreciation charge by £3.0m in the year ending 30 April 2016, which will reverse over the next five years as the current fleet is sold.

Bob Contreras
Chief Executive
29 June 2015

Financial review

Underlying profit before tax increased by £24.7m in the year. After adjusting for the impact of depreciation rate changes and exchange rates, this represents an increase of 26% for the Group.



Chris Muir | Group Finance Director

Financial reporting Group

A summary of the Group's underlying financial performance for 2015, with a comparison to 2014, is shown below:

	2015 £m	2014 £m
Revenue	614.3	571.5
Operating profit ⁽¹⁾	97.8	72.6
Profit before tax ⁽¹⁾	85.0	60.3
Profit after tax ⁽²⁾	67.9	46.8
Basic earnings per share ⁽²⁾	51.0p	35.1p
Return on capital employed ⁽³⁾	13.0%	9.9%

Group revenue in 2015 increased by 7% to £614.3m (2014 – £571.5m) or 11% at constant exchange rates. Hire revenue was £456.8m (2014 – £442.3m) including a £14.0m adverse impact of exchange rates.

The impact of the depreciation changes increased profit before tax by £11.4m.

Profit before tax⁽¹⁾ and operating profit⁽¹⁾ for the year ended 30 April 2015 was adversely impacted by the weakening Euro. On a constant currency basis the profit before tax⁽¹⁾ would have been £2.6m higher and operating profit⁽¹⁾ £3.2m higher.

Net underlying cash generation⁽¹⁰⁾ was £4.4m (2014 – £25.4m) after net capital expenditure of £218.4m (2014 – £194.4m) and a favourable exchange rate impact of £28.8m (2014 – £5.6m), resulting in closing net debt of £337.8m (2014 – £346.1m). Gearing⁽⁴⁾ improved to 81% (2014 – 91%).

On a statutory basis, operating profit was £95.8m (2014 – £63.5m) and profit before tax was £83.0m (2014 – £51.2m). Basic earnings per share were 50.1p (2014 – 29.9p). Net cash from operations, including net capital expenditure on vehicles for hire, was £8.5m (2014 – £30.7m).

Return on capital employed

Group return on capital employed⁽³⁾ was 13.0% compared to 9.9% in the prior year.

Group return on equity, calculated as profit after tax (excluding intangible amortisation and exceptional items) divided by average shareholders' funds, was 16.6% (2014 – 12.4%).

Borrowing facilities

During the year the Group successfully increased, amended and extended its existing multi bank facility. The increased facility includes a reduction in pricing.

81%
GEARING
(2014 – 91%)





TRUSTED

To fulfil all of our
customers' vehicle
needs to allow them
to concentrate on
better service to
their customers



Find out more about the Group at:
www.northgateplc.com

Financial review

CONTINUED

Taken together with other loans of the Group, £339.4m was drawn against total committed facilities of £524.3m as at 30 April 2015, giving headroom⁽¹¹⁾ of £184.9m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity
UK bank facility	506.0	326.8	179.2	Jun–18
Other loans	18.3	12.6	5.7	Up to Nov–15
	524.3	339.4	184.9	

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a maximum of 2.55% to a minimum of 1.80%. The net debt to EBITDA ratio at 30 April 2015 corresponds to a bank margin of 2.05%.

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 3.0%, giving an overall cost of the Group's borrowings at 30 April 2015 of 2.8%. This compares to an overall rate of 3.0% at 30 April 2014.

The Group made net borrowing drawdowns of £14.3m in the year. Scheduled total bank repayments on the amended bank facilities of £22.8m commencing in November 2016 are due before they mature in June 2018.

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

1. Interest cover ratio

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

Interest cover at 30 April 2015 was 7.75x (2014 – 5.6x) with EBIT headroom, all else being equal, of £59m.

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 biannually. The covenant ratio which must not be exceeded is 70%.

Loan to value at 30 April 2015 was 44% (2014 – 46%) giving net debt headroom, all else being equal, of £208m.

3. Debt leverage cover ratio

A maximum ratio of net debt to EBITDA, tested biannually on a rolling historic 12 month basis. The covenant ratio which must not be exceeded is 2.0x.

Debt leverage cover at 30 April 2015 was 1.4x (2014 – 1.5x) with EBITDA headroom, all else being equal, of £71m.

Dividend

The Directors recommend the payment of a final dividend of 10.2p per share in relation to the Ordinary shares for the year ended 30 April 2015 (2014 – 6.8p). Subject to approval by shareholders, the dividend will be paid on 22 September 2015 to ordinary shareholders on the register as at close of business on 21 August 2015.

Including the interim dividend paid of 4.3p (2014 – 3.2p), the total dividend relating to the year would be 14.5p (2014 – 10.0p). The dividend is covered 3.5 times by underlying earnings⁽²⁾.

UK

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

	2015 £m	2014 £m
Revenue		
Vehicle hire	311.3	292.4
Vehicle sales	115.0	90.7
	426.3	383.1
Operating profit ⁽¹²⁾	69.0	51.0
Operating margin ⁽⁵⁾	22.2%	17.4%

An increase in hire revenue of 6.5% (6.9% increase at constant exchange rates) was mainly driven by an increase in the average number of vehicles on hire of 7.7%, being partially offset by a 0.7% decrease in revenue per vehicle (including fleet management). Excluding fleet management, revenue per vehicle increased 0.4%.

Following the ongoing strength of the residual values of the vehicle hire fleet, the depreciation rates in the UK were reduced on 1 May 2012 and subsequently on 1 May 2014.

The net impact of these changes on the year ended 30 April 2015 operating profit is a benefit of £8.4m as follows:

	£m
Operating profit ⁽¹²⁾	69.0
Favourable impact of depreciation rate changes	(8.4)
Operating profit before change in depreciation rates	60.6
Year ended April 2014 operating profit ⁽¹²⁾	51.0

The above £8.4m favourable rate impact includes a benefit of £10.8m relating to the 1 May 2014 change, being partially offset by a £2.4m adverse impact relating to the change made on 1 May 2012.

The benefit of each reduction in depreciation rates reverses over the rental life of the vehicles, with the net book value at disposal increasing over time, reducing the required end of life adjustment to depreciation. Assuming the UK sells the same number of vehicles as it sold in the current year the following table estimates the profit impact on future periods:

	Net book value increase per vehicle £	Operating profit impact £m
FY16	338	(5.9)
FY17	586	(10.3)
FY18	737	(13.0)

The FY18 operating profit impact of £13.0m comprises an unwind of the £10.8m benefit from the 1 May 2014 change plus a remaining £2.2m unwind in relation to the 1 May 2012 change.

An improvement in residual values was augmented by an increase in the volume of used vehicles sold, which contributed to £7.8m of the increase in operating profit.

Days sales outstanding remain constant at 39 days.

Spain

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

	2015 £m	2014 £m
Revenue		
Vehicle hire	145.5	149.9
Vehicle sales	42.4	38.5
	187.9	188.4
Operating profit ⁽¹³⁾	33.3	25.6
Operating margin ⁽⁶⁾	22.9%	17.1%

A decrease in hire revenue of 2.9% (5.7% increase at constant exchange rates) was due to a 7.6% increase in average vehicles on hire and a 1.8% reduction in average hire revenue per vehicle. After adjusting for changes to vehicle mix the reduction in average revenue per vehicle is 1.0%.

Vehicle hire revenue and operating profit⁽¹³⁾ in 2015, expressed at constant exchange rates, would have been higher than reported by £12.8m and £2.9m respectively.

As disclosed in the 2014 Annual Report, following the ongoing strength of the residual values of the vehicle hire fleet, the depreciation rates were reduced on 1 May 2014. The net impact of this change on the year ended 30 April 2015 operating profit is a benefit of £3.0m or €3.9m as follows:

	£m
Operating profit ⁽¹³⁾	43.0
Favourable impact of depreciation rate changes	(3.9)
Operating profit before change in depreciation rates	39.1
Year ended April 2014 operating profit ⁽¹³⁾	30.4

Used vehicle residual values continued to improve and contributed £12.3m (2014 – £5.7m) to operating profit in the year with 10,300 vehicles sold (2014 – 8,300).

Following our review and due to the ongoing strength of the residual values, the Board has decided to further reduce depreciation rates prospectively by 1.0% from 1 May 2015. We estimate this change will have a similar impact on the FY16 operating profit as the depreciation rate change made on 1 May 2014.

The benefit of the 1 May 2014 and 1 May 2015 reductions in vehicle depreciation rates reverses over the life of the rental vehicles, with the net book value at disposal increasing over time, reducing the required end of life adjustment to depreciation. Assuming Spain has an average vehicle holding period of 42 months, the following table estimates the impact on future periods:

	Net book value increase per vehicle €	Operating profit impact €m
FY16	150	(1.7)
FY17	371	(4.2)
FY18	586	(6.6)
FY19	715	(8.0)

Days sales outstanding continued to reduce from 54 days at 30 April 2014 to 44 days at 30 April 2015, due to the continued improvements in controls, processes and customer mix.

Corporate

Corporate costs⁽¹⁴⁾ were £4.5m compared to £3.9m in the prior year.

Exceptional items

During the year no exceptional costs were incurred (2014 – £6.2m).



Financial review

CONTINUED

Interest

Net finance charges for the year were £12.8m (2014 – £12.4m).

The net cash interest charge was the same as the prior year at £12.4m. The charge was impacted by the increased levels of debt (£0.6m) and an increase in non-utilisation fees (£0.5m) as a result of the expanded facility. However, this was offset by the reduced rate on the new facilities (£0.7m) coupled with a favourable exchange impact (£0.4m).

Non-cash interest was £0.4m (2014 – £Nil) relating to the arrangement fees on the Group bank facility which was revised in the year.

Taxation

The Group's underlying effective tax charge for its UK and overseas operations was 20% (2014 – 22%).

The underlying tax charge excludes the tax on exceptional items, brand royalty charges and intangible amortisation.

Including these items the Group's statutory effective tax charge was 19% (2014 – 22%).

Earnings per share

Underlying basic earnings per share (EPS)⁽²⁾, were 51.0p (2014 – 35.1p). Statutory basic earnings per share were 50.1p (2014 – 29.9p).

Underlying earnings for the purposes of calculating EPS⁽²⁾ were £67.9m (2014 – £46.8m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the previous year.

Balance sheet

Net tangible assets at 30 April 2015 were £418.4m (2014 – £381.7m), equivalent to a net tangible asset value of 314.0p per share (2014 – 286.5p per share).

Gearing⁽⁴⁾ at 30 April 2015 was 81% (2014 – 91%) reflecting an £8.3m reduction in net debt.



Employee engagement

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

CORE VALUES

Professionalism
Team work
Can-do attitude

Cash flow

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

	2015 £m	2014 £m
Underlying operational cash generation	251.6	235.4
Net capital expenditure	(218.4)	(194.4)
Net taxation and interest payments	(28.8)	(15.6)
Net underlying cash generation⁽¹⁰⁾	4.4	25.4
Dividends	(14.6)	(12.2)
Share purchases and debt issue costs	(12.2)	(2.8)
Net cash (outflow) generated	(22.4)	10.4
Opening net debt	346.1	362.7
Net cash outflow (generated)	22.4	(10.4)
Other non-cash items	(1.9)	(0.6)
Exchange differences	(28.8)	(5.6)
Closing net debt	337.8	346.1

Underlying cash generation⁽¹⁰⁾ was £4.4m compared to £25.4m in the previous year.

A total of £350.1m was invested in new vehicles in order to replace fleet compared to £301.4m in the prior year. The Group's new vehicle outlay was partially funded by £135.9m of cash generated from the sale of used vehicles. Other net capital expenditure amounted to £4.2m.

After capital expenditure, payments of interest and tax of £28.8m, dividends of £14.6m and other items of £12.2m, net cash outflow (as defined in the table above) was £22.4m, compared to a £10.4m inflow in the previous year.

Treasury

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

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

Credit risk

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

Liquidity and funding

The Group has sufficient funding facilities to meet its normal funding requirements in the medium term as discussed on page 26. Covenants attached to those facilities as discussed on page 26 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. Gearing⁽⁴⁾ at 30 April 2015 was 81% compared to 91% at 30 April 2014.

Financial review

CONTINUED

Interest rate management

The Group's bank facilities and other loan agreements incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering at least 50% of its borrowings at any time. The proportion of gross borrowings hedged into fixed rates was 73% at 30 April 2015 (2014 – 76%).

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:

	2015 £ : €	2014 £ : €
Average	1.29	1.19
Year end	1.38	1.22

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 2015 accounts should be prepared on a going concern basis the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowings facilities and the risks and uncertainties relating to its business activities in the current economic climate.

The principal risks and uncertainties of the Group are outlined on pages 34 and 35. 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 2015 accounts.

Chris Muir

Group Finance Director
29 June 2015

- (1) Stated before intangible amortisation of £2.0m (2014 – £2.9m) and exceptional administrative expenses of £Nil (2014 – £6.2m).
- (2) Stated before intangible amortisation of £2.0m (2014 – £2.9m), exceptional administrative expenses of £Nil (2014 – £6.2m) and tax on brand royalty charges, intangible amortisation and exceptional items of £0.9m (2014 – £2.2m).
- (3) Calculated as operating profit⁽¹⁾ divided by average capital employed, being shareholders' funds plus net debt.
- (4) Calculated as net debt divided by tangible net assets, with tangible net assets being net assets less goodwill and other intangible assets.
- (5) Calculated as operating profit⁽²⁾ divided by revenue of £311.3m (2014 – £292.4m), excluding vehicle sales.
- (6) Calculated as operating profit⁽³⁾ divided by revenue of £145.5m (2014 – £149.9m), excluding vehicle sales.
- (7) Stated before intangible amortisation of £5.0m, exceptional administrative expenses of £6.7m and exceptional finance costs of £15.2m.
- (8) Calculated as operating profit⁽⁵⁾ divided by average capital employed, being shareholders' funds plus net debt.
- (9) Net debt taking into account the fixed swapped exchange rate for US loan notes.
- (10) Net increase in cash and cash equivalents before financing activities.
- (11) Headroom calculated as facilities of £524.3m less net borrowings of £339.4m. Net borrowings represent net debt of £337.8m less unamortised arrangement fees of £1.6m and stated after the deduction of £9.7m of cash balances, which are available to offset against borrowings.
- (12) Stated before intangible amortisation of £1.9m (2014 – £2.3m), exceptional administrative expenses of £Nil (2014 – £5.5m) and brand royalty charge of £0.4m (2014 – £Nil).
- (13) Stated before intangible amortisation of £0.1m (2014 – £0.6m), exceptional administrative expenses of £Nil (2014 – £0.1m) and brand royalty charge of £4.9m (2014 – £5.0m).
- (14) Stated before exceptional administrative expenses of £Nil (2014 – £0.1m) and brand royalty credits of £5.3m (2014 – £5.0m).
- (15) Stated before intangible amortisation of £5.0m and exceptional administrative expenses of £6.7m.



Key performance indicators

	Description	Performance
Financial	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.	Through a combination of operational and financial factors Group ROCE⁽³⁾ has increased from 9.9% in the previous year to 13.0%.
	Earnings per share (EPS) EPS performance is a key measure of our current profitability.	- EPS⁽²⁾ was 51.0p compared to 35.1p in the previous year. - Underlying earnings rose from £46.8m last year to £67.9m this year. The weighted average number of shares was 133.2m in both years.
Operational	Asset management The overall holding cost of vehicles (being the difference between the price at which we buy and sell our vehicles) needs to be minimised and utilisation needs to be maintained at a high level in order to maximise ROCE. The age of the fleet needs to be managed to an optimal level in order to meet the needs of our customers and minimise running costs. Utilisation needs to be balanced against the need to have sufficient fleet available to satisfy our customers' needs.	- The percentage of disposals through retail channels increased to 31% in the UK (2014 – 27%) and remained steady at 16% in Spain (2014 – 16%), enabling vehicles to be sold at improved residual values. - The average fleet age in the UK was 21.1 months (2014 – 22.3 months) and 23.7 months in Spain (2014 – 24.3 months). - Utilisation was 88% in the UK (2014 – 88%) and 91% (2014 – 92%) in Spain.
	Pricing The revenue per vehicle achieved is a key contributor to ROCE. The hire rates we charge our customers need to reflect the levels of service and flexibility that our customers enjoy.	Revenue per rented vehicle was stable in the UK (2014 – 1% increase) and reduced by 1% in Spain (2014 – 1% reduction). However, improved customer profiling is increasing overall in life returns.
	Customer service In order to grow the business we must deliver the highest levels of customer service to support our current customers and to set us apart from our competitors as we continue to grow.	- The closing net promoter score in the UK was 45%. The equivalent score for Spain was 34%. - Customer numbers in the UK grew by 7% (2014 – 21%) and in Spain by 22% (2014 – 20%).
	Staff retention Attracting, retaining and developing the right people is key to the successful delivery of our strategy.	Group staff turnover was 22% compared to 21% in the previous year.

Target	Risk Factor Link*	Business Model Link		
		Buy	Manage	Sell
○ All of the KPIs are targeted towards increasing ROCE. ○ In the short term, as the business expands, ROCE will be impacted by the capital investment required. Over the longer term ROCE is targeted to exceed levels previously achieved.	     			
○ Our strategy for profitable growth targets an increase in EPS in the short term alongside longer term return on equity.	     			
○ We will aim to increase the proportion of vehicles disposed of through retail channels. ○ We will seek to maintain our fleet at an age that offers our customers attractive vehicles coupled with low operational costs of running the fleet. ○ The target for each segment is to maintain utilisation above 90%, balanced against the requirement to have the right range of vehicles available in branch for our customers.	    			
○ We will continue to maintain minimum hire rate thresholds, seeking to increase prices balanced against the full life return of our vehicles.	 			
○ In both segments we will seek to continue to improve our Net Promoter Scores above industry leading standards. ○ We will continue to grow customer numbers, with a continued focus on profitable SME business.				
○ We aim to manage staff turnover below industry standards.				



* See our Principal risks and uncertainties on pages 34 and 35

Principal risks and uncertainties

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

-  **Increased**
-  **Decreased**
-  **Stayed the same**

since the prior year.

Risk	Impact before mitigation
1 Economic Environment The demand for our products and services could be affected by a downturn in 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 variability in profits. An adverse change in macro-economic conditions could also increase the risk of customer failure and therefore incidences of bad debts.
2 Competition and hire rates The markets in which the Group operates are fragmented and competitive, with competitors often pursuing aggressive pricing strategies to increase their market share. This leads to a risk of the Group being forced to reduce hire rates to retain current business or attract new customers. There is a risk that lack of understanding of the Group's product offering and low brand awareness could lead to the Group not taking full advantage of the opportunities open to it.	As our business is highly operationally geared any decrease in hire rates will impact profit and shareholder returns to a greater extent.
3 Vehicle holding costs The profitability of the Group is dependant upon minimising vehicle holding costs, which are affected by the pricing levels of new vehicles purchased and the disposal value of vehicles sold.	An increase in holding costs, if not recovered through hire rate increases, would adversely affect profitability, shareholder returns and cash generation.
4 Employees and the working environment Failure to attract, develop and retain individuals with the appropriate skills will inhibit the successful delivery of our strategy. Inadequate maintenance of our vehicles and a working environment where individuals do not receive appropriate training and support could place employees and customers' employees at risk from failures in health and safety.	Failure to invest in our workforce and high levels of staff turnover will impact upon customer service and delivery of the Group's strategic objectives. Failures in health and safety would put the reputation of the business at risk, both in terms of attracting and retaining talent and maintaining customer relationships. Our recruitment processes seek to attract individuals who will exemplify our core values of professionalism, team work and can do attitude. Each new joiner receives an introduction to the company's culture as well as our processes.
5 IT systems The Group's business involves a high number of operational and financial transactions across numerous sites which rely on the continuous operation of our IT systems.	Should IT systems fail, whether the cause is accidental or malicious, this could have an adverse impact on both the ongoing operations of the Group and the recording and processing of financial information.
6 Access to capital The Group requires capital to replace vehicles at the end of their rental life and for any growth in the fleet. The Group therefore requires continued access to adequate credit facilities to remain in compliance with its financial covenants.	Failure to maintain or extend access to credit facilities could impact on the Group's abilities to continue as a going concern.

Mitigation	Evaluation
Should there be a significant economic downturn the flexible nature of the Group's business model allows any vehicles returned to be placed with different customers. Alternatively, utilisation can be maintained through purchasing fewer vehicles, increasing disposals or a combination of the two. Although this may affect short term profitability it generates cash and reduces debt. No individual customer contributes more than 5% of total revenue generated, and ongoing credit analysis is performed on new and existing customers to assess credit risk. Economic conditions in Spain have improved and the business has successfully diversified its customer base, particularly away from the construction sector, which was particularly badly affected by the recession. An increasing proportion of customers in Spain are now signed up to direct debit payments or advanced payments, further reducing the risk of customer failure.	
As the Group continues to focus on return on capital, all hire rates offered to customers must exceed certain hurdle rates. Our current pricing strategy is focused on ensuring that we charge an appropriate price for the product and ancillary services provided, which reflects the benefits provided to our customers. Although flexible rental is not necessarily the cheapest option it will attract customers for whom it is the best option and protect the Group from solely price led competition. The Board is currently reviewing the Group's route to market, which will include a review of our marketing strategy and reinforcing the benefits of our product offering through training of commercial teams.	
Pricing is negotiated with manufacturers on an annual basis in advance of purchases being made. Variable supply terms allow us flexibility to make purchases as required throughout the year. Whilst the Group is exposed to fluctuations in the used vehicle market, we have sought to increase the level of sales made through our more profitable retail channel. Should the market experience a short term decline in residual values, we can age our existing fleet until such time as the market improves.	
Personal development plans and tailored training are conducted for all employees. Salaries are benchmarked against the market and a range of incentives are provided to attract and retain staff. Succession plans are in place for executive positions. Regular communication and engagement with everyone across the business is vital to our success. The Group Health and Safety and Internal Audit functions are responsible for delivering health and safety best practice and reporting any non-compliance to the Board. Our scheduling and compliance department is overseen by Internal Audit and ensures that vehicles are maintained to the required standards.	
The Group has an appropriate business continuity plan in the event of disruption arising from an IT systems failure. Before any material system changes are implemented a project plan is approved by the Board. A member of the executive team will then lead the project and an ongoing implementation review will be performed by either Internal Audit or external consultants where appropriate. The objective is always to minimise the risk of business disruption that could result from changes.	
The Group's existing facilities mature in June 2018 and the Group believes that these facilities provide adequate resources for present requirements. The Group reviews its compliance with covenants on a monthly basis in conjunction with cash flow forecasts to ensure ongoing compliance. The impact of access to capital on the wider risk of going concern is considered on page 30.	

Corporate social responsibility

Our corporate responsibility

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

How we manage corporate responsibility

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

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

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

The Group is committed to all of its employees acting ethically at all times and has a Code of Business Conduct which communicates expected behaviour on a range of subjects.

We recognise that employees are the key resource required to deliver the high levels of customer service that maintain our competitive advantage and we remain committed to equality.

As a business we seek to limit our impact on the environment and aim to be a good neighbour and member of our local community.

Health & safety

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

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

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

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

The main way that health & safety across the business is monitored is by the Accident Frequency Rate (AFR) during the course of our work. The AFR is calculated as the number of accidents reportable under the Reporting of Injuries, Diseases and Dangerous 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 AFRs reported are as follows:

	2015	2014
UK	1.1	1.5
Spain	2.2	3.4
Group	1.5	2.2

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 maintain our competitive advantage. At 30 April 2015 we had 2,971 (2014 – 2,833) employees across the Group, 2,057 in the UK (2014 – 1,968) and 914 in Spain (2014 – 865).

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

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



Northgate is committed to equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation or political bias.

As at 30 April 2015, the gender breakdown of the workforce across the Group was:

	Male	Female
Directors	6	1
Senior Managers	18	–
All Employees	2,092	879

Throughout the year we have continued to invest in the learning and development of our workforce. This investment will continue to assist in enabling us to improve the quality and standard of our service delivery and continue to increase the level of customer retention, by ensuring all colleagues contribute to their full potential.

During the year we introduced an online Personal Development Plan (PDP) appraisal programme in the UK business. The PDP enabled all colleagues to recognise and fulfil their potential by focusing on individual, departmental and organisational goals. Feedback from the PDPs also resulted in the introduction of regionally based Learning and Development Business Partners (L&DBPs), to help and support the management population across the business.

The Managerial Assessment of Proficiency (MAP) programme for the management population in the

business continued throughout the year. The MAP competency based assessment is now supported internally by the LEAD (Learn, Engage, Apply, Develop) management development programme. LEAD, using a blended learning approach, with one to one support from the L&DBPs, has in excess of 180 managers now completing this Institute of Leadership and Management endorsed programme.

The Northgate Sales Academy will launch in September 2015. Dedicated Sales Academy learning partners will give training and development to further support our commercial team.

To up-skill colleagues we offered the opportunity for all UK employees to complete the nationally recognised level two NVQ in customer service. To date 274 colleagues have begun their journey and expect to qualify by 2016.

In September 2014 20 young apprentices successfully achieved the prestigious Technical Certificate, for completing the level 3 framework as part of the Technical Apprenticeship programme. We are currently recruiting for 24 further apprentices who will commence training in September 2015. This continues to demonstrate our commitment to supporting colleagues in their growth and development within the Group.

Regular and consistent communication and engagement with everyone across the business is vital to our success, ensuring we all share in our values, vision and goals. A number of activities

are undertaken across the business to achieve this and our communication strategy has enhanced our employee engagement, as we look to maximise the use of channels available.

Our emphasis is placed on monthly briefings, face-to-face meetings, talks and discussions between managers and their teams. This is supported by developments in technology and communication training.

We understand that communication and engagement is critical, so we are constantly improving and evolving to ensure everyone lives our core values and feels part of Northgate in order for us to achieve our Group objectives.

Human rights

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

 Find out more about our corporate responsibility policy at:
www.northgateplc.com

Environment

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

Corporate social responsibility

CONTINUED

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

During the year the Group has chosen to engage with the Carbon Disclosure Project (CDP) for the first time and is also working with a third party to fulfil our Energy Savings Opportunity Scheme (ESOS) obligations.

The UK business has introduced a new 'printing league' to measure printer usage across the business as we seek to reduce the volume of paper we use.

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 80% of all waste streams generated and collected from our Spanish operations. We continue to work closely with our waste management partners to improve waste management arrangements and performance across the Group.

As at 30 April 2015, the UK business operated from a total of 91 locations including 76 rental sites. The Spanish business operates from a total of 38 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.

Greenhouse gas emissions

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

Reporting and baseline year

The information presented covers the period from 1 May 2014 to 30 April 2015. The base year for calculations is the year ending 30 April 2014.

Consolidation approach and organisational boundary

The emissions data presented has been derived using the operational control approach, required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Each facility under operational control has been included within the figures. Northgate has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1.

Methodology

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

Greenhouse gas emissions figures

Greenhouse Gas Emissions Source	Tonnes of CO ₂ e 2015	Tonnes of CO ₂ e 2014
Scope 1 – Combustion of fuel and operation of facilities	5,865	5,980
Scope 2 – Electricity, heat, steam and cooling	4,343	4,348
Intensity ratio: Tonnes of CO ₂ e per £m of revenue	22.3	23.4

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

Our customers and suppliers

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

As at 30 April 2015 the UK fleet of 56,100 vehicles had an average age of 21.1 months. The total fleet in Spain was 39,400 vehicles with an average age of 23.7 months. All vehicles purchases in the year ended 30 April 2015 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. During 2015 we received a Silver Occupational Health & Safety award for our health & safety arrangements from RoSPA.

The Group encourages employees to partake in activities in aid of charities and the UK business publicises such activities on the Company Intranet. During the current year examples of such activities are: donation of a van to carry equipment for a sponsored bike ride in aid of cancer and dementia sufferers; a branch taking part in the November campaign; a booksale in aid of Oxfordshire Air Ambulance; and an employee cycling from London to Newcastle in support of the Meningitis Research Foundation. Engaging with charities at a local level helps the business to reinforce that we are an active member of our local community.

David Henderson

Secretary
29 June 2015

GOVERNANCE



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Board of Directors



1

Bob Mackenzie ACA **Chairman**

Appointed to the Board as Chairman in February 2010. Prior to his appointment, he was Chief Executive of Sea Containers Ltd, including the Chairmanship of its subsidiary, GNER. He was formerly Chairman of Dometic Holdings AB, a Swedish based manufacturing company, Chairman of PHS Group plc and held senior executive board appointments with National Parking Corporation, BET plc, Storehouse plc and Hanson plc. He has also acted as a senior advisor to a number of private equity funds. More recently, in June 2014, he was appointed Executive Chairman of The AA plc. He qualified as a Chartered Accountant with KPMG in 1978. Age 62.

2

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 52.

3

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 39.

4

Andrew Allner FCA **Non-executive Director**

Appointed to the Board as a non-executive Director and to the Chair of the Audit and Risk Committee in September 2007. Andrew is currently non-executive Chairman of Marshalls plc, the Go-Ahead Group plc and Fox Marble Holdings plc. He was Group Finance Director of RHM plc, taking a lead role in its flotation in July 2005 on the London Stock Exchange. Prior to joining RHM plc, Andrew was CEO of Enodis plc and has served in senior executive positions with Dalgety plc, Amersham International plc and Guinness plc. He was also a non-executive Director of AZ Electronic Materials SA from 2010 to 2014, a non-executive Director of CSR plc from 2008 to 2013 and of Moss Bros Group plc from 2001 to 2005. A graduate of Oxford University, he is a former partner of Price Waterhouse and is a Fellow of the Institute of Chartered Accountants in England and Wales. Age 61.

5

Jan Astrand MBA **Non-executive Director**

Appointed to the Board as a non-executive Director in February 2001. A Swedish national, Jan is also executive Chairman of Speedy Hire plc. He was a non-executive Director of Lavendon Group plc from December 2010 until February 2014. He was Chairman of CRC Group plc until January 2007. Prior to this, he was Chairman of Car Park Group AB in Stockholm and also Senior Independent Director of PHS Group Plc. From 1994 to 1999 he was President and Chief Executive of Axus International Inc. (previously known as Hertz Leasing International). From 1989 to 1994 he was Vice President, Finance and Administration and Chief Financial Officer of Hertz (Europe) Ltd and before that he was Chief Financial Officer of Commodore International Ltd based in the US. Age 68.

6

Jill Caseberry **Non-executive Director**

Appointed to the Board as a non-executive Director in December 2012. Jill has extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods. She currently runs her own sales and marketing consultancy and is CEO of Enhance Drinks Ltd, a beverage start-up business. Prior to setting up these businesses Jill was general manager of a Premier Foods division. Age 50.

7

Andrew Page ACA **Non-executive Director**

Appointed to the Board and as Senior Independent Director in December 2014. Andrew is currently also Senior Independent Director of Carpetright plc (appointed July 2013). He is a non-executive Director of RPS Group plc (appointed September 2014), Schroder UK Mid Cap Fund plc (appointed October 2014) and JPMorgan Emerging Markets Investment Trust plc (appointed January 2015). He previously held a number of senior positions in the leisure and hospitality industry, most recently as CEO of The Restaurant Group plc which he joined in 2001 and from which he retired in September 2014. Prior to that he was Senior Vice President with Intercontinental Hotels Group. He also served as Senior Independent Director of Arena Leisure plc from 2009 until its takeover in 2012. Andrew trained and qualified as a chartered accountant with Peat Marwick LLP following which he spent six years with Kleinwort Benson Group plc as a corporate financier. Age 57.

Board committees

Audit & Risk

Andrew Allner (Chairman), Jill Caseberry

Remuneration

Jill Caseberry (Chairman), Andrew Allner, Andrew Page and Bob Mackenzie

Nominations

Bob Mackenzie (Chairman), Andrew Allner, Andrew Page, Jill Caseberry

Report of the Directors

The Directors present their report and the audited accounts for the year ended 30 April 2015.

Results

Profit for the year after taxation was £66,802,000 (2014 – £39,883,000).

An interim dividend of 4.3p per share was paid on the Ordinary shares on 12 January 2015.

The Directors recommend the payment of a final dividend of 10.2p per share on the Ordinary shares. This dividend, if approved, will be paid on 22 September 2015 to shareholders on the register at close of business on 21 August 2015.

Principal activities

The Company is an investment holding company.

The principal subsidiaries are listed in Note 16 to the accounts.

Close company status

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

Capital structure

Details of the issued share capital, together with details of any movements during the year, are shown in Note 23. The Company has one class of Ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

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

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

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

Details of employee share schemes are set out in the Remuneration Report. Shares held by the Capita Trust are

voted on the instructions of the employees on whose behalf they are held. Shares in the Guernsey Trust are voted at the discretion of the Trustees.

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

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

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

Interests in shares

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

	30 April 2015	29 June 2015
Standard Life Investments Ltd	16,608,553 (12.47%)	16,608,553 (12.47%)
Capital Group	12,465,075 (9.36%)	11,987,296 (8.99%)
Old Mutual Plc	10,514,146 (7.89%)	9,467,467 (7.11%)
Aberforth Partners	6,632,743 (4.98%)	6,632,743 (4.98%)
Artemis Investment Management Ltd	6,536,818 (4.90%)	6,536,818 (4.90%)
Aviva Plc	6,163,320 (4.63%)	6,163,320 (4.63%)
Legal & General Group Plc	5,307,060 (3.98%)	5,307,060 (3.98%)
Royal London Asset Management Ltd	4,080,397 (3.06%)	4,080,397 (3.06%)

Directors

Details of the present Directors are listed on pages 40 and 41. All have served throughout the year except Andrew Page who was appointed on 2 December 2014. Tom Brown resigned as a Director on 18 September 2014.

Resolutions to reappoint each of the Directors in office at the date of this report will be proposed at the Annual General Meeting except for Bob Mackenzie and Jan Astrand, who will be retiring from office at the conclusion of that meeting.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 45 to 62.

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: www.northgateplc.com

Employee consultation

Employees are kept informed on matters affecting them as employees and on various issues affecting the performance of the Group through 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: www.northgateplc.com

Political donations

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

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations are included in the CSR section of the Strategic Report on pages 36 to 38.

Remuneration report

The Directors' Remuneration Report contains:

- a statement by Jill Caseberry, Chairman of the Company's Remuneration Committee on pages 45 and 46; and
- the annual report on remuneration, which sets out payments made in the financial year ended 30 April 2015 on pages 47 to 55.

These will be put to an advisory shareholder vote by ordinary resolution. The Directors' Remuneration Policy, which sets out the Company's forward looking policy on Directors' remuneration (including the approach to exit payments to Directors) and which was approved by shareholders last year, is included for reference purposes. This policy is subject to a binding shareholder vote by ordinary resolution at least every three years.

If the Company wishes to change the Directors' Remuneration Policy, it will need to put the revised policy to a further vote before it can be implemented. No such changes are proposed this year.

Power to allot shares

The present authority of the Directors to allot shares was granted at the Annual General Meeting held in September 2014 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 2016 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 approximately 33% of the present issued Ordinary share capital and is within the limits approved by the Investment Association and the National Association of Pension Funds.

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

A special resolution will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis. This power to disapply pre-emption rights has historically been limited to a maximum amount representing approximately 5% of the Company's issued share capital in accordance with best practice guidelines on the disapplication of pre-emption rights issued by The Pre-Emption Group.

A recent change to those guidelines has now introduced greater flexibility for companies to undertake non pre-emptive issues for cash. Specifically, the Statement of Principles has been relaxed to allow companies the opportunity to finance expansion opportunities as and when they arise. The Board would like to have the flexibility that this change affords. Accordingly, in line with the revised Statement of Principles which have been endorsed by the Investment Association, the Company is seeking, in addition to the customary disapplication power up to an aggregate nominal amount of £3,330,000 representing approximately 5% of the current issued Ordinary Share capital which is sought at Resolution 12b, a disapplication power over a further 5% of the Company's share capital provided that the additional power sought at Resolution 12c is only used in connection

Report of the Directors

CONTINUED

with acquisitions and specified capital investments which are announced contemporaneously with the issue, or which have taken place in the preceding six month period and are disclosed in the announcement of the issue.

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

The Directors have no present intention of exercising this authority and confirm their intention to follow the provisions of The Pre-Emption Group’s Statement of Principles regarding cumulative use of such authorities within a rolling three year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the Company’s issued share capital in any rolling three year period, other than to existing shareholders, without prior consultation with shareholders. This limit excludes any Ordinary shares issued pursuant to a general disapplication of pre-emption rights in connection with an acquisition or specified capital investment.

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 120 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 pages 24 to 30 and in Notes 21 and 36 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 appointment of PricewaterhouseCoopers 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.

PricewaterhouseCoopers LLP will replace Deloitte LLP as the Group’s external auditor. Further information on this is given in the Report of the Audit and Risk Committee on pages 63 to 65.

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

By order of the Board

David Henderson

Secretary
29 June 2015

Remuneration report

Chairman's Introduction

Dear Shareholder

I became Chairman of the Remuneration Committee with effect from the 2014 AGM: this coincided with shareholders giving your support for our Annual Report on Remuneration and Remuneration Policy with votes in favour of 94% and 95% respectively. Thank you for your support.

Committee changes

There have been two other personnel changes in the past year. Tom Brown, the previous Remuneration Committee Chairman, retired in September 2014 after nine years' service. I would like to thank Tom for his commitment and valuable counsel. Andrew Page joined the Northgate Board in December 2014 and also became a member of the Remuneration Committee. Andrew's extensive financial and general management experience will be of real value going forward.

In accordance with the Large and Medium-size Companies and Groups (Accounts and Reports) (Amendment) regulations 2013 this report is presented in two parts:

- The Annual Report on Remuneration 2015, including this statement, which summarises the key issues dealt with by the Remuneration Committee during the past year; and
- The approved Remuneration Policy, which has no changes to prior year, but is included for ease of reference.

We will seek your support in the form of an advisory vote for the Annual Report on Remuneration, and this statement, at the AGM on 17 September 2015.

Business performance

The Board focuses on the long term future of the Group and in the year under review we continued to deliver against our strategy for growth.

Underlying financial highlights:

- Increase in PBT to £85.0m (2014 – £60.3m), including an £11.4m benefit from the change in vehicle depreciation rates and a £2.6m adverse effect of the weakening Euro;
- 13.0% ROCE an increase from 9.9% in 2014;
- Basic earnings per share of 51.0p (2014 – 35.1p);
- Full year dividend of 14.5p per share, 45% increase vs. 10.0p in 2014.

The Group started the new year in a strong position having successfully increased our penetration of the SME market, grown total vehicles on hire by 1,900 since April 2014 and continued the geographical expansion by opening a further eight new sites in the UK.

The Group remains committed to exploiting growth opportunities, where appropriate levels of return can be anticipated and shareholders' best interests are served.

Purpose

The primary objective of the Remuneration Committee is to ensure a clear link between performance and reward whilst enabling the business to attract, retain and motivate high calibre executives with the experience to lead the business and deliver the strategy.

Overall Reward Structure

As previously stated, the Committee believes that total reward should be around the median level for a company of Northgate's size and type, and that a greater weighting be applied to the variable elements of remuneration to deliver greater incentive and alignment with shareholder interests.

Basic Pay

Salary reviews were conducted in line with Remuneration Policy taking into account business performance, personal contribution and workforce comparison. Salary increases for the CEO and FD were approved at 2%, effective from 1 May 2015, which is in line with that awarded to the general UK workforce.

Annual Bonus

To reflect the change in Group priorities from recovery to growth in the year ended 30 April 2015, Directors' bonus criteria were changed, with 75% of the maximum depending on achieving PBT targets and 25% on strategic objectives, with the attainment of a ROCE threshold (excluding the effect of new branch openings) as an underpin.

As a result of these achievements and delivery against their strategic objectives, overall bonuses of 90.33% of the permitted maximum have been awarded to the CEO and 100% to the FD. Full details of the bonus calculations can be found on page 49.

Remuneration report

Chairman's Introduction

CONTINUED

Executive Performance Share Plan (EPSP)

The EPSP award to be granted in 2015 will be based on two separate performance conditions. EPS will continue to account for 60% of the award. However, the Committee has decided that it would be better for shareholders to assess the efficient use of capital through using TSR than the Committee measuring it with ROCE targets. Relative TSR will therefore account for the remaining 40% of the award. The level of award relative to salary is unchanged. Further details are given on page 55.

The EPS targets are set to encourage progressive and sustainable growth of earnings for shareholders. Since 2013 they have been a threshold of CPI +3% p.a. and a stretch of CPI +11% p.a. and this will continue for the 2015 award.

The EPSP award granted on 17 August 2012 was based on performance over the three years ended 30 April 2015. This award was subject to a historical performance split of 50% for EPS and 50% for ROCE and has resulted in a 47.1% vesting for the CEO and FD. Further detail regarding this award can be found on pages 49 and 50.

Other Items

There has been an increase in the Directors' shareholding requirement to 150% of base salary. Both the CEO and FD already meet this requirement and it will be included in the Policy when it is next put to a shareholder vote.

For the fourth consecutive year, the Committee agreed an award of Free Shares under the All Employee Share Scheme. All staff with the qualifying 12 months' service will receive 75 shares after the Preliminary Results announcement.

As previously reported depreciation rates were reduced on 1 May 2012 and 1 May 2014 in the UK and 1 May 2014 in Spain. Where appropriate when setting new targets the Committee will take this into account. With regards to current EPSP awards it has been agreed that the Committee will review the situation at the end of each relevant year when the exact impact is known and make any appropriate adjustments.

Shareholder feedback

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

Jill Caseberry

Chairman of the Remuneration Committee
29 June 2015

Definitions

The Committee	The Remuneration Committee of the Board of Northgate plc
AGM	Annual General Meeting
The Group	The Company and its subsidiaries
CEO	Chief Executive
FD	Group Finance Director
ESG	Environmental, Social and Governance
Remuneration Policy	That section of the Report which is subject to a binding shareholder vote
Annual Report on Remuneration	That section of the Report which is subject to an advisory shareholder vote
HMRC	HM Revenue & Customs
EPSP	Executive Performance Share Plan
DABP	Deferred Annual Bonus Plan
EPS	Basic underlying earnings per share
ROCE	Underlying return on capital employed

SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme
KPIs	Key performance indicators
Listing Rules	The Listing Rules of the Financial Conduct Authority
Marginal Contribution	All revenue except from the sale of used vehicles, less the depreciation charge on hire vehicles
CPI	Consumer Price Index
MPSP	Management Performance Share Plan (closed to new awards from 2013)
NBS	New Bridge Street, a trading name of Aon plc
PBT	Underlying profit before tax
TSR	Total Shareholder Return

Remuneration report

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Report on Remuneration and the Chairman's Annual Statement will be put to an advisory shareholder vote at the 2015 AGM. The information on pages 47 to 55 has been audited.

The Remuneration Committee

The members of the Committee are listed in the table below. All are independent non-executive Directors, as defined under the Corporate Governance Code, with the exception of the Group Chairman, R D Mackenzie, who was independent on his appointment.

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

	Number of meetings attended out of potential maximum
G Caseberry (Committee Chairman from 18 September 2014)	5 out of 5
THP Brown (Committee Chairman until 18 September 2014)	3 out of 3
AJ Allner	5 out of 5
RD Mackenzie	5 out of 5
A Page (Appointed to the Committee on 28 January 2015)	2 out of 2

The CEO and UK HR Director attend meetings by invitation and assist the Committee in its deliberations, except when issues relating to their own remuneration are discussed. No Directors are involved in deciding their own remuneration. The Company Secretary acts as Secretary to the Committee.

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

The total fees paid to NBS in respect of its services to the Committee during the year were £9,770 (2014 – £26,994). The fees are predominantly charged on a 'time spent' basis.

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

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

The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman and the executive Directors of the Company as well as the Company Secretary. The senior executives below Board level, both in the UK and Spain, also have a significant influence on the ability of the Company to achieve its goals.

Accordingly, in addition to setting the remuneration of the executive Directors, the Committee also reviews the remuneration for these senior employees to ensure that their rewards are competitive with the market and that they are appropriate relative to the Board and employees generally. The Committee also reviews remuneration policy generally throughout the Group.

Remuneration report

Annual Report on Remuneration

CONTINUED

Remuneration for the year ended 30 April 2015

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2015 (or for performance periods ending in the year ended 30 April 2015 in respect of long term incentives) and in the year ended 30 April 2014.

£'000 Executive Directors		Salary & Fees	Taxable Benefits ⁽¹⁾	Annual Bonus ⁽³⁾	Long Term incentive ⁽⁴⁾	Pension ⁽²⁾	Other	Total
RL Contreras	2015	400	18	542	802	72	5 ⁽⁵⁾	1,839
	2014	375	18	163	Nil	68	4 ⁽⁵⁾	628
CJR Muir	2015	250	18	250	427	45	5 ⁽⁵⁾	995
	2014	225	18	98	Nil	40	4 ⁽⁵⁾	385
Chairman								
RD Mackenzie	2015	160	–	–	–	–	–	160
	2014	160	–	–	–	–	–	160
Non-executive Directors								
AJ Allner	2015	65	–	–	–	–	–	65
	2014	60	–	–	–	–	–	60
JG Astrand	2015	55	–	–	–	–	–	55
	2014	50	–	–	–	–	–	50
THP Brown ⁽⁶⁾	2015	31	–	–	–	–	–	31
	2014	68	–	–	–	–	–	68
G Caseberry	2015	63	–	–	–	–	–	63
	2014	51	–	–	–	–	–	51
A Page ⁽⁷⁾	2015	49	–	–	–	–	–	49

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

Note 1: Taxable Benefits:

	RL Contreras £'000	CJR Muir £'000
Car allowance	17	17
Medical insurance	1	1

Note 2: The executive Directors are members of a group personal pension plan. They contribute 4% of basic salary and are entitled to a contribution from the Company of 18% of basic salary. In view of the Annual Allowance cap, part of Bob Contreras' and Chris Muir's entitlements were paid to them in cash.

Note 3: This relates to the payment of the annual bonus for the year. The bonus is paid part in cash and part in shares. Details of the performance targets are provided below.

Note 4: This relates to the 2012 EPSP award details of which are given on page 49. The 2011 award resulted in a nil vesting.

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

Note 6: Tom Brown retired from the Board on 18 September 2014.

Note 7: Andrew Page was appointed on 2 December 2014. Additional fees of £5,000 per month are payable during the period that the SID works alongside the Chairman until he takes over the Chairman's role. This reflects the significant extra responsibility and time involved to ensure that the transition takes place smoothly and efficiently.

Annual bonus for the year ended 30 April 2015

Deferred annual bonus plan

The bonus for the executive Directors in respect of the year under review was based as to 75% on Group PBT and 25% on strategic objectives, with a ROCE underpin of 11.9% (being 95% of budget, excluding the impact of new branch openings in the UK), below which no bonus would be payable. ROCE on the above basis was 13% for the year ended 30 April 2015.

As outlined in last year's Remuneration Report, the maximum potential bonus for the CEO was increased from 100% to 150% of basic salary but with a higher performance target to achieve that level of bonus. The maximum potential bonus for the FD remained at 100% of basic salary.

For the CEO, the bonus is paid 50% in cash and 50% in shares up to 100% of salary. Any bonus earned in excess of this is paid wholly in shares. For the FD the bonus is paid 50% in cash and 50% in shares. The shares are deferred for three years, subject to continued employment. Both the cash and share elements are subject to clawback, further details of which are given on page 54.

The matrix of target PBT levels and the percentage of the maximum available for this element was as follows:

	Lower	Plan	Upper	CEO stretch
Target PBT - £m	76.1	80.1	84.1	85.7
CEO	16.67%	41.67%	83.3%	100%
FD	25%	50%	100%	

Group PBT for the year was £85.0m.

The Committee determined that the most important non-financial strategic objective for the year was to position the Group for future growth with the right IT and reporting systems. The FD's objectives were centred on designing and implementing financial reporting systems and the CEO's on the broader reporting system and planning a world class IT system. The Committee assessed the performance against these objectives and felt that the FD had fully met the objectives and the CEO had partially met the higher level of stretch inherent in his bonus arrangements.

The resulting bonuses for 2015 were as follows:

	PBT	Strategic objectives	Total	Maximum £'000	Achievement £'000	Cash £'000	Shares £'000
RL Contreras	69.50%	20.83%	90.33%	600	542	200	342
CJR Muir	75%	25%	100%	250	250	125	125

Vesting of EPSP awards

The EPSP award granted on 17 August 2012 was based on performance over the three years ended 30 April 2015. As disclosed in previous annual reports, the performance condition for this award was as follows:

Performance Condition	Threshold target (25% Vesting)	Stretch target (100% Vesting)	End measurement point	Actual	Adjusted*	% Vesting
EPS (50% of award)	31.5p+ (CPI +3% p.a.) = 35.8p	31.5p+ (CPI +11% p.a.) = 44.7p	Final year of the performance period	51p	44.2p	47.9
ROCE (50% of award)	13.75%	14.41%	Average of the 3 years of the performance period	11.6%	–	Nil

* Adjusted for the impact of the change in vehicle depreciation rates which was not envisaged when the targets were set. This change increased EPS by 6.8p which has been excluded. No adjustment to the ROCE result has been calculated, as the actual resulted in a nil award. It is the Committee's intention to make adjustments in future years to financial targets to reflect the change in depreciation policy.

Remuneration report

Annual Report on Remuneration

CONTINUED

The resulting vesting position will therefore be:

	Original award (shares)	Total vesting %	Total shares vesting
RL Contreras	269,138	47.9	128,917
CJR Muir	143,450	47.9	68,712

EPSP awards made during the year

On 27 June 2014, the following EPSP awards were granted to executive Directors:

	Type of award	Basis of award granted	Share price at 25 June 2014 ⁽¹⁾	Number of shares over which award was granted	Face value of award (£)	% of face value that would vest at threshold performance	Vesting determined by performance over
RL Contreras	Nil cost option	150% of salary of £400,000	510p	117,647	600,000	25%	Three financial years to 30 April 2017
CJR Muir	Nil cost option	150% of salary of £250,000	510p	73,529	374,998	25%	As above

Note 1: The closing price on the date of the Preliminary Announcement of the results for FY2013/14.

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

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (60% of award)	35.1p+(CPI+3%p.a.)	35.1p+(CPI+11%p.a.)	Final year of the performance period
ROCE (40% of award)	11.7%	12.6%	Average of the three years of the performance period

Percentage change in remuneration levels

	2014	2015	% change
CEO (£'000)			
– salary	375	400	6.67
– benefits	18	18	Nil
– bonus	163	542	232.52
Average per UK employee (£)			
– salary	22,826	23,739	4.00
– benefits	1,612	1,501	(6.89)
– bonus	701	1,928	175.04

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

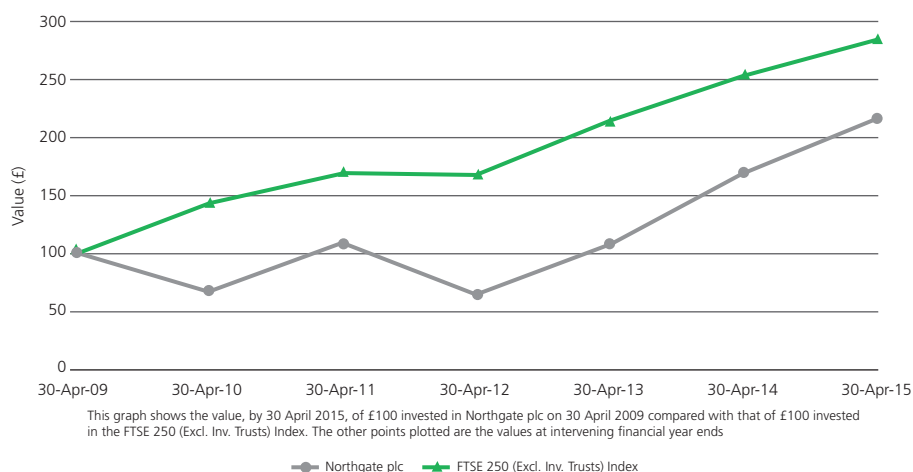
Performance graph

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 six years. As the Company has been a constituent of the FTSE 250 index for the majority of the last six 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 2015 was 645p (30 April 2014 – 518p). The range during the year was 450p to 656p.

The chart below shows the Company's TSR performance against the performance of the FTSE 250 index from 30 April 2009 to 30 April 2015.

Total shareholder return

Source: Thomson Reuters



Total remuneration for CEO

	Year ended 30 April					
	2010	2011	2012	2013	2014	2015
Total Remuneration (£'000)	831	821	1,115	859	628	1,839
Annual bonus (% of maximum)	76%	100%	100%	0%	43.59%	90.33%
Long term incentive vesting (% of maximum)	0%	0%	100%	33 1/3%	0%	47.9%

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

Relative importance of spend on pay

	2014 £000	2015 £000	% increase
Staff costs	£84,993	£93,332	9.8%
Dividends	£12,259	£14,632	19.4%

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

Remuneration report

Annual Report on Remuneration

CONTINUED

Outstanding share awards

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

RL Contreras

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2014	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2015	End of performance period	Vesting date	Exercise period
EPSP	12.10.09	Nil	130,952	–	–	–	–	130,952	30.04.12	12.10.12	12.10.12 – 12.10.19
EPSP	11.08.10	Nil	100,864	–	–	–	–	100,864	30.04.13	11.08.13	11.08.13 – 11.08.20
EPSP	28.07.11	Nil	171,546	–	–	–	171,546	–	30.04.14	28.07.14	28.07.14 – 28.07.21
EPSP	17.08.12	Nil	269,138	–	–	–	–	269,138	30.04.15	17.08.15	17.08.15 – 17.08.22
EPSP	09.07.13	Nil	165,684	–	–	–	–	165,684	30.04.16	09.07.16	09.07.16 – 09.07.23
EPSP	27.06.14	Nil	–	117,647	–	–	–	117,647	30.04.17	27.06.17	27.06.17 – 27.06.24
DABP	11.08.10	Nil	29,719 ⁽¹⁾	–	–	–	–	29,719	–	11.08.13	11.08.13 – 11.08.15
DABP	30.08.11	Nil	9,149 ⁽²⁾	–	9,149	–	–	9,149	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	327.9	9,149 ⁽³⁾	–	9,149	–	–	9,149	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	Nil	44,220 ⁽¹⁾	–	44,220	–	–	44,220	–	30.08.14	30.08.14 – 30.08.21
DABP	20.07.12	Nil	78,947 ⁽¹⁾	–	–	–	–	78,947	–	20.07.15	20.07.15 – 20.07.22
DABP	11.07.14	Nil	–	16,025 ⁽¹⁾	–	–	–	16,025	–	11.07.17	11.07.17 – 11.07.24

CJR Muir

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2014	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2015	End of performance period	Vesting date	Exercise period
EPSP	28.07.11	Nil	80,054	–	–	–	80,054	–	30.04.14	28.07.14	28.07.14 – 28.07.21
EPSP	17.08.12	Nil	143,450	–	–	–	–	143,450	30.04.15	17.08.15	17.08.15 – 17.08.22
EPSP	09.07.13	Nil	99,410	–	–	–	–	99,410	30.04.16	09.07.16	09.07.16 – 09.07.23
EPSP	27.06.14	Nil	–	73,529	–	–	–	73,529	27.06.17	27.06.17	27.06.17 – 27.06.24
MPSP	11.08.10	Nil	6,328	–	–	6,328	–	–	30.04.13	11.08.13	11.08.13 – 11.08.20
DABP	11.08.10	Nil	9,337 ⁽¹⁾	–	–	9,337	–	–	–	11.08.13	11.08.13 – 11.08.15
DABP	30.08.11	Nil	7,295 ⁽⁴⁾	–	7,295	–	–	7,295	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	327.9	7,295 ⁽³⁾	–	7,295	–	–	7,295	–	30.08.14	30.08.14 – 30.08.21
DABP	20.07.12	Nil	2,908 ⁽⁵⁾	–	–	–	–	2,908	–	20.07.15	20.07.15 – 20.07.22
DABP	20.07.12	209	2,908 ⁽³⁾	–	–	–	–	2,908	–	20.07.15	20.07.15 – 20.07.22
DABP	20.07.12	Nil	33,934 ⁽¹⁾	–	–	–	–	33,934	–	20.07.15	20.07.15 – 20.07.22
DABP	11.07.14	Nil	–	9,615 ⁽¹⁾	–	–	–	9,615	–	11.07.17	11.07.17 – 11.07.24

The share price at 30 April 2015 was 645p.

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

Note 1: Deferred Award.

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

Note 3: Approved Option.

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

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

2013 EPSP awards

The performance period for this award ends on 30 April 2016. The award is subject to an EPS target, requiring EPS growth of CPI +3% p.a. to CPI +11% p.a. and a ROCE target, being the average over the three years of the performance period, being 11.5% to 12.4%.

SIP

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

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

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

The fourteenth annual cycle ended in December 2014 and resulted in 434 employees acquiring 74,801 Partnership shares at 513p each and being allocated the same number of Matching shares. As at 30 April 2015 the Capita Trust held 1,432,327 50p Ordinary shares that have been allocated to employees from the first 14 cycles.

The fifteenth annual cycle started in January 2015 and currently some 630 employees are making contributions to the scheme at an annualised rate of £559,000.

During the year, an award of 100 Free shares was made to all eligible employees with one year's service. The total number of shares awarded was 125,100.

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

Sourcing of shares

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

DABP and MPSP

To date, awards under these two schemes have been satisfied through open market purchases by an employee benefit trust based in Guernsey (the Guernsey Trust). During the year 2,150,000 (2014 – 790,000) Ordinary shares were purchased by the Guernsey Trust and 169,600 (2014 – 451,141) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2015 the Guernsey Trust held 1,910,135 (2014 – 116,063) Ordinary shares as a hedge against the Group's obligations under these schemes.

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

EPSP

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

SIP

Awards may be satisfied either by new issue or market purchase or by a combination of the two. The total number of shares required to satisfy the allocation made in January 2015 was 149,602 (2014 – 206,474) of which 74,932 were transferred from the Guernsey Trust, with the balance of 74,670 (2014 – 68,641) being shares already held by the Capita Trust from forfeiture during the year. The 125,100 free shares referred to above were also sourced from the Guernsey Trust.

At 30 April 2015 the Capita Trust held 35,552 (2014 – 32,079) Ordinary shares which had been forfeited as a result of early withdrawals post January 2015.

Remuneration report

Annual Report on Remuneration

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Overall plan limits and clawback

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

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

The dilution position as at 30 April 2015 was 1.61% under the EPSP, MPSP and DABP and 2.09% under the SIP.

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

Directors' shareholding and share interests

The executive Directors are required to build up a shareholding equivalent to 150% of salary, to be achieved primarily through the retention, after tax, of share options exercised under the long term incentive share plans, until such time as their share ownership target has been met. Directors are not required to go into the market to purchase shares, although any shares so acquired would count towards meeting the guidelines. The Chairman and non-executive Directors are not subject to a formal shareholding guideline. Details of the Directors' interests in shares are shown in the table below:

Share Interests

	Beneficially owned at 30 April 2015	Outstanding EPSP awards		Outstanding DABP awards		Interests in SIP subject to forfeiture	% shareholding guideline achieved at 30 April 2015
		Vested but not exercised	Not vested	Vested but not exercised	Not vested		
RL Contreras	120,058	231,816	552,469	83,088	94,972	1,850	193.6
CJR Muir	68,230	–	316,389	7,295	46,457	1,850	176.0
RD Mackenzie	100,000	–	–	–	–	–	N/A
AJ Allner	13,090	–	–	–	–	–	N/A
JG Astrand	51,915	–	–	–	–	–	N/A
G Caseberry	–	–	–	–	–	–	N/A
A Page	–	–	–	–	–	–	N/A

No changes in the above interests have occurred between 30 April 2015 and the date of this report.

Remuneration for FY2016

2015 Salary Review

The executive Directors' salaries were reviewed in April 2015 and increased as set out in the Chairman's Annual Statement on pages 45 and 46.

The current salaries as at 1 May 2015 are as follows:

	Salary as at 1 May 2014	Salary as at 1 May 2015	Increase
RL Contreras	£400,000	£408,000	2%
CJR Muir	£250,000	£255,000	2%

Fees for the Chairman and non-executive Directors

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

	Fee as at 1 May 2014	Fee as at 1 May 2015	Increase
Chairman	£160,000	£163,200	2%
Base fee	£55,000	£55,000	0%
Senior Independent Director	£10,000	£10,000	0%
Audit Committee Chairman	£10,000	£10,000	0%
Remuneration Committee Chairman	£10,000	£10,000	0%

Fees were last reviewed at 1 May 2015.

Performance targets for the annual bonus and EPSP awards to be granted in 2015

For 2015, the annual bonus will be based on PBT as to 75% and a range of strategic and operational objectives for the remaining 25%, with a ROCE underpin.

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

The EPSP awards to be granted in 2015 will be subject to two separate performance conditions, with EPS accounting for 60% of the award and TSR compared to the FTSE 250 (Excluding Investment Trusts) Index of Companies for the remaining 40%. The performance conditions are as follows with intermediate vesting between the threshold and stretch targets:

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (60% of award)	CPI +3% p.a.	CPI +11% p.a.	Final year of the performance period
TSR (40% of award)	Median	Upper quartile	End of the three year performance period

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

Award levels for 2015 will be 150% of salary for the EPSP for both the CEO and FD. Annual bonus opportunity will be 150% of salary for the CEO and 100% of salary for the FD.

Statement of shareholder voting and shareholder feedback

At last year's AGM, voting against the Annual Report on Remuneration was 5.6% of the total votes cast and against the Remuneration Policy was 4.8% of the total votes cast.

Approval

This Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Jill Caseberry

Chairman of the Remuneration Committee
29 June 2015

Remuneration report

Remuneration policy report

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

How the views of shareholders are taken into account

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

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

If any shareholders raise concerns with regard to remuneration issues, we would endeavour to understand and respond to those concerns either by meetings or correspondence, as appropriate.

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

Consideration of employment conditions elsewhere in the Group

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

The remuneration policy for Directors

The Committee aims to ensure that executive Directors are fairly and competitively rewarded for their individual contributions by means of basic salary, benefits in kind and pension benefits. High levels of performance are recognised by annual bonuses and the motivation to achieve the maximum benefit for shareholders in the future is provided by the allocation of long term incentives. Only basic salary is pensionable. The Committee's policy is to apply greater weighting to the variable elements of executive remuneration and, by incentivising the longer term performance of the Company, to provide greater alignment with the interests of shareholders.

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

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

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

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

Key aspects of the remuneration policy for Directors

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

Remuneration report

Remuneration policy report

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Element	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus	To encourage and reward delivery of the Company's operational objectives and to provide alignment with shareholders through the deferred share element	The annual bonus is based on performance against one or more financial targets. A proportion (not exceeding 25%) may also be based on non-financial strategic KPIs. Details of the performance measures and targets (where these are not considered commercially sensitive) set for the year under review are provided in the Annual Remuneration Report. Up to 100%, half of any bonus earned is paid in shares and any bonus earned in excess of 100% of salary will be paid entirely in shares, which are available to executive Directors after three years ordinarily subject to continued employment. The Remuneration Committee has the discretion to adjust the final outcome upwards or downwards in the event that an exceptional event outside of the Directors' control occurs, which, in the Committee's opinion, materially affected the bonus out-turn. Clawback provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, misrepresentation or such other exceptional circumstances as the Committee determines.	For CEO only: 150% of salary at stretch performance 62.5% of salary at target performance 25% of salary at threshold performance Other executive Directors: 100% of salary at stretch performance 50% of salary at target performance 25% of salary at threshold performance For performance below threshold, no bonus is payable.
Long term incentives	To encourage and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares	Annual awards of performance shares (or Nil cost options) to executive Directors. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years. Since the EPSP was approved by shareholders in 2010, awards have been granted subject to both an EPS and a ROCE performance condition. Other measures and/or longer performance periods may be proposed in the future if the Committee feels that they would better support the Company's medium or long term objectives. If the Committee considers that the changes are substantive it will consult with the Company's major shareholders prior to making any changes. Clawback provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, misrepresentation or such other exceptional circumstances as the Committee determines.	The maximum grant limit in the plan rules is 150% of salary (face value of shares at grant) although exceptionally 250% may be used, e.g. in recruitment. The normal grant policy is 150% of salary for each executive Director. 25% of the grant vests for threshold performance increasing in a straight line to 100% for maximum performance. If performance is below threshold for a measure, then the proportion of the award subject to that measure will lapse.

Element	Purpose and link to strategy	Operation	Maximum opportunity
All employee share scheme (SIP)	All employees including executive Directors are encouraged to become shareholders through the operation of an all-employee HMRC approved SIP. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders.	The SIP has standard terms under which all UK employees can participate. The rules for this plan were last approved by the shareholders at the 2011 AGM.	Employees can elect to contribute up to a maximum amount determined by the Company and within the statutory limits for SIPs per month from pre-tax salary which is used to buy shares in the Company. The Company may in addition make an award of free Matching shares at a ratio not exceeding the statutory limit for SIPs. The Company may also make awards of Free shares to all employees including executive Directors, on an equal basis. The maximum award would not exceed the maximum limit for SIPs.
Non-executive Director fees	To attract and retain a high calibre Chairman and non-executive Directors by offering a market competitive fee level	The Chairman is paid a single fee for all his responsibilities. The non-executives are paid a basic fee. The Chairmen of the main Board committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed every two to three years by the Committee and Chief Executive for the Chairman and by the Chairman and executive Directors for the non-executive Directors within the overall limit set by the Articles of Association and with reference to market levels in comparably sized FTSE companies, time commitment and responsibilities of the non-executive Directors. Fees are paid in cash.	The maximum aggregate amount is currently £400,000 as provided in the Articles of Association. A resolution to amend the Articles of Association to increase this amount to £700,000 is to be proposed at the 2014 Annual General Meeting. Details of the outcome of the most recent fee review are provided in the Annual Remuneration Report.

Remuneration report

Remuneration policy report

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Choice of performance measures and approach to target setting

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

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

Awards under the EPSP will be based on performance against one or more financial measures. The measures since 2010 have been ROCE and EPS. The Committee has selected these measures to closely reflect the importance the Board places on profitability and balance sheet management. The Committee considers EPS and ROCE are the most appropriate measures at the time of setting this executive Directors' Remuneration Policy since they incentivise the executives to both improve the earnings profile of the Group and manage balance sheet efficiency (important for a capital intensive business), both of which should flow through to superior returns for shareholders. The Committee will review the choice of performance measures and set appropriately challenging targets prior to each award being made based on market conditions and the Company's long term priorities and business plan at that time. The targets for outstanding awards are set out in the Annual Report on Remuneration.

Annual bonus plan and share plan policy

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

- Who participates in the plans;
- When to make awards and payments;
- How to determine the size of an award, a payment, or when and how much of an award should vest;
- How to deal with a change of control or restructuring of the Group;
- Other than in the case of stated good leaver reasons whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant;

- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends); and
- What the weighting, measures and targets should be for the annual bonus plan and EPSP from year to year.

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

All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding (detailed on page 52 of the Annual Report on Remuneration), remain eligible to vest based on their original award terms.

Share ownership requirements

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

Differences in remuneration policy for executive Directors compared to other employees

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

External non-executive Director positions

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

Approach to recruitment and promotions

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

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

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

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

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

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

Service contracts & payments for loss of office

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

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

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

In summary, the contractual provisions are as follows:

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

Remuneration report

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Any share based entitlements granted to an executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill health, redundancy, transfer of the employee's employing business out of the Group or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. Under the EPSP, awards held by good leavers will usually be scaled back for the actual period of service and vest at the date of cessation although the Committee has the discretion to not scale back if it considers this is appropriate and also to determine that vesting should be at the usual time. DABP awards held by good leavers will usually vest on cessation or if the Committee determines at the usual vesting date. For share awards under the EPSP and held by good leavers, awards remain subject to the performance conditions.

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

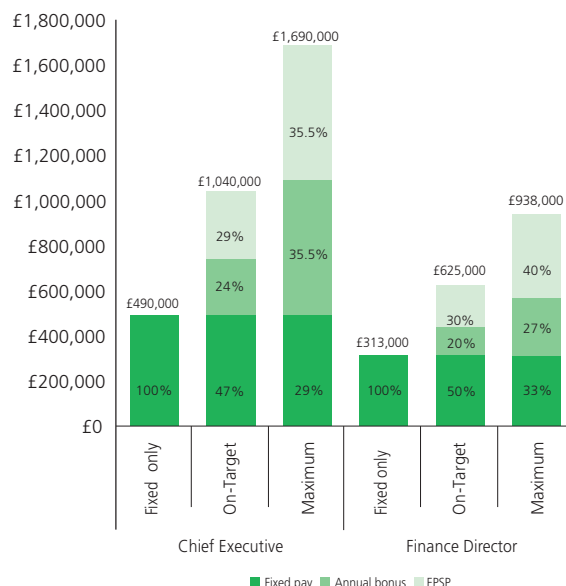
Legacy arrangements

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

Reward scenarios

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

Executive Director total remuneration at different levels of performance



Assumptions:

Fixed Pay = salary + benefits + pension.

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

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

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

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

Report of the audit and risk committee

Chairman's Introduction

Dear Shareholder,

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

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

During the year we conducted a formal tender process for the external audit. This was a rigorous process and resulted in strong proposals from all four firms that competed. After careful consideration PricewaterhouseCoopers LLP was recommended to the Board for appointment as auditor for the year ending 30 April 2016. I would like to thank Deloitte LLP, the outgoing firm, for their excellent service and advice.

The key accounting issue considered during the year was determining appropriate depreciation rates for our vehicles. This is an area where the accounting rules do not facilitate an easy understanding of the accounts and underlying trends in the business. After some rigorous debate our focus turned to how we could ensure that the impact of the depreciation changes necessary was clearly explained in the financial reports. I hope we have done so.

The other area I would like to highlight and where I believe we have made good progress is risk management. During the year we have carried out both bottom up and top down exercises identifying and quantifying the key risks the Group faces: the top down exercise included requesting the non-executive Directors to prepare their own risk summaries to ensure we gained as broad a view as possible. There is further scope for improvement and the focus in the coming year will be on the development of more rigorous mitigation plans and more formal consideration of risk appetite.

Along with many other companies more work is necessary to ensure that cyber risks are fully understood and that appropriate mitigating actions and controls are in place. This is now under way and has underlined the need for increasing vigilance and urgency in this area.

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

Andrew Allner

Chairman of the Audit and Risk Committee
29 June 2015

Report of the audit and risk committee

Role

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

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

In summary these include:

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

The terms of reference have 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 has impacted on the work of the Committee in respect of the financial year ended 30 April 2015 and will do so in future years.

Membership

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

	Date of appointment	Qualification
AJ Allner (Chairman)	26 September 2007	FCA
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.

Tom Brown stood down from the Committee in September 2014.

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 2015 are given on page 66.

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 2014, the Committee has:

- reviewed the financial statements for the years ended 30 April 2014 and 2015, the half yearly report issued in December 2014 and the Interim Management Statement issued in September 2014. As part of this review process, the Committee received reports from Deloitte LLP on the full and half year results;
- reviewed and agreed the scope of the audit work to be undertaken by Deloitte LLP and agreed their fees;
- monitored the Group's risk management process and business continuity procedures, including in respect of cyber security;
- reviewed the effectiveness of the Group's system of internal controls;
- reviewed the Group's whistleblowing procedures;
- 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;
- monitored the Group's going concern status;
- reviewed the findings from the FRC's 2014 Audit Quality Review and as a result, agreed Deloitte's recommendations for future improvements in audit testing;
- reviewed the Group's Code of Business Conduct, including the requirements of the Bribery Act 2010, and the effective monitoring of the giving and receiving of gifts and hospitality; and
- reviewed its own effectiveness and terms of reference.

Significant issues considered in relation to the financial statements

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

- **Determining appropriate depreciation rates for vehicles available for hire** – in addition to a monthly review of adjustments to depreciation when vehicles are sold, the Committee reviewed formal papers prepared by management at each reporting date which included a qualitative assessment of the current and forecast trends in the used vehicle market. After due challenge and debate, the Committee was content with the assumptions and judgements made;

- **The recoverability of aged debtors** – throughout the period, ageing analysis is reported in the monthly management accounts and commentary against prior year and plan is provided, with specific assessments of at risk customers. The Committee ensured that management dedicated sufficient resources to mitigate bad debt risk across the Group;
- **Presumed risk of fraud in revenue recognition and management override of controls** – the Committee considered the presumed risks of fraud as defined by auditing standards and was content that there were no issues arising; and
- **Financial statements** – the Committee considered the presentation of the financial statements and, in particular, the analysis between underlying and statutory disclosures. The Committee was satisfied with management's presentation.

External auditor

The Committee reviews and makes recommendations with regard to the appointment of the external auditor. In making this recommendation, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact upon the external auditor's reappointment.

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.

Fees paid and payable to Deloitte LLP in respect of the year under review are as shown in Note 5.

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

Appointment of the external auditor

During the year, the Committee conducted a formal tender for the appointment of the external auditor for the year ending 30 April 2016 audit. Deloitte LLP has been the incumbent auditor since 1988 and the current Group audit partner

would also be due to rotate off following the completion of the year ended 30 April 2015 audit.

A selection panel was formed which consisted of the Audit and Risk Committee, the Senior Independent Director and the Group Finance Director. All of the Big Four firms were invited to tender.

During the process, the tendering firms met with senior finance management of the Group and were invited to visit operational sites of the business. Detailed written proposals were submitted before presenting to the selection panel.

The selection panel assessed the firms against key criteria and recommended to the Board that PricewaterhouseCoopers LLP be appointed as auditor for the year ending 30 April 2016. The criteria used to reach this decision included:

- team experience, coordination and references;
- industry, technical and other specialist expertise;
- audit approach, scope and methodology;
- response to key risks of the Group;
- ideas, innovation and value to be added;
- reporting and communication;
- quality control and continuous improvement;
- conflicts and independence;
- firm overview and review of the FRC's Audit Quality Review findings; and
- approach to and performance during the tender process.

Accordingly, a resolution proposing the appointment of PricewaterhouseCoopers LLP as auditor will be put to shareholders at the AGM in September.

The Group intends to put the audit out to tender at least every ten years as required by the UK Corporate Governance Code.

Internal audit

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

- reviewed the adequacy of the resources of the internal audit department for both the UK and Spain;
- ensured that the head of internal audit has direct access to the Chairman of the Board and to all members of the Committee; and
- 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
29 June 2015

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 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 40 and 41.

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.

	Audit			
	Board	and risk	Remuneration	Nominations
No. of Meetings	9	4	5	1
RD Mackenzie	9	–	5	1
AJ Allner	9	4	5	1
JG Astrand	8	–	–	–
G Caseberry	9	4	5	1
RL Contreras	7	–	–	–
CJR Muir	9	–	–	–
A Page *	3	–	2	–

* Andrew Page was appointed to the Board on 2 December 2014 and to the Remuneration Committee on 28 January 2015.

All Directors in office at that time were present at the Annual General Meeting held in September 2014.

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

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

Jan Astrand was appointed as non-executive Chairman of the Board of our Spanish subsidiary, Northgate España Renting Flexible S.A., in December 2011. 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. This appointment will terminate in September 2015 at the same time as he retires from the Board.

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 judgement when carrying out his duties as a Director of the Company.

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

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

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

Diversity

The Board has considered the recommendations of the Davies Review into Women on Boards in the light of the provisions of both section B.2 of the Code, with which we are compliant, and of our existing policies and procedures. The Board recognises the benefits of diversity at all levels of the business and in order to reinforce the Board's commitment to equality, the Board has endorsed an Equal Opportunities Policy (which may be found on our website). Whilst the overriding criteria for Board appointments will always be based on merit, so as to encourage an appropriate balance of skills, experience and knowledge on the Board at all times, for all future appointments we will only use executive search firms who have committed to the Voluntary Code of Conduct on gender diversity. At the same time the Board recognises that, particularly given the nature of its business, the development of a pool of suitably qualified candidates may take time to achieve and therefore does not believe it is appropriate to set targets, however aspirational, at the present time.

Board review

In view of the number of changes to the Board this year, including in particular the forthcoming appointment of a new Chairman, the undertaking of a formal evaluation process has been deferred until later this year.

3. Accountability

An assessment of the Company's position and prospects is included in the Chairman's Statement on pages 2 to 4 and in the Strategic Report on pages 12 to 38.

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.

Corporate governance

CONTINUED

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 63 to 65.

4. Remuneration

The Company's policy on remuneration and details of the remuneration of each Director are given in the Remuneration Report on pages 45 to 62.

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.

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:

C.3.1 – since Tom Brown's retirement from the Board in September 2014, the Audit Committee has comprised two independent non-executive Directors, rather than three. As stated elsewhere in these accounts, the Board is actively recruiting a new non-executive Director who will be appointed to this Committee; and

B.6 – for the reasons explained above, the Board review will be undertaken later this year.

By order of the Board

D Henderson

Secretary
29 June 2015

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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

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

By order of the Board

Bob Contreras
Chief Executive
29 June 2015

Independent auditor's report

to the members of Northgate plc

Opinion on financial statements of Northgate plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow

Statements, the Notes to the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within page 30 that the group is a going concern. We confirm that:

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

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

Our assessment of risks of material misstatement

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

Risk	How the scope of our audit responded to the risk
Determining appropriate depreciation rates for vehicles available for hire The net book value of vehicle assets for hire at 30 April 2015 is £660.2m (2014: £614.9m) with a depreciation charge for the year of £138.0m (2014: £159.2m). IAS 16 'Property, Plant and Equipment' requires that depreciation rates and estimated useful lives are reviewed regularly to ensure that the net book value of disposals of tangible fixed assets are broadly equivalent to their market value. This requires an estimate to be made of the sale proceeds at the time of disposal. Determining likely sales proceeds for future vehicle disposals is judgemental and requires estimates to be made of future vehicle market values. Further explanation is included in the Group's critical accounting judgements and key sources of estimation uncertainty in Note 3, the Audit and Risk Committee report on page 64 and Note 14.	We reviewed the underlying assumptions of expected future market values of hire vehicles used in the calculation by comparison to external third party industry data for expected future market prices. We considered the historical accuracy of expected future market values by comparison to actuals achieved in the year. We tested the assumption of the level of vehicle registrations to third party, publically available data and recalculated the impact of a reduction in fleet age upon disposal profits. We performed detailed testing of the calculations supporting these judgements, including comparison to recent actual market prices achieved for vehicle disposal of similar vehicles.

Risk	How the scope of our audit responded to the risk
The recoverability of aged trade receivables Trade receivables are stated in the balance sheet at their nominal value less any provision for irrecoverable amounts. At 30 April 2015 net trade receivables are £61.4m (2014: £65.1m). Determining the appropriate levels of provision for irrecoverable trade receivables requires judgement relating to the assessment across a large number of customers of the likely levels of recovery of these receivables along with the overall economic environment. Further details are included in the Group's critical accounting judgements and key sources of estimation uncertainty in Note 3, the Audit and Risk Committee report on pages 64 and 65 and Note 18.	We recalculated the provisions and evaluated that they were calculated in accordance with Group policy. To assess the reasonableness of the provisions recorded, we reviewed the levels of post year end cash collections against year-end trade receivables and investigated the significant individual overdue balances by reference to recent history of recoveries on these balances and review of correspondence with the customers. We reviewed the historical accuracy of debtor provisioning, and the level of bad debt write-offs during the year.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on pages 64 and 65.

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

Our application of materiality

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

We determined materiality for the group to be £4.2m (2014: £3.6m), which is approximately 5% (2014: 7%) of pre-tax profit and below 1% (2014: 1%) of equity. We have changed the percentage applied to pre-tax profit to align more closely with those of other comparable companies that share a common risk profile.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £84,000 (2014: £72,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work in Darlington and Madrid, which represent all of the Group's principal trading activities.

The group audit team, led by the senior statutory auditor, perform the audit work at the head office and centralised UK finance function in Darlington and an audit team from Deloitte Spain perform the audit work at the Spanish head office in Madrid.

The operations at these two locations were subject to a full audit and represent the principal business units of the Group accounting for 99% (2014: 99%) of the Group's net assets, the Group's revenue and the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these two locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £2.31m to £2.94m (2014: £1.98m to £2.52m).

In addition, although not significant to the Group, components in Ireland and Malta were subject to full scope audits at levels of materiality applicable to each individual entity which were below group materiality and ranged from £0.3m to £2.1m (2014: £0.2m to £1.8m).

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

Independent auditor's report

to the members of Northgate plc

CONTINUED

The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor and a senior member of the group audit team visits the significant component in Spain at least once every year.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

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

Christopher Powell FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
29 June 2015



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Consolidated income statement

For the year ended 30 April 2015

	Notes	Underlying 2015 £000	Statutory 2015 £000	Underlying 2014 £000	Statutory 2014 £000
Revenue: hire of vehicles	4	456,818	456,818	442,271	442,271
Revenue: sale of vehicles	4	157,442	157,442	129,207	129,207
Total revenue	4	614,260	614,260	571,478	571,478
Cost of sales		(445,221)	(445,221)	(434,777)	(434,777)
Gross profit		169,039	169,039	136,701	136,701
Administrative expenses (excluding exceptional items and intangible amortisation)		(71,267)	(71,267)	(64,065)	(64,065)
Exceptional administrative expenses	32	–	–	–	(6,197)
Intangible amortisation	13	–	(2,010)	–	(2,900)
Total administrative expenses		(71,267)	(73,277)	(64,065)	(73,162)
Operating profit	4,5	97,772	95,762	72,636	63,539
Interest income		9	9	24	24
Finance costs	7	(12,808)	(12,808)	(12,386)	(12,386)
Profit before taxation		84,973	82,963	60,274	51,177
Taxation	8	(17,029)	(16,161)	(13,456)	(11,294)
Profit for the year		67,944	66,802	46,818	39,883

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

Underlying profit excludes exceptional items as set out in Note 32, as well as brand royalty charges, intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share

Basic	10	51.0p	50.1p	35.1p	29.9p
Diluted	10	50.0p	49.2p	34.3p	29.3p

Statements of comprehensive income

For the year ended 30 April 2015

	Notes	GROUP		COMPANY	
		2015 £000	2014 £000	2015 £000	2014 £000
Amounts attributable to the owners of the Parent Company					
Profit (loss) attributable to the owners		66,802	39,883	(2,933)	4,842
Other comprehensive (expense) income					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	29	(28,526)	(3,589)	—	—
Net foreign exchange differences on long term borrowings and derivatives held as hedges	29	21,885	1,772	—	—
Foreign exchange difference on revaluation reserve	25	(126)	(32)	—	—
Net fair value (losses) gains on cash flow hedges	28	(1,772)	48	(1,772)	48
Deferred tax credit (charge) recognised directly in equity relating to cash flow hedges	28	355	(10)	355	(10)
Actuarial losses/derecognition of assets on defined benefit pension scheme*	31	—	(199)	—	—
Deferred tax credit recognised directly in equity relating to defined benefit pension scheme*	31	—	42	—	—
Total other comprehensive (expense) income for the year		(8,184)	(1,968)	(1,417)	38
Total comprehensive income (expense) for the year		58,618	37,915	(4,350)	4,880

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

Balance sheets

As at 30 April 2015

	Notes	GROUP		COMPANY	
		2015 £000	2014 £000	2015 £000	2014 £000
Non-current assets					
Goodwill	12	3,589	3,589	–	–
Other intangible assets	13	4,341	5,467	16	47
Property, plant and equipment: vehicles for hire	14	660,160	614,927	–	–
Other property, plant and equipment	15	66,248	73,575	2,459	2,520
Total property, plant and equipment		726,408	688,502	2,459	2,520
Derivative financial instrument assets	21	57	712	57	712
Deferred tax assets	22	14,784	9,396	1,058	926
Investments	16	–	–	120,893	120,893
Total non-current assets		749,179	707,666	124,483	125,098
Current assets					
Inventories	17	21,673	19,076	–	–
Trade and other receivables	18	71,817	78,861	774,631	806,502
Cash and bank balances		9,676	19,056	–	1,120
Total current assets		103,166	116,993	774,631	807,622
Total assets		852,345	824,659	899,114	932,720
Current liabilities					
Trade and other payables	19	62,273	58,931	285,442	287,829
Current tax liabilities		9,956	6,320	–	–
Short term borrowings	20	12,081	7,465	28,638	21,403
Total current liabilities		84,310	72,716	314,080	309,232
Net current assets		18,856	44,277	460,551	498,390
Non-current liabilities					
Derivative financial instrument liabilities	21	1,780	664	1,780	664
Long term borrowings	20	335,375	357,668	335,375	357,668
Deferred tax liabilities	22	4,524	2,878	–	–
Total non-current liabilities		341,679	361,210	337,155	358,332
Total liabilities		425,989	433,926	651,235	667,564
Net assets		426,356	390,733	247,879	265,156
Equity					
Share capital	23	66,616	66,616	66,616	66,616
Share premium account	24	113,508	113,508	113,508	113,508
Revaluation reserve	25	956	1,082	1,371	1,371
Own shares reserve	26	(8,812)	(653)	–	–
Merger reserve	27	67,463	67,463	63,159	63,159
Hedging reserve	28	(2,028)	(611)	(1,379)	38
Translation reserve	29	(13,828)	(7,187)	–	–
Capital redemption reserve	30	40	40	40	40
Retained earnings	31	202,441	150,475	4,564	20,424
Total equity		426,356	390,733	247,879	265,156

Total equity is wholly attributable to the owners of the Parent Company. The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2015.

They were signed on its behalf by:

RD Mackenzie
Director

CJR Muir
Director

Cash flow statements

For the year ended 30 April 2015

		GROUP		COMPANY	
	Notes	2015 £000	2014 £000	2015 £000	2014 £000
Net cash generated from (used in) operations	(a)	8,532	30,723	(20,076)	(11,189)
Investing activities					
Interest received		9	24	1	1
Dividends received from subsidiary undertakings		–	–	30,000	35,000
Proceeds from disposal of other property, plant and equipment		2,371	1,182	–	–
Purchases of other property, plant and equipment		(5,659)	(5,509)	–	–
Purchases of intangible assets		(889)	(945)	–	–
Net cash (used in) generated from investing activities		(4,168)	(5,248)	30,001	35,001
Financing activities					
Dividends paid		(14,607)	(12,234)	(14,607)	(12,234)
Receipt of bank loans		14,317	1,140	7,920	–
Repayments of bank loans and other borrowings		–	(7,469)	–	(7,102)
Debt issue costs paid		(2,042)	–	(2,042)	–
Loans (repayments) to subsidiary undertakings		–	–	6,878	(19,298)
Settlement of financial instruments with subsidiary undertaking		–	–	(7,665)	(5,367)
Net payments to acquire own shares for share schemes		(10,068)	(2,803)	(10,068)	(2,803)
Net cash used in financing activities		(12,400)	(21,366)	(19,584)	(46,804)
Net (decrease) increase in cash and cash equivalents		(8,036)	4,109	(9,659)	(22,992)
Cash and cash equivalents at 1 May		19,056	14,962	(20,283)	2,954
Effect of foreign exchange movements		(1,344)	(15)	1,304	(245)
Cash and cash equivalents at 30 April	(b)	9,676	19,056	(28,638)	(20,283)

Notes to the cash flow statements

For the year ended 30 April 2015

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

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
Operating profit (loss)	95,762	63,539	684	(15,305)
Adjustments for:				
Depreciation of property, plant and equipment	144,455	165,327	61	62
Impairment of property, plant and equipment	–	1,916	–	–
Exchange differences	–	7	(7,665)	–
Amortisation of intangible assets	2,010	2,900	31	30
Loss on disposal of property, plant and equipment	50	51	–	–
Share options fair value charge	1,680	1,203	1,680	1,203
Operating cash flows before movements in working capital	243,957	234,943	(5,209)	(14,010)
Decrease (increase) in non-vehicle inventories	105	(1,637)	–	–
Decrease (increase) in receivables	2,833	(1,172)	25	19,993
Increase (decrease) in payables	4,672	3,315	272	(3,893)
Cash generated from operations	251,567	235,449	(4,912)	2,090
Income taxes (paid) received, net	(16,524)	(4,338)	–	2,897
Interest paid	(12,302)	(11,302)	(15,164)	(16,176)
Net cash generated from (used in) operations	222,741	219,809	(20,076)	(11,189)
Purchase of vehicles	(350,085)	(301,365)	–	–
Proceeds from disposal of vehicles	135,876	112,279	–	–
Net cash generated from (used in) operations	8,532	30,723	(20,076)	(11,189)

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
Cash and cash equivalents comprise:				
Cash and bank balances	9,676	19,056	–	1,120
Bank overdrafts	–	–	(28,638)	(21,403)
Cash and cash equivalents	9,676	19,056	(28,638)	(20,283)

Statements of changes in equity

For the year ended 30 April 2015

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 2013	180,124	(303)	(649)	(5,370)	68,738	124,112	366,652
Share options fair value charge	–	–	–	–	–	1,203	1,203
Share options exercised	–	–	–	–	–	(2,453)	(2,453)
Profit attributable to owners of the Parent Company	–	–	–	–	–	39,883	39,883
Dividends paid	–	–	–	–	–	(12,234)	(12,234)
Net purchase of own shares	–	(2,803)	–	–	–	–	(2,803)
Transfer of shares on vesting of share options	–	2,453	–	–	–	–	2,453
Other comprehensive income (expense)	–	–	38	(1,817)	(32)	(157)	(1,968)
Transfers between equity reserves	–	–	–	–	(121)	121	–
Total equity at 1 May 2014	180,124	(653)	(611)	(7,187)	68,585	150,475	390,733
Share options fair value charge	–	–	–	–	–	1,680	1,680
Share options exercised	–	–	–	–	–	(1,909)	(1,909)
Profit attributable to owners of the Parent Company	–	–	–	–	–	66,802	66,802
Dividends paid	–	–	–	–	–	(14,607)	(14,607)
Net purchase of own shares	–	(10,068)	–	–	–	–	(10,068)
Transfer of shares on vesting of share options	–	1,909	–	–	–	–	1,909
Other comprehensive expense	–	–	(1,417)	(6,641)	(126)	–	(8,184)
Total equity at 30 April 2015	180,124	(8,812)	(2,028)	(13,828)	68,459	202,441	426,356

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 2013	180,124	1,371	–	63,159	40	26,613	271,307
Share options fair value charge	–	–	–	–	–	1,203	1,203
Profit attributable to owners of the Parent Company	–	–	–	–	–	4,842	4,842
Dividends paid	–	–	–	–	–	(12,234)	(12,234)
Other comprehensive income	–	–	38	–	–	–	38
Total equity at 1 May 2014	180,124	1,371	38	63,159	40	20,424	265,156
Share options fair value charge	–	–	–	–	–	1,680	1,680
Loss attributable to owners of the Parent Company	–	–	–	–	–	(2,933)	(2,933)
Dividends paid	–	–	–	–	–	(14,607)	(14,607)
Other comprehensive expense	–	–	(1,417)	–	–	–	(1,417)
Total equity at 30 April 2015	180,124	1,371	(1,379)	63,159	40	4,564	247,879

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 122. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 12 to 38.

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), adopted by the European Union (EU) and therefore the Group accounts comply with Article 4 of the EU IAS Regulation.

Basis of preparation

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

Going concern

The accounts continue to be prepared on a going concern basis since the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future as set out on page 30 of the Financial Review.

Changes in accounting policy

IAS 27 'Separate Financial Statements', IAS 32 'Offsetting Financial Assets and Liabilities' and IFRS 10 'Consolidated Financial Statements' were amended during the year but had no impact on the financial statements. Various new accounting standards and amendments were issued during the year, none of which have had or are expected to have any significant impact on the Group and effects will principally relate to amendment and extension of current disclosures.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2014 and 30 April 2015.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary undertaking are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

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

Revenue recognition

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

Revenue from vehicle hire is recognised evenly over the hire period 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.

2 Principal accounting policies continued

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.

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.

Notes to the accounts

CONTINUED

2 Principal accounting policies continued

Impairment

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

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

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

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

Inventories

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

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

Taxation

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

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

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

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

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

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

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

2 Principal accounting policies continued

Financial instruments and hedge accounting

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

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

Notes to the accounts

CONTINUED

2 Principal accounting policies continued

Foreign currencies

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

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

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

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

Leasing and hire purchase commitments

As Lessee:

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

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

As Lessor:

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

Retirement benefit costs

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

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

2 Principal accounting policies continued

Employee share schemes and share based payments

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

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

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

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

Interest income and finance costs

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

Exceptional items

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

Dividends

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

Provisions

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

Own shares

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

Notes to the accounts

CONTINUED

3 Critical accounting judgements and key sources of estimation uncertainty

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

Depreciation

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

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

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

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, judgement is required in estimating the likely levels of recovery. In exercising this judgement, 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, the UK and Spain. The UK division includes operations in the Republic of Ireland. The principal activities of these divisions are set out in the Strategic Report.

	UK 2015 £000	Spain 2015 £000	Corporate 2015 £000	Total 2015 £000
Revenue: hire of vehicles	311,282	145,536	–	456,818
Revenue: sale of vehicles	115,058	42,384	–	157,442
Total revenue	426,340	187,920	–	614,260
Underlying operating profit (loss) *	69,032	33,260	(4,520)	97,772
Exceptional administrative expenses	–	–	–	–
Brand royalty charges	(442)	(4,881)	5,323	–
Intangible amortisation	(1,928)	(51)	(31)	(2,010)
Operating profit	66,662	28,328	772	95,762
Interest income				9
Finance costs				(12,808)
Profit before taxation				82,963
Other information				
Capital expenditure	247,901	109,389	–	357,290
Depreciation	88,420	55,974	61	144,455
Reportable segment assets	575,716	261,788	–	837,504
Derivative financial instrument assets				57
Income tax assets				14,784
Total assets				852,345
Reportable segment liabilities	275,433	134,296	–	409,729
Derivative financial instrument liabilities				1,780
Income tax liabilities				14,480
Total liabilities				425,989

Notes to the accounts

CONTINUED

4 Segmental reporting continued

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

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

There is no significant intersegment trading other than the above mentioned intra-Group brand royalty charge.

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 considered immaterial to the Group as a whole.

	Revenue 2015 £000	Non-current assets 2015 £000	Revenue 2014 £000	Non-current assets 2014 £000
United Kingdom and Republic of Ireland	426,340	500,892	383,053	446,011
Spain	187,920	233,446	188,425	251,547
	614,260	734,338	571,478	697,558

There are no external customers from whom the Group derives more than 10% 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

	2015 £000	2014 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 14 and 15)	144,455	165,327
Staff costs (Note 6)	93,332	84,993
Cost of inventories recognised as an expense	193,845	163,159
Net impairment of trade receivables (Note 36)	3,051	2,395
Auditor's remuneration for audit services (below)	352	364
Auditor's remuneration for non-audit services (below)	156	167

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

	2015 £000	2014 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	231	237
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	121	127
Total audit fees	352	364
Other services pursuant to legislation	21	21
Tax services	135	137
Other services	–	9
Total non-audit fees	156	167

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 63 to 65 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 Staff costs

	2015 Number	2014 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,536	1,403
Administration	487	495
	2,023	1,898
Spain:		
Direct operations	751	732
Administration	138	132
	889	864
	2,912	2,762

	2015 £000	2014 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	81,454	73,690
Social security costs	10,030	9,769
Other pension costs	1,848	1,534
	93,332	84,993

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6 Staff costs continued

Wages and salaries include £885,000 (2014 – £1,778,000) 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 47 to 55.

7 Finance costs

	2015 £000	2014 £000
Interest on bank overdrafts and loans	12,338	12,361
Amortisation of arrangement fees	445	–
Preference share dividends	25	25
Finance costs	12,808	12,386

8 Taxation

	2015 £000	2014 £000
Current tax:		
UK corporation tax	10,111	8,461
Adjustment in respect of prior years	(1,789)	–
Foreign tax	9,188	7,295
	17,510	15,756
Deferred tax:		
Origination and reversal of timing differences	(4,097)	(3,575)
Adjustment in respect of prior years	898	(1,216)
Rate adjustments in UK and Spain	1,850	329
	(1,349)	(4,462)
	16,161	11,294

Corporation tax is calculated at 20.92% (2014 – 22.83%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

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

	2015 £000	%	2014 £000	%
Profit before taxation	82,963		51,177	
Tax at the UK corporation tax rate of 20.92% (2014 – 22.83%)	17,356	20.9	11,684	22.8
Tax effect of expenses that are not deductible in determining taxable profit	682	0.8	1,294	2.5
Tax effect of income not taxable in determining taxable profit	(2,699)	(3.2)	–	–
Difference in taxation in overseas subsidiary undertakings	(357)	(0.4)	(666)	(1.3)
Reduction in tax rate	1,850	2.2	245	0.5
Adjustment to tax charge in respect of prior years	(671)	(0.8)	(1,263)	(2.5)
Tax charge and effective tax rate for the year	16,161	19.5	11,294	22.0

8 Taxation continued

In addition to the amount charged to the income statement, a net deferred tax amount of £355,000 has been charged (2014 – £85,000) directly to equity (Note 22).

The underlying tax charge of £17,029,000 (2014 – £13,456,000) excludes exceptional tax credits of £Nil (2014 – £1,458,000) as set out in Note 32, and tax credits on brand royalty charges and intangible amortisation of £868,000 (2014 – £704,000). There has been no recognition of deferred tax assets previously derecognised.

On 1 April 2015 the UK Corporation tax rate changed from 21% to 20%. In November 2014 an announcement was made meaning that the applicable tax rate in Spain would be reduced from 30% to 28% taking effect in the year ending 30 April 2016, with a further reduction to 25% taking effect in the year ending 30 April 2017. Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 20% in the UK and 28% or 25% in Spain.

9 Dividends

An interim dividend of 4.3p per Ordinary share was paid in January 2015 (2014 – 3.2p). The Directors propose a final dividend for the year ended 30 April 2015 of 10.2p per Ordinary share (2014 – 6.8p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2015. No dividends have been paid between 30 April 2015 and the date of signing the Accounts.

10 Earnings per share

	Underlying 2015 £000	Statutory 2015 £000	Underlying 2014 £000	Statutory 2014 £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 for the year attributable to the owners of the Parent Company	67,944	66,802	46,818	39,883
	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	2,649,060	2,649,060	3,072,264	3,072,264
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	135,881,578	135,881,578	136,304,782	136,304,782
Basic earnings per share	51.0p	50.1p	35.1p	29.9p
Diluted earnings per share	50.0p	49.2p	34.3p	29.3p

11 Result of the Parent Company

A loss of £2,933,000 (2014 – profit of £4,842,000) 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.

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12 Goodwill

	£000
Carrying value:	
At 1 May 2013, 1 May 2014 and 30 April 2015	3,589

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

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

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

The impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in May 2015 using growth rates of 1% over a ten year period, including terminal values, using a discount rate of 9.7% for the UK CGU and 9.5% 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 May 2014 using growth rates of 1% over a ten year period, including terminal values, using a discount rate of 9.6% for the UK CGU and 9.9% for the Spain CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity. It was concluded that there were no indicators of additional impairment or reversal of impairment previously charged for both the UK CGU and Spain CGU.

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

13 Other intangible assets

	GROUP			COMPANY
	Customer relationships £000	Other software £000	Total £000	Other software £000
Cost:				
At 1 May 2013	15,101	12,451	27,552	90
Additions	–	945	945	–
Exchange differences	(113)	(30)	(143)	–
Disposals	–	(10)	(10)	–
At 1 May 2014	14,988	13,356	28,344	90
Additions	–	889	889	–
Exchange differences	(504)	(149)	(653)	–
At 30 April 2015	14,484	14,096	28,580	90
Amortisation:				
At 1 May 2013	10,137	9,984	20,121	13
Charge for the year	1,304	1,596	2,900	30
Exchange differences	(114)	(29)	(143)	–
Disposals	–	(1)	(1)	–
At 1 May 2014	11,327	11,550	22,877	43
Charge for the year	755	1,255	2,010	31
Exchange differences	(508)	(140)	(648)	–
At 30 April 2015	11,574	12,665	24,239	74
Carrying amount:				
At 30 April 2015	2,910	1,431	4,341	16
At 30 April 2014	3,661	1,806	5,467	47

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14 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2013	916,249
Additions	301,004
Exchange differences	(9,973)
Transfer to motor vehicles	(46)
Transfer to inventories	(235,375)
At 1 May 2014	971,859
Additions	350,742
Exchange differences	(47,039)
Transfer to motor vehicles	(328)
Transfer to inventories	(288,107)
At 30 April 2015	987,127
Depreciation:	
At 1 May 2013	327,088
Charge for the year	159,215
Exchange differences	(4,012)
Transfer to motor vehicles	(3)
Transfer to inventories	(125,356)
At 1 May 2014	356,932
Charge for the year	137,955
Exchange differences	(18,425)
Transfer to motor vehicles	(116)
Transfer to inventories	(149,379)
At 30 April 2015	326,967
Carrying amount:	
At 30 April 2015	660,160
At 30 April 2014	614,927

At 30 April 2015, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £25,920,000 (2014 – £35,254,000).

The depreciation rate on vehicles for hire in the UK was reduced by 1.0% on 1 May 2012 and a further 1.8% on 1 May 2014. This resulted in a reduction in the depreciation charge of £8m in the year ended 30 April 2015 compared to the prior year (2014 – £3m).

The depreciation rate on vehicles for hire in Spain was reduced by 0.9% on 1 May 2014. This resulted in a reduction in the depreciation charge of £3m in the year ended 30 April 2015 (2014 – £Nil).

15 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
At 1 May 2013	85,950	18,389	2,375	106,714
Additions	919	3,537	1,010	5,466
Exchange differences	(1,135)	(257)	–	(1,392)
Transfer from vehicles for hire	–	–	46	46
Disposals	(3,290)	(344)	(619)	(4,253)
At 1 May 2014	82,444	21,325	2,812	106,581
Additions	1,521	2,940	1,198	5,659
Exchange differences	(4,922)	(1,207)	–	(6,129)
Transfer from vehicles for hire	–	–	328	328
Transfer to land & buildings	554	(554)	–	–
Disposals	(2,798)	(2,706)	(984)	(6,488)
At 30 April 2015	76,799	19,798	3,354	99,951
Depreciation:				
At 1 May 2013	18,282	9,274	837	28,393
Charge for the year	2,223	3,133	592	5,948
Impairment of property	1,916	–	–	1,916
Exchange differences	(242)	(149)	–	(391)
Transfer from vehicles for hire	–	–	3	3
Disposals	(2,064)	(272)	(527)	(2,863)
At 1 May 2014	20,115	11,986	905	33,006
Charge for the year	2,516	3,372	612	6,500
Exchange differences	(1,108)	(744)	–	(1,852)
Transfer from vehicles for hire	–	–	116	116
Transfer to land & buildings	238	(238)	–	–
Disposals	(950)	(2,548)	(569)	(4,067)
At 30 April 2015	20,811	11,828	1,064	33,703
Carrying amount:				
At 30 April 2015	55,988	7,970	2,290	66,248
At 30 April 2014	62,329	9,339	1,907	73,575
			2015 £000	2014 £000
Land and buildings by category:				
Freehold and long leasehold			49,299	58,583
Short leasehold			6,689	3,746
			55,988	62,329

At 30 April 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £377,000 (2014 – £91,000).

During the prior year an impairment loss of £1,752,000 was recognised with respect to a property in the UK segment. This was as a result of a problem with the building's foundations. Other property impairment losses totalled £164,000. No impairment losses were recognised in the current year.

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15 Other property, plant and equipment continued

Company	Land & buildings £000
Cost:	
At 1 May 2013, 1 May 2014 and 30 April 2015	3,239
Depreciation:	
At 1 May 2013	657
Charge for the year	62
At 1 May 2014	719
Charge for the year	61
At 30 April 2015	780
Carrying amount:	
At 30 April 2015	2,459
At 30 April 2014	2,520

16 Investments

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost:			
At 1 May 2013	78,327	47,000	125,327
Liquidation of subsidiary undertaking	(1,999)	–	(1,999)
At 1 May 2014 and 30 April 2015	76,328	47,000	123,328
Accumulated provisions:			
At 1 May 2013, 1 May 2014 and 30 April 2015	2,435	–	2,435
Carrying amount:			
At 1 May 2014 and 30 April 2015	73,893	47,000	120,893

A full list of the Company's subsidiaries will be annexed to the Company's next Annual Return to be filed with the Registrar of Companies.

At 30 April 2015, 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
 NG Malta Finance Limited* (incorporated in the Republic of Ireland)

* Interest held indirectly by the Company.

17 Inventories

Group	2015 £000	2014 £000
Vehicles held for resale	15,544	12,732
Spare parts and consumables	6,129	6,344
	21,673	19,076

18 Trade and other receivables

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade receivables	61,373	65,094	–	–
Amounts due from subsidiary undertakings	–	–	774,459	806,306
Other taxes	–	–	31	39
Other receivables and prepayments	10,444	13,767	141	157
	71,817	78,861	774,631	806,502

		2015	2014
The average credit period given on trade sales is	UK	39 days	39 days
	Spain	44 days	54 days

Allowances for estimated irrecoverable amounts and the Group's credit risk are considered in Note 36.

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

19 Trade and other payables

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
Trade payables	26,736	27,512	54	176
Amounts due to subsidiary undertakings	–	–	282,340	285,054
Social security and other taxes	5,348	3,714	109	104
Accruals and deferred income	30,189	27,705	2,939	2,495
	62,273	58,931	285,442	287,829

Trade payables comprise amounts outstanding for trade purchases.

		2015	2014
The average credit period taken on trade purchases is	UK	31 days	33 days
	Spain	60 days	59 days

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

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20 Borrowings

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

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank loans and overdrafts	346,415	363,819	363,513	378,571
Cumulative Preference shares	500	500	500	500
Confirming facilities	541	814	–	–
	347,456	365,133	364,013	379,071

The borrowings are repayable as follows:

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	11,540	6,651	28,638	21,403
Confirming facilities	541	814	–	–
	12,081	7,465	28,638	21,403
In the second year				
Bank loans	7,609	8,451	7,609	8,451
	7,609	8,451	7,609	8,451
In the third to fifth years				
Bank loans	328,863	348,717	328,863	348,717
	328,863	348,717	328,863	348,717
Due after more than five years				
Cumulative Preference shares	500	500	500	500
	500	500	500	500
Unamortised finance fees relating to the bank loans	(1,597)	–	(1,597)	–
Total borrowings	347,456	365,133	364,013	379,071
Less: Amount due for settlement within one year (shown within current liabilities)	12,081	7,465	28,638	21,403
Amount due for settlement after more than one year	335,375	357,668	335,375	357,668

The UK syndicated bank loans, totalling £336,472,000 at 30 April 2015, would become repayable in full in the event of a change in control of the Group.

Bank loans

Bank loans and overdrafts are secured and bear interest at rates of 2.30% to 2.80% (2014 – 2.37% to 2.55%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

Cumulative Preference shares

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

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2014 – 1,300,000), of which 1,000,000 (2014 – 1,000,000) were allotted and fully paid at the balance sheet date.

20 Borrowings continued

Confirming facilities

Spanish confirming facilities of £541,000 (2014 – £814,000) are unsecured and all fall due within one year. It is common practice in Spain for businesses to have a bank facility which enables their suppliers to be paid earlier than under normal credit terms. When this is the case the supplier pays to Northgate España's bank a discount fee for early settlement. When invoices fall due for payment, Northgate España settles such invoices with its bank. The Group pays no interest on confirming.

Total borrowing facilities

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

	2015 £000	2014 £000
Less than one year	5,723	8,172
In one year to five years	169,571	64,617
	175,294	72,789

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 2014 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2015 £000
Cash at bank and in hand	(19,056)	8,036	–	1,344	(9,676)
Bank loans	363,819	14,317	(1,597)	(30,124)	346,415
Cumulative Preference shares	500	–	–	–	500
Confirming facilities	814	–	(273)	–	541
Consolidated net debt	346,077	22,353	(1,870)	(28,780)	337,780

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 2015, the gearing of the Group amounted to 80.7% (2014 – 90.7%) where net borrowings are £337,780,000 (2014 – £346,077,000) and shareholders' funds less goodwill and the net book value of intangible assets are £418,426,000 (2014 – £381,677,000).

Financial instruments (see also Note 36)

Financial assets

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

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

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The 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.

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20 Borrowings continued

Treasury policies and the management of risk

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

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using more complex financial instruments. Further details regarding derivative financial instruments are shown in Note 21.

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, yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings is managed through the use of interest rate derivatives as detailed in Note 21. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. At 30 April 2015 75.5% (2014 – 79.8%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £105,000,000 and €206,500,000, £500,000 of Preference shares and £541,000 of confirming facilities (30 April 2014 – interest rate swaps of £105,000,000 and €206,500,000, £500,000 of Preference shares and £814,000 of confirming facilities).

Foreign currency exchange risk

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

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

Group	Sterling £000	Euro £000	Total £000
At 30 April 2015			
Bank loans	114,903	231,512	346,415
Cumulative Preference shares	500	–	500
Confirming facilities	–	541	541
	115,403	232,053	347,456
Group	Sterling £000	Euro £000	Total £000
At 30 April 2014			
Bank loans	125,000	238,819	363,819
Cumulative Preference shares	500	–	500
Confirming facilities	–	814	814
	125,500	239,633	365,133

21 Derivative financial instruments

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

	GROUP		COMPANY	
	2015 £000	2014 £000	2015 £000	2014 £000
Interest rate derivatives	(1,723)	48	(1,723)	48
They are represented in the balance sheet as follows:				
Non-current derivative financial instrument assets	57	712	57	712
Non-current derivative financial instrument liabilities	(1,780)	(664)	(1,780)	(664)
	(1,723)	48	(1,723)	48

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings is managed through the use of interest rate derivatives. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix a substantial element of the interest cost on outstanding debt. The interest rate derivatives to which the Group was party as at 30 April 2015 are summarised below:

	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
At 30 April 2015			
Sterling interest rate swaps	£105,000,000	1.02%	1.9 years
Euro interest rate swaps	€206,500,000	0.48%	1.6 years
At 30 April 2014			
Sterling interest rate swaps	£105,000,000	1.02%	2.9 years
Euro interest rate swaps	€206,500,000	0.48%	2.6 years

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

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

All the Group's interest rate swaps are designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, has been deferred in equity. There was no hedge ineffectiveness during the year (2014 – £Nil).

Net investment hedges

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euros to Sterling at each reporting date. Exchange differences arising on the borrowings and net investment hedges have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

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

Forward exchange contracts

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

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22 Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior 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 2013	19,510	1,381	(870)	1,220	(20,586)	(2,739)	(2,084)
(Credit) charge to income	(11,203)	555	–	(159)	7,767	(535)	(3,575)
Credit to equity	–	–	–	–	–	(118)	(118)
Exchange differences	(289)	(9)	–	–	358	50	110
Adjustment to tax rate charged (credited) to income	296	168	16	(95)	–	(56)	329
Adjustment to tax rate charged to equity	–	–	–	–	–	33	33
Adjustments in respect of prior years	(1,143)	–	–	–	(118)	48	(1,213)
At 1 May 2014	7,171	2,095	(854)	966	(12,579)	(3,317)	(6,518)
(Credit) charge to income	(6,068)	(21)	(178)	(158)	3,582	(1,254)	(4,097)
Credit to equity	–	–	–	–	–	(372)	(372)
Exchange differences	(475)	(39)	–	3	1,371	319	1,179
Adjustment to tax rate charged (credited) to income	373	(43)	34	(29)	1,334	181	1,850
Adjustment to tax rate charged to equity	–	–	–	–	–	17	17
Adjustments in respect of prior years	1,488	(836)	311	(220)	–	155	898
Transferred to current tax	–	–	–	–	(3,217)	–	(3,217)
At 30 April 2015	2,489	1,156	(687)	562	(9,509)	(4,271)	(10,260)

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

	Total £000
At 30 April 2015	
Deferred tax assets	(14,784)
Deferred tax liabilities	4,524
Net deferred tax assets	(10,260)
At 30 April 2014	
Deferred tax assets	(9,396)
Deferred tax liabilities	2,878
Net deferred tax assets	(6,518)

In the current year, the net credit to equity of £355,000 (2014 – £85,000) in respect of other timing differences included £355,000 (2014 – charge of £10,000) relating to derivative financial instruments which has been reflected in the hedging reserve (Note 28).

There are no deferred tax assets which are not recognised in the balance sheet. Deferred tax assets of £9,509,000 (2014 – £12,579,000) 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 £4,271,000 (2014 – £3,317,000) 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.

22 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 payments £000	Other timing differences £000	Total £000
At 1 May 2013	(870)	(127)	(997)
Charge to income	–	47	47
Change in UK tax rate charged to income	16	8	24
At 1 May 2014	(854)	(72)	(926)
Charge (credit) to income	133	(318)	(185)
Change in UK tax rate charged to income	34	19	53
At 30 April 2015	(687)	(371)	(1,058)

23 Share capital

Group and Company	2015 £000	2014 £000
Allotted and fully paid:		
133,232,518 (2014 – 133,232,518) Ordinary shares of 50p each	66,616	66,616

24 Share premium account

Group and Company	£000
At 1 May 2013, 1 May 2014 and 30 April 2015	113,508

25 Revaluation reserve

	Group £000	Company £000
At 1 May 2013	1,235	1,371
Transfer to retained earnings on disposal of revalued properties	(121)	–
Foreign exchange differences	(32)	–
At 1 May 2014	1,082	1,371
Foreign exchange differences	(126)	–
At 30 April 2015	956	1,371

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26 Own shares reserve

Group	£000
At 1 May 2013	(303)
Net purchase of own shares	(2,803)
Transfer of shares on vesting of share options	2,453
At 1 May 2014	(653)
Net purchase of own shares	(10,068)
Transfer of shares on vesting of share options	1,909
At 30 April 2015	(8,812)

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 34). At 30 April 2015 the Guernsey Trust held 1,910,135 (2014 – 116,063) 50p Ordinary shares and the Capita Trust held 35,552 (2014 – 32,079) 50p Ordinary shares. The total number of shares held by these employee trusts represents 1.5% 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'.

27 Merger reserve

	Group £000	Company £000
At 1 May 2013, 1 May 2014 and 30 April 2015	67,463	63,159

28 Hedging reserve

	Group £000	Company £000
At 1 May 2013	(649)	–
Movement in fair value of hedged interest rate derivatives	48	48
Deferred tax on fair value of interest rate derivatives	(10)	(10)
At 1 May 2014	(611)	38
Movement in fair value of hedged interest rate derivatives	(1,772)	(1,772)
Deferred tax on fair value of interest rate derivatives	355	355
At 30 April 2015	(2,028)	(1,379)

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

29 Translation reserve

Group	£000
At 1 May 2013	(5,370)
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(3,589)
Net foreign exchange differences on long term borrowings held as hedges	1,772
At 1 May 2014	(7,187)
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(28,526)
Net foreign exchange differences on long term borrowings held as hedges	21,885
At 30 April 2015	13,828

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

The management of the Group's foreign exchange translation risks is detailed in Note 21.

30 Capital redemption reserve

	Group £000	Company £000
At 1 May 2013, 1 May 2014 and 30 April 2015	40	40

31 Retained earnings

	Group £000	Company £000
At 1 May 2013	124,112	26,613
Profit for the year	39,883	4,842
Transfer from revaluation reserve on disposal of revalued properties	121	–
Dividends paid	(12,234)	(12,234)
Share options exercised	(2,453)	–
Share options fair value charge	1,203	1,203
Defined benefit pension charge recognised directly in equity	(199)	–
Net deferred tax credit recognised directly in equity	42	–
At 30 April 2014	150,475	20,424
Profit (loss) for the year	66,802	(2,933)
Dividends paid	(14,607)	(14,607)
Share options exercised	(1,909)	–
Share options fair value charge	1,680	1,680
At 30 April 2015	202,441	4,564

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32 Exceptional items

	2015 £000	2014 £000
Restructuring costs	–	1,826
Impairment of property	–	1,916
Net property losses	–	51
Defined benefit pension scheme buyout	–	2,404
Exceptional administrative expenses	–	6,197
Exceptional tax credit	–	(1,458)

No exceptional items were recognised in the income statement in the current year. Details of exceptional items recognised in the income statement in the prior year were as follows:

Restructuring costs

The Group incurred total exceptional restructuring costs of £1,826,000, of which £1,414,000 arose in the United Kingdom and £412,000 in Spain.

Impairment of property

Impairment of property was £1,916,000, of which £1,752,000 was booked against a property in the UK segment and £164,000 against a property in Spain.

Net property losses

Net property losses were £51,000, all of which arose in Spain.

Defined benefit pension scheme buyout

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

33 Operating lease arrangements

As lessee

Group	2015 £000	2014 £000
Lease payments under operating leases recognised in the income statement for the year	5,819	5,357

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	2015 £000	2014 £000
Within one year	5,451	5,183
In the second to fifth years inclusive	15,927	14,363
After five years	21,491	17,893
	42,869	37,439

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

Leases are negotiated for an average term of 11 years (2014 – 11 years) and rentals are fixed for an average term of ten years (2014 – 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.

34 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration Report on pages 45 to 62.

The Group and Company recognised total expenses of £1,680,000 (2014 – £1,203,000) related to equity-settled share based payment transactions in the year.

All options granted under the Management Performance Share Plan (MPSP) and Executive Performance Share Plan (EPSP) are nil cost options. Options granted under the Deferred Annual Bonus Plan (DABP) have exercise prices ranging from £Nil to £5.10.

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

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

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

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34 Share based payments continued

Details regarding the plans in the year ended 30 April 2015 are outlined below:

	DABP Number of share options 2015	MPSP Number of share options 2015	EPSP Number of share options 2015	AESS Number of matching shares 2015	Free Shares Number of free shares 2015
At 1 May 2014	388,050	782,359	1,188,107	311,898	401,400
Granted/allocated during the year	113,876	–	206,176	74,801	125,100
Exercised/vested during the year	(94,988)	(160,783)	–	(22,474)	(51,650)
Forfeited/lapsed during the year	(8,583)	(34,530)	(251,600)	(109,865)	(17,450)
At 30 April 2015	398,355	587,046	1,142,683	254,360	457,400
Exercisable at the end of the year	123,516	76,074	231,816	–	–

	DABP 2015	MPSP 2015	EPSP 2015	AESS 2015	Free Shares 2015
Weighted average remaining contractual life at the end of the year	7.0 years	7.1 years	7.4 years	1.6 years	1.1 years
Weighted average share price at the date of exercise of options in the year	£5.35	£5.35	–	£6.21	£5.44
Date options granted/allocated in the year	July 2014	–	June 2014	January 2015	July 2014
Aggregate estimated fair value of options at the date of grant	£441,000	–	£692,000	£832,000	£460,000

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

Weighted average share price	£4.83	–	£4.76	£5.25	£4.91
Weighted average exercise price	£Nil	–	£Nil	£Nil	£Nil
Expected volatility	57.5%	–	57.8%	52.9%	57.5%
Expected life	3 years	–	3 years	3 years	3 years
Risk free rate	1.95%	–	1.96%	1.06%	1.98%
Expected dividends	2.5%	–	2.6%	2.6%	2.7%

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

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

	DABP Number of share options 2014	MPSP Number of share options 2014	EPSP Number of share options 2014	AESS Number of matching shares 2014	Free Shares Number of free shares 2014
At 1 May 2013	623,603	1,187,059	1,097,733	363,069	298,500
Granted/allocated during the year	12,558	–	292,103	103,237	183,550
Exercised during the year	(244,941)	(159,774)	–	(102,602)	(31,800)
Forfeited/lapsed during the year	(3,170)	(244,926)	(201,729)	(51,806)	(48,850)
At 30 April 2014	388,050	782,359	1,188,107	311,898	401,400
Exercisable at the end of the year	51,821	61,203	232,266	–	–

34 Share based payments continued

	DABP 2014	MPSP 2014	EPSP 2014	AESS 2014	Free Shares 2014
Weighted average remaining contractual life at the end of the year	7.0 years	8.0 years	7.8 years	1.7 years	1.7 years
Weighted average share price at the date of exercise of options in the year	£4.06	£4.06	–	£5.61	£4.48
Date options granted/allocated in the year	August 2013	–	July 2013	January 2014	August 2013
Aggregate estimated fair value of options at the date of grant	£35,000	–	£690,000	£534,000	£513,000
The inputs into the Black–Scholes model were as follows:					
Weighted average share price	£3.03	–	£2.87	£3.71	£3.03
Weighted average exercise price	£Nil	–	£Nil	£Nil	£Nil
Expected volatility	57.8%	–	57.4%	56.5%	57.8%
Expected life	3 years	–	3 years	3 years	3 years
Risk free rate	1.54%	–	1.34%	1.99%	1.54%
Expected dividends	3.6%	–	3.8%	2.7%	3.6%

35 Retirement benefit schemes

During the year the Group operated two group personal pension plans and The Willhire Pension Scheme ('the Scheme'), which includes both defined benefit and defined contribution sections.

The total operating pension cost to the Group of these arrangements was £1,848,000 (2014 – £1,534,000), all of which related to the defined contribution schemes.

In July 2014 all assets and benefits in relation to the Scheme were bought out and the Group transferred all remaining obligations in relation to the Scheme. The Group therefore no longer holds any defined benefit pension assets or obligations. No profit or loss arose on the buyout in the year. A cost of £2,404,000 was incurred in the prior year in relation to the buy out as detailed in Note 32.

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36 Financial instruments

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 23 to 31.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as discussed in Notes 20 and 21.

Foreign currency sensitivity analysis

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

The following tables detail the Group's sensitivity to a €0.10 (2014 – €0.10) increase and decrease in the Euro/Sterling exchange rate.

A €0.10 (2014 – €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 (2014 – €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
2015			
Total equity	426,356	423,164	430,055
		As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
2014			
Total equity	390,733	386,456	395,784

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

Interest rate risk management

The Group is exposed to interest rate risk, as entities within the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied.

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

36 Financial instruments continued

Interest rate sensitivity analysis

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

A 1.0% (2014 – 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
2015			
Profit before taxation	82,963	81,859	84,068
Total equity	426,356	425,483	427,230

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2014			
Profit before taxation	51,177	49,868	52,487
Total equity	390,733	389,724	391,744

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	
	2015 %	2014 %	2015 000	2014 000	2015 £000	2014 £000
Outstanding receive floating pay fixed contracts						
Sterling						
In the second to fifth years inclusive	1.02	1.02	£105,000	£105,000	(524)	685
Euro						
In the second to fifth years inclusive	0.48	0.48	€206,500	€206,500	(1,199)	(637)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 20 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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36 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.

2015	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	27,277	–	–	–	27,277
Fixed interest rate instruments	5.00%	25	25	75	500	625
Variable interest rate instruments	2.43%	20,090	15,898	338,144	–	374,132
		47,392	15,923	338,219	500	402,034

2014	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	28,326	–	–	–	28,326
Fixed interest rate instruments	5.00%	25	25	75	500	625
Variable interest rate instruments	2.73%	16,680	18,134	359,635	–	394,449
		45,031	18,159	359,710	500	423,400

The following table details the Group's liquidity analysis for its derivative financial instruments. It includes both liabilities and assets to illustrate how the cash flows are matched in each period.

2015	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	1,198	858	69	2,125

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

Fair value of financial instruments

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

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

All the financial instruments below are categorised as Level 2.

36 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.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values or, in the case of interest rate swaps and cross-currency derivatives, are held at fair value.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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

	2015 £000	2014 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	73,988	79,564
Allowance for doubtful receivables	(12,615)	(14,470)
	61,373	65,094
Ageing of trade receivables not impaired		
Not overdue	55,804	58,687
Past due not more than two months	5,219	5,062
Past due more than two months but not more than four months	64	249
Past due more than four months but not more than six months	286	1,096
	61,373	65,094

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 £893,000 (2014 – £355,000) is due from the Group's largest customer. There are no customers who represent more than 5% of the total balance of trade receivables.

The Group has no significant concentration of credit risk as trade receivables consist of a large number of customers, spread across diverse industries and geographical areas in the UK and Spain.

Included in the Group's trade receivables balance are debtors with a carrying amount of £5,569,000 (2014 – £6,407,000) 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.

	2015 £000	2014 £000
Movement in the allowance for doubtful receivables		
At 1 May	14,470	16,824
Impairment losses recognised	5,014	6,038
Amounts written off as uncollectible	(3,621)	(4,442)
Impaired losses reversed	(1,963)	(3,643)
Exchange differences	(1,285)	(307)
At 30 April	12,615	14,470

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36 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 with customers which have been placed under liquidation of £168,000 (2014 – £46,000).

	2015 £000	2014 £000
Ageing of impaired trade receivables		
Not overdue	279	298
Past due not more than two months	1,695	1,780
Past due more than two months but not more than four months	2,012	1,315
Past due more than four months but not more than six months	316	384
Past due more than six months but not more than one year	8,313	10,693
	12,615	14,470

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.

37 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £3,927,000 (2014 – £6,464,000) interest payable and £5,323,000 (2014 – £5,029,000) royalty charges.

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

Remuneration of key management personnel

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

In respect of the compensation of key management personnel, the short term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the audited part of the Remuneration Report on pages 47 to 55. The fair value charged to the income statement in respect of equity-settled share based payment transactions with the Directors is £521,000 (2014 – £273,000). 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

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Revenue: hire of vehicles	456,818	442,271	441,944	503,659	537,285
Operating profit	95,762	63,539	79,478	94,478	82,575
Net finance costs	(12,799)	(12,362)	(90,860)	(48,491)	(56,035)
Profit (loss) before taxation	82,963	51,177	(11,382)	45,987	26,540
Taxation	(16,161)	(11,294)	4,025	(5,519)	2,853
Profit (loss) for the year	66,802	39,883	(7,357)	40,468	29,393
Basic earnings (loss) per Ordinary share	50.1p	29.9p	(5.5)p	30.4p	22.1p
Dividends	14,607	12,234	5,719	–	–
Dividends per Ordinary share	11.1p	9.2p	4.3p	–	–

Balance sheet

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Assets employed					
Non-current assets	749,179	707,666	683,190	723,675	819,082
Net current assets (liabilities)	18,856	44,277	56,437	(74,744)	145,170
Non-current liabilities	(341,679)	(361,210)	(372,975)	(282,795)	(624,493)
	426,356	390,733	366,652	366,136	339,759
Financed by					
Share capital	66,616	66,616	66,616	66,616	66,616
Share premium account	113,508	113,508	113,508	113,508	113,508
Reserves	246,232	210,609	186,528	186,012	159,635
	426,356	390,733	366,652	366,136	339,759
Net asset value per Ordinary share	320p	293p	275p	275p	255p

Notice of Annual General Meeting

Notice is hereby given that the one hundred and seventeenth Annual General Meeting of Northgate plc ('the Company') will be held at 6 Agar Street, London WC2N 4HN at 11.30 a.m. on 17 September 2015 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 14 will be proposed as special resolutions:

1. To receive the Directors' Report and audited accounts of the Company for the year ended 30 April 2015.
2. To declare a final dividend of 10.2p per Ordinary share.
3. To approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, in the form set out on pages 45 to 55 of the 2015 Annual Report and Accounts.
4. To appoint PricewaterhouseCoopers LLP as auditors of the Company in place of the retiring auditors 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 elect Mr A Page as a Director.
7. To re-elect Mr AJ Allner as a Director.
8. To re-elect Miss G Caseberry as a Director.
9. To re-elect Mr RL Contreras as a Director.
10. To re-elect Mr CJR Muir as a Director.
11. That the Board be and it is hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006 ('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.
12. That subject to the passing of Resolution 11 the Board be and it is hereby empowered pursuant to s570 of the Companies Act 2006 to allot equity securities (within the meaning of s560 of the 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 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
 - c. to the allotment (otherwise than pursuant to sub-paragraphs a. and b. above) of equity securities up to an aggregate nominal value of £3,330,000 in connection with an acquisition or specified capital investment,
 and such power shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

13. That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.
14. That the 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 29 June 2015;
 - b. the minimum price which may be paid for any such Ordinary share is 50p;
 - c. the maximum price (excluding expenses) which may be paid for any such Ordinary share is an amount equal to 105% of the average of the middle market quotations for an Ordinary share in the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;
 - d. the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting; and
 - e. the Company may make a contract to purchase its Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Ordinary shares in pursuance of any such contract.

By Order of the Board

D Henderson

Secretary

29 June 2015

Registered office:

Norflex House

Allington Way

Darlington

DL1 4DY

Notice of Annual General Meeting

CONTINUED

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 at 6 pm on Tuesday 15 September or, in the case of an adjourned meeting, at 6 pm on the day which is two days before the meeting (excluding days which are not working days). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
6. Shareholders wishing to appoint a proxy online should visit www.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 29 June 2015 (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 (i) have the right to require the Company to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than 5 August 2015, being the date six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

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

June

Announcement of year end results

July

Report and accounts posted to shareholders

September

Annual General Meeting
Payment of final dividend

Secretary and registered office

D Henderson FCIS
Norflex House
Allington Way
Darlington
DL1 4DY
Tel: 01325 467558

Registrars

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

Tel: 0871 664 0300
(calls cost 10p per minute plus network extras)
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Shareholder notes





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