

NORTHGATE



KEEPING BUSINESS MOVING

Northgate plc
Annual Report and Accounts
for the year ended 30 April 2016

About us

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



Our Values

The approach of our colleagues is underpinned by our core values of professionalism, teamwork and can-do attitude. This outlook enables us to deliver upon our core customer values: hassle free, flexible and trusted. Our Celebrating Success awards enable us to identify and recognise colleagues who have gone the extra mile to achieve this.

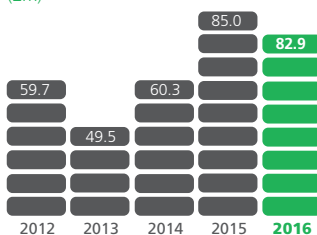
Highlights



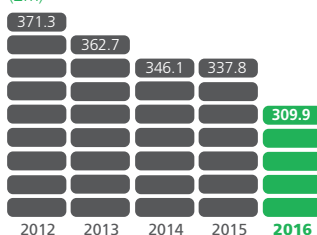
For a full glossary of terms used throughout this report see page 129

Underlying financial

PBT
(£m)

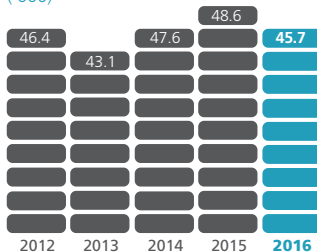


Net debt
(£m)

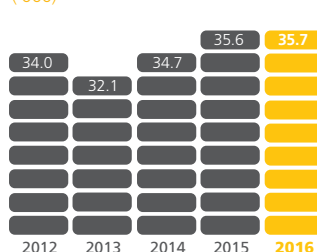


Operational

UK Vehicles on Hire
(‘000)



Spain Vehicles on Hire
(‘000)



About our non-GAAP measures and why we use them

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

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

Exceptional items are explained on page 116 and Reconciliations of GAAP to non-GAAP measures are included on page 31.

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Additional information online



Chairman's statement



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

Andrew Page | Chairman

I became Northgate's Chairman nine months ago and therefore this is my first Report to our shareholders.

Performance

During the year we have made good progress in a number of key areas and, on an underlying basis, the Group's profit before tax was £82.9m. After further adjusting for accounting changes to depreciation and the impact of exchange rates this represented an increase of £3.3m compared to the prior year.

Cash generation has continued to be strong with free cash flow of £62.9m and this provides good scope to further expand our business and also to return cash to our shareholders in the form of increased dividends.

The Group's Spanish business performed well during the year and ended the period with a modest increase in vehicles on hire. In contrast, the UK business was more challenged with a lower level of demand than the prior year, particularly from customers operating in the renewable energy sector as well as a result of our reduced focus on short term rentals to domestic, non-business customers and vehicles on hire at the end of the year was 2,900 below the prior year.

Dividend

The Group remains in a strong financial position, with healthy cash generation and a robust balance sheet. This underpins our progressive dividend policy and the Board's continued confidence in the outlook for the Group means we are proposing a full year dividend of 16.0p, an increase of 10% compared to the 2015 full year dividend of 14.5p. This means a final dividend of 10.9p (2015 – 10.2p).

This gives a 3.1x cover on underlying earnings, in line with our intention to keep cover in the range of 3.75x to 2.5x.





The way forward

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

During the year we have been assessing the opportunities for Northgate and how best to position the business to capture and maximise these. This has involved reviewing the potential addressable market, determining how we can effectively widen Northgate's offering and brand so as to appeal to a broader customer base and building a senior management team which possesses the skill and ambition to drive our business forward.

As such, we have renewed the Group's strategic focus on three key areas:

- To optimise our core business;
- To expand our addressable markets; and
- To maximise end of life value.

The Group's strategy focuses on three key areas:

- To optimise our core business;
- To expand our addressable markets; and
- To maximise end of life value.

During the past six months we have recruited a new UK senior management team and structured it in a similar way to our highly successful Spanish team. A Group Executive Committee has also been formed which includes the senior management from both the UK and Spain. This will benefit the Group in several ways, including alignment of objectives, clarity of focus, sharing of best practices and securing further operational efficiencies.

This sharper focus on the quality of business, a customer proposition with wider appeal, improving brand recognition, clear lines of responsibility and more efficient and consistent execution I believe will generate improved performance.

Board changes

Since last year we have welcomed several new Board members. In November 2015, Claire Miles joined as a non-executive Director, in February 2016, Paddy Gallagher was appointed as Group Finance Director and, since the year end, Bill Spencer has been appointed as a non-executive Director. I am sure that each will make a significant contribution to the future development of Northgate.

Our people

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

We now have experienced senior teams in both the UK and Spain and they are eager to demonstrate what can be achieved. There is much to do and I am confident that our team will be looking to drive the business forward to secure profitable progress.

Andrew Page

Chairman
27 June 2016

In discussion with the Chief Executive

Bob Contreras



Why has Northgate not grown by as much this year compared to last year?

BC Our focus remains on targeting growth where the appropriate level of return exists. For this reason we have seen decreases with some of our less profitable National customers in the UK and Spain. We have also made a decision to reduce short term retail business in the UK that was stretching operations and taking away the focus from our core business customers. We have experienced some reductions with customers trading in the renewable energy sector. Excluding this impact, vehicles on hire and customer numbers within our targeted SME customer segment have increased.

How do you plan to grow the business going forward?

BC The rental market accounts for only 5% of the seven million light commercial vehicles driven on the roads in the UK, Ireland and Spain. We therefore plan to capitalise upon this significant market opportunity through expanding our product offering so that it appeals to customers who have not traditionally rented. Within our existing markets we will clarify our sales proposition to ensure that the benefits of our products are clearly communicated. We will focus marketing effort on increasing brand awareness, particularly targeting sectors where there is the greatest need for our solution. Our routes to market will also be enhanced through deployment of our digital strategy and a new sales structure in the UK will enable us to reach customers in the most efficient way.

Why is the SME sector so important to Northgate; are National customers no longer a focus for the business?

BC Our National customers remain a key part of the Northgate business and are a central part of the strategy going forward. We have seen reductions in some National customers who have moved a larger proportion of their business in house or to a contract hire model. Our flexible rental model is most suited to SMEs who benefit from the whole life costs of using a flexible rental model. The market potential in this segment is also very large.

What are Northgate doing in the area of corporate social responsibility?

BC In January 2016 our UK business launched a wellbeing section of its employee benefits portal, aiming to provide a wealth of information to all employees with the aim of helping them live healthier, happy lives. In Spain we are pleased with the partnerships we have developed with educational institutions.

 Read more in our Corporate social responsibility report on page 44

Given the importance of protecting the customer base, what measures have been put in place to improve customer service and monitor performance?

BC We continue to look at ways through which to enhance our service levels and provide customers with a flexible rental solution which will aid their business in the most effective way possible. NPS is a key way to track and measure our customer base perceptions, and to uphold the high standards we maintain. Our NPS performance has increased by 3% across the Group in the year.

Why do you keep changing vehicle depreciation rates, which makes it difficult to understand the underlying performance of the Group year-on-year?

BC This is a key area of judgement in our accounts and we acknowledge that changing depreciation rates makes it difficult to understand our underlying performance year-on-year.

 In order to address this concern we have explained the issues surrounding this matter further on pages 32 to 35.

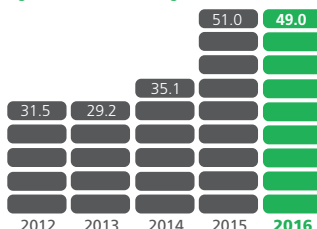
Why invest

As a new investor why should I invest in Northgate?

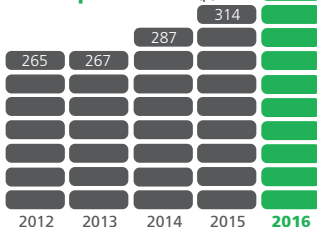
The Northgate investment story

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

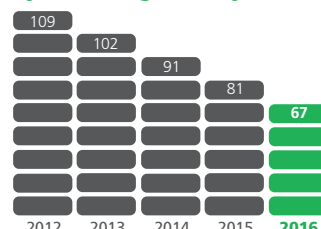
5yr EPS history chart (p)



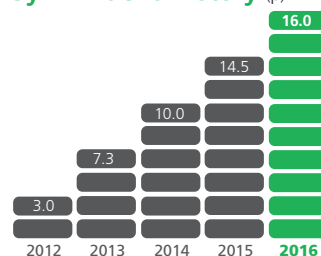
5yr Net tangible asset value per share (p)



5yr Gearing history (%)



5yr Dividend history (p)



Financial profile

- Our business is highly cash generative. We buy all of our vehicles upfront, which means that we use up cash more in periods of growth or generate cash when fleet is reduced. Taking this into account the Group generated £48m of underlying free cash flow in the year.
- We have a progressive dividend policy, with dividend growth of 10% in the year and cover of 3.75x to 2.5x in the medium term.
- We have a strong balance sheet at 67% geared and c.£220m of spare facility to facilitate future growth.
- Cost control and tight financial management is important to the Group with underlying PBT improving over the last five years from £59.7m in 2012 to £82.9m.

Market position

- Northgate is the market leading provider of light commercial vehicle flexible rental in the UK and Spain and has been operating in this sector since 1981.
 Read more in our Marketplace section on page 12
- The potential for growth is vast with seven million light commercial vehicles driving on the roads in the UK and Spain.
 Read more in our Marketplace section on page 12
- Our strategy is focused on delivering high levels of customer service to business customers in the SME sector. Our measure of customer satisfaction (NPS) has improved from 13% to 43% over the last 3 years.
 Read more in our Strategy section on page 14

Risk management

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

 Read more in our Managing risk section on page 38

The background image is a blurred interior view of a car, likely taken from the passenger side looking towards the driver. The car is moving at night, as evidenced by the blurred lights outside and the interior lights. A driver with glasses is visible in the rearview mirror. The dashboard and steering wheel are partially visible. A green circular graphic is in the top left corner, containing the text 'STRATEGIC REPORT'.

STRATEGIC REPORT

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



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Group at a glance



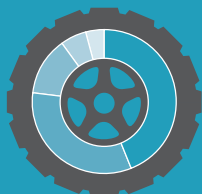
UK

We continue to increase the proportion of vehicles on hire with SME customers. Asset management performance reflects our ability to manage the fleet effectively as customer demand changes.



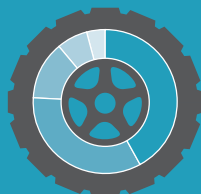
Fleet mix

2016

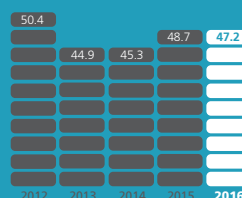


- Medium Vans **44%**
- Small Vans **33%**
- Large Commercial **13%**
- Cars **6%**
- Buses, 4x4 and other **4%**

2015



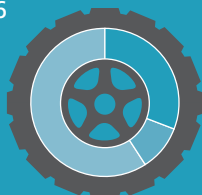
- Medium Vans **42%**
- Small Vans **34%**
- Large Commercial **13%**
- Cars **7%**
- Buses, 4x4 and other **4%**



3.3%
DECREASE
in average
vehicles on hire

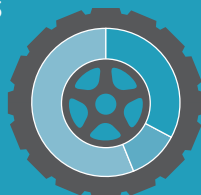
Fleet by customer size

2016



- Corporate fleets (>100) **31%**
- Small and medium sized (50-100) **10%**
- Micro fleets (<50) **59%**

2015



- Corporate fleets (>100) **33%**
- Small and medium sized (50-100) **11%**
- Micro fleets (<50) **56%**

Vehicle sales (000's)



Vehicle purchases (000's)



Operating margin

19.0%

Closing employees

1,865

Closing fleet

52,300



SPAIN

Our strategy of increasing the proportion of business with SMEs continues. Despite growing the fleet size we maintained utilisation.

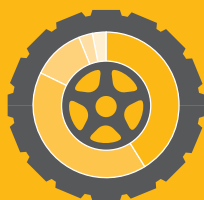


Fleet mix
2016



- Small Vans 41%
- Cars 40%
- Large Vans 13%
- 4x4 2%
- Large Commercial and other 3%

2015



- Small Vans 42%
- Cars 40%
- Large Vans 12%
- 4x4 3%
- Large Commercial and other 3%

Fleet by customer size
2016

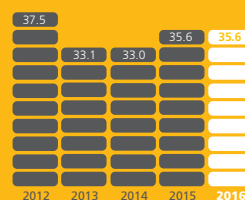


- Corporate fleets (>100) 25%
- Small and medium sized (50-100) 11%
- Micro fleets (<50) 64%

2015



- Corporate fleets (>100) 30%
- Small and medium sized (50-100) 11%
- Micro fleets (<50) 59%

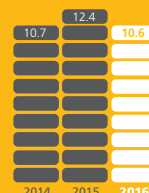


0.3%
INCREASE
in average
vehicles on hire

Vehicle sales (000's)



Vehicle purchases (000's)



Operating margin
29.3%

Closing employees

994

Closing fleet

39,800



Marketplace

Overview

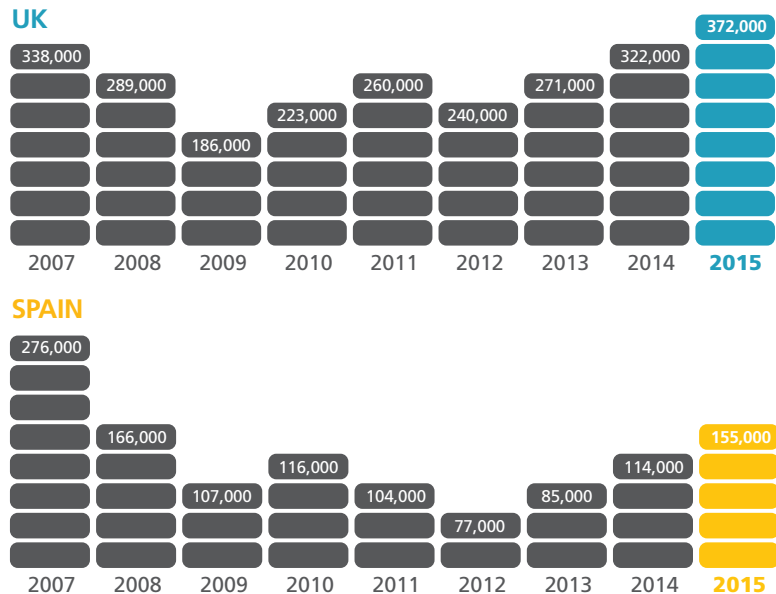
The Group operates predominantly in the LCV sector in the UK (including the Republic of Ireland) and Spain.

LCVs are defined as vehicles for a commercial carrier with a gross vehicle weight of not more than 3.5 tonnes.

The total market size as defined by the number of LCVs on the road (the LCV parc) is estimated at 4.8m vehicles in the UK and 2.2m in Spain.

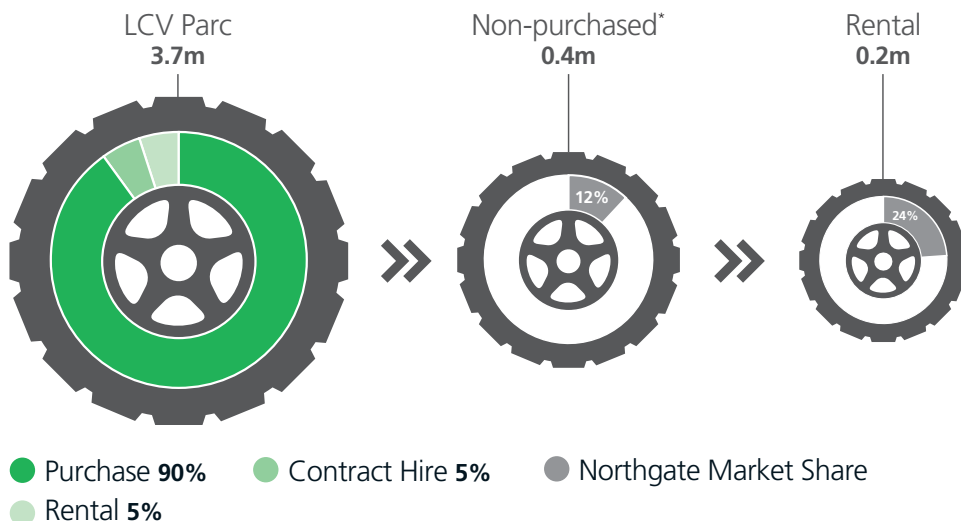
Vehicle registrations

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



Market characteristics

The LCV market in the UK (excluding the Republic of Ireland) is segmented as follows:



* Non-purchased comprises contract hire and rental SOURCE: Management estimates

The LCV markets in Spain and Ireland are structurally similar to the UK.

The choice of acquisition method by customers will depend upon the operational flexibility required and the availability of capital. The main characteristics of each segment are outlined in the table on page 13.



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

Our strategy

Our vision

Our vision is for customers to recognise Northgate as their partner for LCV solutions who can meet all their needs and provide superior value. We want to be a great place where colleagues are proud to work and provide excellent returns for our shareholders.

STRATEGY

OPTIMISE



CORE BUSINESS

1

Sales and marketing: Improving the clarity of our proposition so that customers understand the whole-life financial and operating benefits of our offering and will select clear routes to market through our sales and marketing deployment

Technology: Leveraging technology to connect with customers and enable efficient and effective business operations

Operational: Achieving efficiency gains in our workshops and depots

Employees: Engaging with our people and demonstrating the Northgate culture and behaviours

EXPAND



ADDRESSABLE MARKETS

2

We have the opportunity to expand our LCV offering into markets currently not touched.

- Developing a product that will appeal to operators that currently purchase or contract hire
- Expanding our product portfolio beyond flexible rental
- Expanding our vehicle product range
- Filling remaining regional gaps in each territory in which we operate

MAXIMISING



END OF LIFE VALUE

3

We will continue to make progress in maximising the value created through our end of rental life disposals strategy.

- Improving the proportion of vehicles sold through our Van Monster retail network
- Developing our route to market through marketing and digital technologies
- Widening the product range and ancillary services provided to customers

MEASURES OF SUCCESS

Successful achievement of our strategic objectives will be measured by progress towards the following targets:

Customers: Achieving a net promoter score of 50% or higher

People: An employee engagement score of 80% or higher

Shareholders: Achieving superior TSR relative to the FTSE 250 index



Celebrating Success

Tim Walker

Tim, a Customer Support Agent at our Darlington branch, was nominated for an award for his can-do attitude by his colleagues at his depot.



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

OUR BUSINESS MODEL

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



- 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



- 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

NORTHGATE

NORTHGATE
Vehicle Hire

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.

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.



Learn more about our Business model at
www.northgateplc.com

- 
- 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



Chief Executive's operational review



We continue to believe that flexible rental offers the best method for many businesses to manage their fleet requirements

Bob Contreras | Chief Executive

GROUP

We have taken a number of steps during the year to review the way in which we operate and how we address our markets in order to strengthen the business for future profitable growth. As such, our strategic focus is in three core areas:

Optimising our core business

We continue to believe that flexible rental offers the best opportunity for many businesses to manage their fleet requirements. In particular, the Group has continued to pursue its strategy of increasing the proportion of our vehicles on hire with SME customers where the flexibility we offer is of greatest value.

Our aim is to increase awareness of the whole life benefits that flexible rental offers through the clarity of our proposition and by providing clear routes to market through our sales and marketing deployment and the use of technology.

Internally we will continue to target operational excellence through our branch and workshop network and ensure that all of our people understand their role in shaping the culture of the Group.

Expanding our addressable markets

With approximately seven million LCVs on the road in the UK, Spain and Ireland, significant opportunities exist to grow the business beyond its current position as the largest flexible rental provider in each territory. The rental market currently accounts for an estimated 5% of LCV usage and we therefore have a significant opportunity to position and widen our product offering to customers not currently renting.

We have completed a full market usage and attitude study and have insight to support growing the Northgate brand within the current LCV rental market as well as an opportunity to partner with customers not currently renting.

Maximising end of life value

The price received when we sell our ex-rental vehicles has a significant impact upon returns. Traditionally, our ex-rental vehicles would have been sold through trade and auction channels but in recent years an increasing number are being sold through our Van Monster retail channel.

We will focus on maximising the value created through Van Monster and will continue to increase the proportion and value of vehicles sold through this channel as the awareness and reputation of the brand increases.



UK

Our people and customers

The UK market provides an opportunity for significant profitable growth. We have replicated the successful Spanish management structure, strengthening the UK senior management team with the appointment of a dedicated Managing Director, separate Sales and Marketing Directors and a new Operations Director. This highly experienced team with a clearer strategic focus and ambition for flawless execution will capitalise upon these opportunities for growth.

Customer numbers increased by 2% during the year, reflecting our strategy of growth within the SME sector. NPS, a key indicator of customer satisfaction, grew to 48% across all customers (2015 – 45%) with our target being to further improve beyond 50%.

Vehicles on hire and hire rates

The average number of vehicles on hire was 47,200, a 3% decrease compared to the previous year.

Closing vehicles on hire at 30 April 2016 were 45,700, a reduction of 2,900 since April 2015. This was split by business type as follows:

	30 April 2016	30 April 2015	Change
Regional	32,600	33,000	(400)
National	13,000	15,000	(2,000)
Consumer (non-business)	100	600	(500)
	45,700	48,600	(2,900)

The Regional business was affected by reductions from customers linked to the struggling renewable energy sector. Excluding this segment, the closing vehicles on hire in Regional increased by 400 vehicles. The total number of customers has increased by 200 to 6,900.

We have seen reductions in our lower margin National business. Customers have moved a larger proportion of their business in-house or to a contract hire model as uncertainty in their own business has reduced.

During the year we made the decision to reduce the number of vehicles rented to non-business users in order to improve returns and focus on delivering high levels of customer service to our core business customers.

We are currently refreshing our customer proposition and product offering in order to bridge the perceived gap between headline price and overall in-life vehicle costs for customers who are comparing our offering to other acquisition methods such as contract hire.

48%
NPS IN UK
(2015 – 45%)

Chief Executive's operational review

CONTINUED

Average hire revenue per vehicle increased by 2% when compared to the previous year.

Asset management

During the year the fleet size reduced from 56,100 at 30 April 2015 to 53,300 at 30 April 2016. Average utilisation was 87% in the year (2015 – 88%). Average utilisation was affected by the reduction in vehicles on hire in the year. However, the overall good asset management performance reflects our ability to manage the fleet size effectively as customer demand changes. Going forward we are targeting utilisation in excess of 90% whilst ensuring that each branch has the right range of vehicles available to meet our customers' needs.

Purchases for the year totalled 15,800 vehicles (2015 – 19,800) and the average fleet age was 20.9 months (2015 – 21.1 months).

A total of 20,300 vehicles were sold during the year (2015 – 17,600) with the increase being in response to the reduction in vehicles on hire.

We continue to make progress in selling a higher proportion of vehicles through our Van Monster retail network. During the year 33% (2015 – 31%) were sold via this route. The absolute number of vehicles sold through this channel increased by 1,300 or 24% compared to the prior year.

We have previously commented on how the supply of used vehicles within our target disposal age range (3 to 4 years) had been constrained as a result of a low number of registrations in the post-recessionary period. We have seen that this supply constraint has now eased and inevitably put downward pressure on market pricing. This, coupled with the impact of historical depreciation rate changes, has resulted in an adjustment to the depreciation charge of £20.5m compared to £27.8m in the previous year. This equates to a PPU (profit per unit) of £1,014 compared to £1,583 in the prior year.

Network

Since our network expansion programme commenced in 2013, we have opened 16 new sites in total, including one opened in the year. These new sites contributed 5,100 to the closing vehicles on hire.

We have made the decision to pause new site openings in order to allow the new management team to focus sales and marketing efforts on optimising demand generation across the entire network.

Spain

Our people and customers

During the year we appointed a new Operations Director, tasked with increasing the efficiency and effectiveness of our workshops and good progress is being made in this important area.

Customer numbers increased by 16% during the year. We continue to monitor NPS as a key indicator of customer satisfaction and this measure improved to 37% in 2016 compared to 34% in the previous year. We will continue to seek improvement in this area as it is key to the future success of the business.

Vehicles on hire and hire rates

Closing vehicles on hire at 30 April 2016 was 35,700, an increase of 100 from 35,600 at 30 April 2015, with a growth in Regional customers of 2,000 being offset by a 1,900 reduction in larger National accounts as follows:

	30 April 2016	30 April 2015	Change
Regional	21,900	19,900	2,000
National	13,800	15,700	(1,900)
	35,700	35,600	100

The decrease in National business reflects the planned run-off of a number of lower margin contracts.

The average number of vehicles on hire was maintained at 35,600 vehicles.

Average hire revenue per vehicle increased by 1% compared to the previous year.

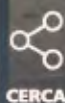
Asset management

During the year the fleet size increased from 39,400 at 30 April 2015 to 39,800 at 30 April 2016. Utilisation levels were maintained at 91% during the year.

37%
NPS IN SPAIN
(2015 – 34%)

NORTHGATE

Renting Flexible



VEHÍCULO DE SUSTITUCIÓN



Purchases for the year totalled 10,600 vehicles (2015 – 12,400) and the average fleet age closed at 23.3 months (2015 – 23.7 months).

A total of 10,200 vehicles were sold during the year (2015 – 10,300). The proportion of sales made through our own more profitable retail network was 17%. This represents an increase of 100 vehicles, a 6% increase compared to the prior year.

The increase in the resale values of used vehicles led to a reduction of €21.4m in the depreciation charge compared to €16.0m in the previous year. This equates to a PPU (profit per unit) of €2,102 compared to €1,554 in the prior year.

Network

We operate from 24 rental locations in Spain, with one additional branch having opened during the year. We will continue to consider any opportunities to fill in remaining geographical gaps in our network and expect to open up to three more sites over the next three to five years.

Group current trading and outlook

We began the new financial year with a lower level of vehicles on hire than expected, albeit we have seen stable conditions over the last few months. We expect to grow vehicles on hire over the course of the year, subject, of course, to uncertainty arising from the UK's recent decision to leave the EU.

We have confidence in the steps we have taken to strengthen our management team in the UK and whilst it will take some time to translate into results, we have put in place a

range of operational and commercial initiatives which will improve both the quality of the business and our financial performance over the medium term. Therefore we expect that the current financial year will be more heavily weighted towards strength in the second half.

Bob Contreras

Chief Executive

27 June 2016

Financial review



During the year the Group successfully refinanced its borrowing facilities, extending maturities, improving existing terms and diversifying the lending base

Paddy Gallagher | Group Finance Director

Group Summary

A summary of the Group's financial performance for 2016, with a comparison to 2015, is shown below:

	2016 £m	2015 £m	Change £m	Change %
Revenue	618.3	614.3	4.0	0.7
Underlying operating profit	94.3	97.8	(3.5)	(3.5)
Underlying profit before tax	82.9	85.0	(2.1)	(2.4)
Underlying EPS	49.0p	51.0p	(2.0)p	(3.9)
Dividend per share	16.0p	14.5p	1.5p	10.3
Underlying free cash flow	48.4	32.8	15.6	47.6

Group revenue increased by 1% to £618.3m or 2% at constant exchange rates.

The weakened Euro across the year reduced profit before tax by £1.7m compared to the prior year.

The impact of previous changes to depreciation rates decreased profit before tax by £3.7m compared to the prior year.

Excluding both of the above impacts, underlying profit before tax was £3.3m higher than the prior year.

The accounting requirements to adjust depreciation rates due to changes in expectations of residual values of used vehicles make it more difficult to identify the underlying profit trends in our business. The issues surrounding this matter have therefore been explained further on pages 32 to 35.

The impact on operating profit since changes were made in the year ended 30 April 2012, including the estimated impact on future periods is as follows:

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

* Management estimate



**FREE CASH FLOW
GENERATED IN THE YEAR**



Free cash flow of the Group was £62.9m (2015 – outflow of £7.8m) after net capital expenditure of £155.5m (2015 – £218.4m). If the impact of increasing or reducing the fleet size in the year is removed from net capital expenditure in each year, underlying free cash flow of the Group was £48.4m (2015 – £32.8m).

Net cash generation was £42.8m (2015 – outflow of £22.4m). After an adverse exchange rate impact of £16.1m (2015 – £28.8m favourable impact), closing net debt was £309.9m (2015 – £337.8m) and gearing was 67% (2015 – 81%).

On a statutory basis, operating profit was £90.6m (2015 – £95.8m) and profit before tax was £77.6m (2015 – £83.0m). Basic earnings per share were 46.1p (2015 – 50.1p). Net cash generated from operations, including net capital expenditure on vehicles for hire, was £73.7m (2015 – £8.5m).

UK

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

	2016 £m	2015 £m	Change £m	Change %
Revenue				
Vehicle hire	306.4	311.3	(4.9)	(1.6)
Vehicle sales	127.0	115.0	12.0	10.4
	433.4	426.3	7.1	1.7
Operating profit	58.2	69.0	(10.8)	(15.8)
Operating margin	19.0%	22.2%		

A decrease in hire revenue of 1.6% was primarily driven by a decrease in the average number of vehicles on hire of 3.2%. This was partially offset by a 1.6% increase in revenue per vehicle.

The impact of previous changes to depreciation rates decreased operating profit by £5.9m compared to the prior year.

The increased volume of vehicles sold was offset by lower residual values and a higher net book value per vehicle sold as a result of previous depreciation rate changes. Residual values of vehicles sold also reduced. The total impact was a £7.3m decrease in operating profit compared to the prior year.

Financial review

CONTINUED

Spain

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

	2016 £m	2015 £m	Change £m	Change %
Revenue				
Vehicle hire	140.8	145.5	(4.7)	(3.3)
Vehicle sales	44.1	42.4	1.7	4.1
	184.9	187.9	(3.0)	(1.6)
Operating profit	41.3	33.3	8.0	24.0
Operating margin	29.3%	22.9%		

The decrease in hire revenue of 3.3% was impacted by the weaker Euro across the year. At constant exchange rates hire revenue grew by 1.0%. Average vehicles on hire were constant compared to the previous year and average revenue per vehicle increased by 1.0%.

The weaker Euro across the year adversely impacted operating profit by £1.8m.

The impact of previous changes to depreciation rates increased operating profit by £2.2m compared to the prior year.

Stronger residual values of vehicles sold increased operating profit by £3.5m compared to the prior year.

Corporate

Underlying corporate costs were £5.1m (2015 – £4.5m).

Interest

Net underlying finance charges for the year were £11.4m (2015 – £12.8m).

The net cash interest charge for the year was £10.1m (2015 – £12.4m) benefiting by £1.0m from lower levels of net borrowings, £1.1m due to lower pricing and £0.2m from movements in foreign exchange rates.

Non-cash interest increased by £0.9m to £1.3m (2015 – £0.4m) following a refinancing of the Group's borrowing facilities in the year.





Celebrating Success

Marissa Dempsey

Marissa is a Workshop Administrator at our Cannock depot and was nominated for an award for her professionalism by her line manager.



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



Financial review

CONTINUED

Taxation

The Group's underlying effective tax rate was 21% (2015 – 20%).

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 rate was 21% (2015 – 19%).

Earnings per share

Underlying EPS was 49.0p compared to 51.0p in the previous year.

Underlying earnings for the purpose of calculating EPS were £65.4m (2015 – £67.9m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the previous year.

Exceptional items

During the year £3.34m of exceptional costs were incurred (2015 – £Nil), of which £1.78m related to restructuring costs and £1.56m related to finance costs following the refinancing of the Group's borrowing facilities in the year.

Dividend

Subject to approval, the final dividend proposed of 10.9p per share (2015 – 10.2p) will be paid on 23 September 2016 to shareholders on the register as at close of business on 19 August 2016.

Including the interim dividend paid of 5.1p (2015 – 4.3p), the total dividend relating to the year would be 16.0p (2015 – 14.5p). The dividend is covered 3.1x by underlying earnings.

Cash flow

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

	2016 £m	2015 £m
Underlying operational cash generation	242.8	251.6
Net capital expenditure	(155.5)	(218.4)
Net taxation and interest payments	(18.8)	(28.8)
Share purchases and refinancing costs	(5.6)	(12.2)
Free cash flow	62.9	(7.8)
Dividends	(20.1)	(14.6)
Net cash generated (outflow)	42.8	(22.4)

A total of £296.2m was invested in new vehicles compared to £350.1m in the prior year. The Group's new vehicle capital expenditure was partially funded by £145.9m generated from the sale of used vehicles (2015 – £135.9m). Other net capital expenditure amounted to £5.2m (2015 – £4.2m).

All vehicles required for the Group's operations are paid for in cash up-front. The cash flow generation of the Group

in any year is therefore influenced by the capital expenditure to grow the business or cash generated by adjusting the fleet size downwards if vehicles on hire reduce. If the impact of increasing or reducing the fleet size in the year is removed from net capital expenditure, the underlying free cash generation of the Group was as follows:

	2016 £m	2015 £m
Free cash flow	62.9	(7.8)
Add back: Adjustment to net capital expenditure for (contraction) growth in fleet size	(14.5)	40.6
Underlying free cash flow	48.4	32.8

Net debt reconciles as follows:

	2016 £m	2015 £m
Opening net debt	337.8	346.1
Net cash (generated) outflow	(42.8)	22.4
Other non-cash items	(1.2)	(1.9)
Exchange differences	16.1	(28.8)
Closing net debt	309.9	337.8

Excluding the £16.1m impact of foreign exchange net debt reduced by £44.0m.

Financial review

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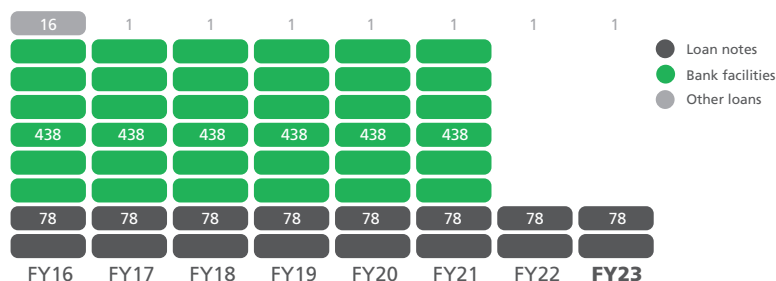
Borrowing facilities

During the year the Group successfully refinanced its borrowing facilities, extending the maturity of its existing multi-bank facility by two years, improving existing terms and replacing part of this facility with €100m of seven year private placement loan notes. As at 30 April 2016 the Group had £313m drawn against total committed facilities of £532m, giving headroom of £219m, as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing cost
UK bank facility	438	224	214	Jun-20	2.12%
Loan notes	78	78	–	Aug-22	2.38%
Other loans	16	11	5	Nov-16	0.94%
	532	313	219		2.14%

Maturity of facilities

(£m)



The overall cost of borrowings at 30 April 2016 is 2.14% (2015 – 2.78%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.50% to a maximum of 2.25%. The net debt to EBITDA ratio at 30 April 2016 corresponds to a margin of 1.75%.

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 2.23% (2015 – 3.00%) giving an overall cost of bank borrowings at 30 April 2016 of 2.12% (2015 – 2.85%).

The other loans consist of £10.0m of local borrowings in Spain and £0.5m of preference shares.

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

	2016 £m	2015 £m
Euro	257	232
Sterling	75	117
Borrowings before unamortised arrangement fees	332	349
Unamortised arrangement fees	(3)	(2)
	329	347

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

	Threshold	April 2016	Headroom	April 2015
Interest cover	3.00x	9.13x	£62m (EBIT)	7.75x
Loan to value	70%	39%	£251m (Net debt)	44%
Debt leverage	2.00x	1.33x	£79m (EBITDA)	1.41x

Balance sheet

Net tangible assets at 30 April 2016 were £463.4m (2015 – £418.4m), equivalent to a net tangible asset value of 348p per share (2015 – 314p per share).

Gearing at 30 April 2016 was 67% (2015 – 81%), which reflects the £27.9m reduction in net debt.

Return on capital employed was 12.2% (2015 – 13.0%).

Treasury

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

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



Credit risk

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

Liquidity and funding

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

Capital management

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

Operating subsidiaries are financed by a combination of retained earnings and borrowings.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure.

Interest rate management

The Group's bank facilities and other loan agreements incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering at least 50% of its borrowings at any time. The proportion of gross borrowings hedged into fixed rates was 91% at 30 April 2016 (2015 – 73%).

Financial review

CONTINUED



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:

	2016 £:€	2015 £:€
Average	1.35	1.29
Year end	1.28	1.38

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. The exchange differences arising on these borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries. At 30 April 2016 78% of Euro net assets were hedged against Euro borrowings (2015 – 77%).

Going concern

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

Paddy Gallagher

Group Finance Director
27 June 2016

GAAP reconciliation

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

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

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

	Group 2016 £000	Group 2015 £000
Profit before tax	77,632	82,963
<i>Add back:</i>		
Restructuring costs	1,777	–
Intangible amortisation	1,979	2,010
Exceptional finance costs	1,561	–
Underlying profit before tax	82,949	84,973
Profit for the year	61,479	66,802
<i>Add back:</i>		
Restructuring costs	1,777	–
Intangible amortisation	1,979	2,010
Exceptional finance costs	1,561	–
Tax on exceptional items, brand royalty charges and intangible amortisation	(1,446)	(868)
Underlying profit for the year	65,350	67,944
Weighted average number of Ordinary shares	133,232,518	133,232,518
Underlying EPS	49.0p	51.0p
Net increase (decrease) in cash and cash equivalents	5,586	(8,036)
<i>Add back:</i>		
Receipt of bank loans and other borrowings	(70,410)	(14,317)
Repayments of bank loans and other borrowings	107,653	–
Net cash generated (outflow)	42,829	(22,353)
<i>Add back:</i> Dividends paid	20,114	14,607
Free cash flow	62,943	(7,746)
<i>Add back:</i> Adjustment to net capital expenditure for (contraction) growth in fleet size	(14,545)	40,556
Underlying free cash flow	48,398	32,810

	UK 2016 £000	Spain 2016 £000	Corporate 2016 £000	Group 2016 £000
Operating profit	53,917	36,480	166	90,563
<i>Add back:</i>				
Restructuring costs	1,777	–	–	1,777
Brand royalty charges	559	4,723	(5,282)	–
Intangible amortisation	1,898	64	17	1,979
Underlying operating profit (loss)	58,151	41,267	(5,099)	94,319
Underlying operating profit (loss)	58,151	41,267	(5,099)	94,319
<i>Divided by:</i> Revenue: hire of vehicles	306,353	140,781	–	447,134
Underlying operating margin	19.0%	29.3%	–	21.1%

	UK 2015 £000	Spain 2015 £000	Corporate 2015 £000	Group 2015 £000
Operating profit	66,662	28,328	772	95,762
<i>Add back:</i>				
Brand royalty charges	442	4,881	(5,323)	–
Intangible amortisation	1,928	51	31	2,010
Underlying operating profit (loss)	69,032	33,260	(4,520)	97,772
Underlying operating profit (loss)	69,032	33,260	(4,520)	97,772
<i>Divided by:</i> Revenue: hire of vehicles	311,282	145,536	–	456,818
Underlying operating margin	22.2%	22.9%	–	21.4%

The depreciation rate challenge

Over recent reporting periods Northgate has made revisions to depreciation rates applied to vehicles for hire in order to comply with IFRS requirements. This has distorted the year-on-year comparison of the income statement and therefore made the underlying results less transparent.

This section aims to explain the reasons why Northgate is required to continually assess and make adjustments to depreciation rates, and also demonstrate the impact that this has had on our reported results.

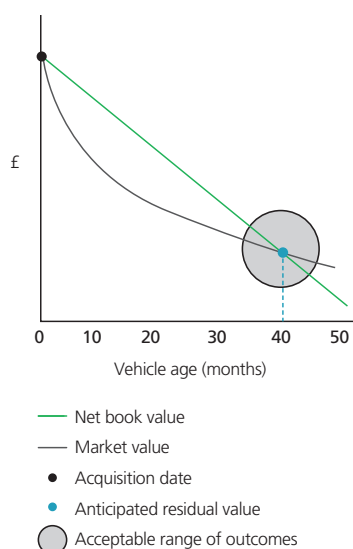
Choosing appropriate depreciation rates

Northgate has a fixed asset base of vehicles for hire with a net book value of £684m. These vehicles are typically held for a rental life of between 36 and 48 months.

When a vehicle is acquired it is recognised as a fixed asset at its cost net of any discount or rebate receivable. The cost is then depreciated evenly over its rental life, matching its pattern of usage.

Accounting standard IAS 16 (Property, Plant and Equipment) requires that the depreciation rates selected must be based on the anticipation that the net book value at the point of sale will equate to its open market value (less any costs required to sell the vehicle) as demonstrated in example 1.

1 Example 1: Vehicle disposal scenario



In example 1, the 'perfect' depreciation rate would mean that the net book value on disposal of a vehicle equates to its market value.

However, the matching of future market values to net book value on the disposal date requires significant judgement for the following key reasons:

1. Used vehicle prices are subject to short term volatility which makes it challenging to estimate future residual values;
2. The exact disposal age is not known at the point at which rates are set and therefore the book value at disposal date is not certain; and
3. Mileage and condition are the key factors in influencing the market value of a vehicle. This can vary significantly through a vehicle's life depending upon how the vehicle is used.

Inevitably, a difference arises between the net book value of a vehicle and its market value at the date of disposal. If these differences are within a materially acceptable range (as suggested in example 1) then no adjustments are made to depreciation rates and these differences will be reflected as adjustments to the depreciation charge in the period of disposal. The result in the current year has been as follows:

£m	UK	Spain	Group
Residual value of disposals*	110.8	37.9	148.7
Net book value of disposals before adjustment to depreciation	(90.3)	(22.0)	(112.3)
Adjustment to depreciation in the year	20.5	15.9	36.4
PPU (£)	1,014	1,555	

* Net of selling costs



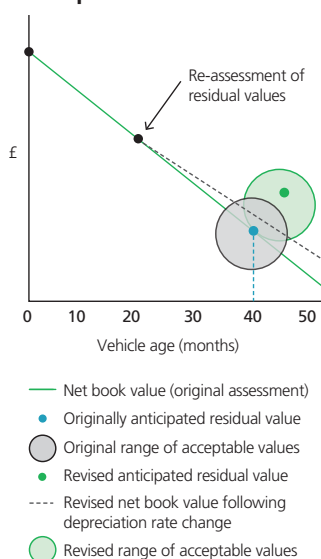


IAS 16 requires the Group to reassess depreciation rates each year to ensure that they are appropriate in light of available market data and recent performance.

If this assessment concludes that differences between the expected book values and market values are anticipated to be material (falling outside of the acceptable range), then IAS 16 requires adjustments to be made to depreciation rates which are then applied prospectively.

This can be seen in example 2.

2 Example 2: Vehicle disposal scenario: changing depreciation rates



In example 2, the expected residual value at the point of reassessment has fallen outside of the acceptable (material) range of outcomes and therefore a change is made to depreciation rates prospectively. The residual value is now expected to fall within the revised acceptable range.

The impact of changing depreciation rates

Management regularly assess depreciation rates and estimated useful lives to ensure that the net book value of disposals are broadly equivalent to their market values.

Changes to depreciation rates must be applied across the entire fleet prospectively. The impact of these changes can make it difficult to compare our underlying results year-on-year.

Using Spain to illustrate this, the impact that a 1% change to depreciation rates would have on profit is outlined in example 3.

The depreciation rate challenge

CONTINUED

3 Example 3: Impact of 1% change to Spain depreciation rates

£m	Yr1	Yr2	Yr3	Yr4
Impact on fleet depreciation charge	3.6	3.6	3.6	3.6
Impact on adjustment for vehicles sold	(0.6)	(1.8)	(3.0)	(3.6)
Net impact on income statement vs. Yr0 (prior to change)	3.0	1.8	0.6	0.0
Year-on-year impact	3.0	(1.2)	(1.2)	(0.6)
Cumulative impact	3.0	1.8	0.6	–

Key assumptions

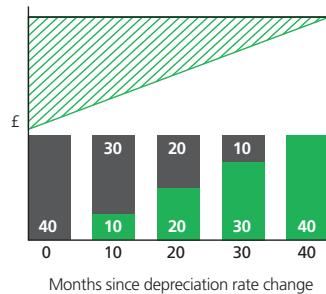
- Based on April 2016 closing fleet cost of £361m
- Constant fleet size
- Constant disposal cycle of 36 months
- No change to cost of vehicles acquired or residual value of vehicles sold

As can be seen from example 3, a reduction in depreciation rates will reduce the depreciation charge in year 1 as it is applied across the entire fleet. This reduction will reverse in the income statement throughout the remaining holding period of those vehicles due to lower adjustments or PPU when the vehicles are sold.

In other words, the net book value of vehicles sold will increase going forward, until vehicles sold have been depreciated at the new lower rate throughout their rental life. This is demonstrated in example 4.



4 Example 4: Net book value impact of depreciation rate changes



- Proceeds per vehicle sold
 - NBV per vehicle sold
 - Adjustment to depreciation on sale of vehicle
 - Months depreciated at old rate
 - Months depreciated at new rate
- Assuming 40 month disposal cycle and no change to residual values

Example 4 demonstrates how the adjustment to depreciation for vehicles sold (PPU) reduces to £Nil as the depreciation change unwinds through the existing fleet.

Cumulative impact of previous depreciation rate changes

Examples 3 and 4 consider a single change made to depreciation rates. However, in order to understand the underlying performance of the Group we must consider the cumulative impact of changes to depreciation rates which have taken effect as follows:

Taking effect from:	UK	Spain
From 1 May 2012	Reduction of 1%	–
From 1 May 2014	Reduction of 2%	Reduction of 1%
From 1 May 2015	–	Reduction of 1%

The cumulative impact of changes made to depreciation rates since the year ended 30 April 2012 has had the following impact on the reported results when compared to the previous year:

	2016			2015	
£m	UK	Spain	Head office	Group	Group
Underlying as reported:					
Operating profit (a)	58.1	41.3	(5.1)	94.3	97.8
Profit before taxation				82.9	85.0
EPS				49.0p	51.0p
Cumulative impact of depreciation rate changes (b)	6.8	5.2	–	12.0	15.7
Impact of depreciation rate changes year-on-year	(5.9)	2.2	–	(3.7)	11.4

Results adjusted for depreciation rate changes:

Operating profit (a-b)	51.3	36.1	(5.1)	82.3	82.1
Profit before taxation				70.9	69.3
EPS				41.9p	41.6p

Impact of previous depreciation rate changes on future results

As the above rate changes have not fully unwound in the income statement, there will be a continuing impact upon reported results in future periods.

The cumulative impact on operating profit of £12.0m up to the year ended 30 April 2016 is estimated to reverse in the income statement over future periods as follows:

	Cumulative Impact			Year-on-year Impact		
£m	UK	Spain	Group	UK	Spain	Group
Year ending 30 April 2017	2.7	3.6	6.3	(4.1)	(1.6)	(5.7)
Year ending 30 April 2018	–	2.1	2.1	(2.7)	(1.5)	(4.2)
Year ending 30 April 2019	–	–	–	–	(2.1)	(2.1)
				(6.8)	(5.2)	(12.0)

Key Performance Indicators

	Description	Performance
Financial	Earnings per share (EPS) Underlying EPS performance is a key measure of our current profitability.	Underlying EPS was 49.0p compared to 51.0p in the previous year.
	Return on Capital Employed (ROCE) In a capital intensive business ROCE is an important measure of performance.	ROCE has reduced from 13.0% to 12.2%.
Operational	Asset management Utilisation needs to be optimised in order to be operationally efficient but must also be balanced against the need to have fleet available to meet customer demand. The holding cost of vehicles is the biggest cost to the business and therefore needs to be minimised in order to increase profitability and returns.	- Utilisation across the Group was 89% compared to 89% in the previous year. This was affected by the number of vehicles off-hired in the UK this year. - Channelling more disposals through our retail network increases residual values and therefore reduces holding cost. Retail penetration increased to 27% across the Group (2015 – 26%).
	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.	On a constant currency basis, revenue per rented vehicle was constant across the Group compared to the prior year.
	Customer service The average number of vehicles on hire during the year is one of the primary drivers of our revenue. In order to grow the business we must deliver the highest levels of customer service to set us apart from our competitors. NPS is used as a key measure to monitor customer satisfaction.	- The average number of vehicles on hire across the Group was 82,800 (2015 – 84,200). The reduction arose in the UK. - NPS for the Group was 43% (2015 – 40%).
	Staff retention Attracting, retaining and developing the right people is key to the successful delivery of our strategy. Staff turnover is a key measure for monitoring performance in this area.	Group staff turnover was 23% compared to 22% in the previous year.

Target	Risk Factor Link 	Business Model Link		
		Buy	Manage	Sell
EPS will be affected by the depreciation rate unwind in the short term and is then targeted to increase.	     			
In the short term, as the business expands and the impact of previous depreciation rate changes continue to impact results, ROCE will be adversely impacted. Over the longer term ROCE is targeted to exceed levels previously achieved.	     			
- We continue to target utilisation levels above 90%. - The Group is targeting retail disposals in excess of 40%.	    			
We will continue to maintain minimum hire rate thresholds, seeking to increase prices balanced against the full life return of our vehicles.	 			
- Growth in vehicles on hire is a primary objective of the Group. However, this is only sought where appropriate returns exist. - Our target is to achieve an NPS in excess of 50% across the Group.				
We aim to manage staff turnover below industry standards.				

 See our Principal risks and uncertainties on pages 40 and 41

Managing risk

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

Risk governance

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

Board

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

Audit and Risk Committee

The Audit and Risk Committee review the Group's risk appetite statement on a quarterly basis. The Committee set the objectives, monitor and review the activities of Group Internal Audit and oversee the Group's whistleblowing arrangements. The Committee monitor the Group's risk management processes focusing on the effectiveness of internal controls and business continuity procedures, including cyber risk.

Executive Committee

The Executive Committee is chaired by the Chief Executive. More details on the Executive Committee can be seen in the Introduction to governance on page 55. The Executive Committee receive risk reporting from regional management which feeds into the strategic conversations held in this forum.



Group Internal Audit

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

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

Regional Executive Teams

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



Identification of risks

The Board and the Group's management have a clearly defined responsibility for identifying the major business risks facing the Group and for developing systems to mitigate and manage those risks. The control of key risks is reviewed by the Board and the Group's management at their monthly meetings.

The Board can therefore confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of this annual report and accords with the Turnbull guidance and therefore the Board has performed a robust assessment of the principal risks facing the Group.

Review of risk management and internal control systems

In addition to the ongoing monitoring and review of the Group's risk management and internal control systems during the year the Board engaged a third party to perform a review of the Group's processes and procedures to supplement and bring an alternative perspective from that of the Board. The findings of this review complemented the assessment made by the Board and identified no significant failings and weaknesses in the Group's risk management system but contained a number of recommendations which the Group has already begun work on.

Risk appetite

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

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

The governance of risk is undertaken in the context of the Group's overall risk appetite. The Group considers risk appetite to ensure adequate resources are allocated to the correct risks. During the year the Audit and Risk Committee reviewed and approved a formal risk appetite statement, which subdivided the Group's six principal risks into fourteen specific risks. Of these, the Audit and Risk Committee had very low appetite for three risks, a low level of appetite for eight of the risks and a medium level of appetite for three risks. This demonstrates that the Group takes a conservative view towards risk and attempts to minimise its exposure to undue risk.

Managing risk

CONTINUED

Principal risks and uncertainties

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 recent referendum decision for the UK to leave the EU could potentially cause a downturn in the economies in which we operate.	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 macroeconomic conditions could also increase the risk of customer failure and therefore incidences of bad debts. In the short term, foreign exchange volatility, credit risk and availability of capital may be affected by the decision to leave the EU. In the longer term, demand for our products and the cost of our supplies may be impacted.
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 a 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 dependent 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, teamwork and can-do attitude. Each new joiner receives an introduction to the Group'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.

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

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

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. With regards to the EU referendum the Group's current hedging arrangements protect it from material foreign exchange risks and the Group has in place sufficient borrowing facilities to fund its activities with maturities up to seven years. Any impact on demand or the cost of supplies is not yet known.	
All hire rates offered to customers must exceed certain hurdle rates to ensure that appropriate levels of return on capital are achieved. 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 Group 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 Group 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 Group 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 main facilities mature in 2020 and 2022 and the Group believes that these facilities provide adequate resources for present requirements. The Group reviews its compliance with covenants on a monthly basis in conjunction with cash flow forecasts to ensure ongoing compliance. The impact of access to capital on the wider risk of going concern is considered on page 30 and within the viability statement on page 42.	

Managing risk

CONTINUED

Viability statement

The Directors have assessed the viability of the Group over a three year period to 30 April 2019, taking into account the Group's current position and the potential impact of the principal risks documented in the Strategic Report. Based upon this assessment the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2019.

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

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

The Plan also encompasses the projected cash flows, dividend cover, and headroom against financial covenants under the Group's existing facilities. The Plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required. Headroom against the Group's existing facilities at 30 April 2016 was £219m as detailed on page 28. The facilities have maturity dates between November 2016 and August 2022, which exceeds the period under review and provides sufficient headroom to fund the capital expenditure and working capital requirements during the planned period.

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

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





Corporate social responsibility

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

We understand that we have an obligation to run our business in a responsible and sustainable way for all 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 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 maintains 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 creates 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 Safety & Environment (S&E) department.

During the year the Group's S&E department carried out formal audit reviews to measure performance of our S&E management system at all locations and where necessary identified improvements and subsequently monitored compliance. The main objective of the S&E department is to ensure continuous improvement across the Group whilst providing 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.

Health & safety performance across the business is measured using an Accident Frequency Rate (AFR). The AFR is calculated as the number of lost time incidents, multiplied by 100,000, divided by the number of man hours worked. The AFR's reported are as follows:

	2016	2015
UK	1.0	1.1
Spain	2.2	2.2
Group	1.4	1.5



Celebrating Success

Adam Cheal

Adam is a Warranty Administrator in Barking and received his award for outstanding teamwork after being nominated by a manager from a branch he had been assisting.



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

Corporate social responsibility

CONTINUED

Ethics

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

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

Our employees

As a Group we value our employees as we understand that they are the key resource required to deliver the high levels of customer service that maintains our competitive advantage. At 30 April 2016 we had 2,859 (2015 – 2,971) employees across the Group, 1,865 in the UK (2015 – 2,057) and 994 in Spain (2015 – 914).

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 2016, the gender breakdown of the workforce across the Group was:

	Male	Female
Directors	4	2
Senior Managers	20	3
All Employees	1,996	863

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

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 new initiatives are currently under way across the business to achieve this and our revised communication strategy will better utilise our new communication channels and further enhance our employee engagement across the business.

Our current emphasis is placed on monthly briefings, face to face meetings, conferencing, conference calls, and discussions between managers and their teams. These methods will continue to be supported by the business as we look towards the transformation of our communication channels.

We understand that communication and engagement are critical business tools and we are striving to promote a sense of community at Northgate and ensure that our people work towards the vision of our desired future.

UK

The Northgate Sales Academy was launched in September 2015 to help new colleagues in the sales team to settle in quickly through learning partners who ensure an effective induction programme, including coaching in the field. In addition, face to face training and support is delivered to existing sales staff. During the year 42 new colleagues joined the Sales Academy.

Our management assessment programme continued throughout the year, with 12 managers achieving the Institute of Leadership and Management level five. 301 colleagues have begun studying for the level two NVQ in customer service, with the first 50 having now passed.

September 2015 saw another 24 technical apprentices join the business. Half will spend time with Ford and half with Mercedes Benz as part of their training. 12 apprentices from a previous intake achieved the prestigious Technical certificate and enjoyed a Mercedes Benz driving experience at Goodwood as a reward, showing our commitment to supporting colleagues within the business.

Spain

In the calendar year ending December 2015 18 people with disabilities were employed, an 80% increase on the previous year. This shows our commitment to hiring on merit and not discriminating on social factors.

During the year Northgate Campus was launched. This is a bespoke e-learning platform customised for the needs of individuals in order to allow them to access timely, relevant training material tailored to their role within the business. Northgate Campus is available to all employees.



Human rights

Information on equality is contained above and our corporate responsibility policy information, which includes human rights, can be found on the Group's corporate website. A statement on the Group's compliance with the Modern Slavery Act will be published on the website within six months of the year end.

Environment

As at 30 April 2016, the UK business operated from a total of 89 locations, including 77 rental sites. The Spanish business operates from a total of 38 locations, including 24 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.

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.

UK

During the year we participated in ESOS for the first time. We are currently working through the recommendations provided as part of this process.

We maintained the internationally recognised ISO 14001 Environmental Standard during the year, showing our commitment to effective environmental

management systems. This was complemented with our OHSAS 18001 accreditation, confirming that we have suitable and effective health & safety management practices in place.

We are currently trialling internal and external LED lights in a number of branches, projections suggest these could save at least 70% on electricity consumption compared to the legacy bulbs. 16 branches now have energy management controls fitted, allowing heating to be better controlled according to the conditions. We intend to monitor the effectiveness of the trial closely.

We were able to continue to recycle or recover 100% of all waste streams generated and collected from our vehicle repair workshops in the UK. Due to adopting sound environmental practices across the estate we were also able to recycle 70% of all dry waste streams collected from our sites in the UK. In all 90% of dry waste streams collected from our sites were diverted from landfill in the UK.

Corporate social responsibility

CONTINUED

Spain

We have maintained our ISO 14001 accreditation in Spain. Positive measures taken to improve environmental performance include installing an electric vehicle charging point at our head office as well as decreasing both electricity and paper consumption.

This has been coupled with other environmental campaigns including temperature adjustments in facilities, recycling and reiterating the importance that every employee plays in environmental matters.

Each depot is audited by a Northgate team at least twice a year with opportunities for improvement identified and monitored and the results are reported to the Group Safety and Environment Manager.

During the year we also increased the number and range of electric vehicles on the fleet. This gives our customers the ability to drive on restricted roads in certain cities and charging is free in several places, as well as being kinder to the environment than traditional vehicles.

We were able to recycle or recover 72% of all waste streams generated and collected from our vehicle repair workshops in Spain.

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 2015 to 30 April 2016 with a comparison to the prior year. The base year for calculations is the year ended 30 April 2014.

Consolidation approach and organisational boundary

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

Methodology

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

Greenhouse gas emissions figures

Greenhouse gas emissions source	Tonnes of CO ₂ e 2016	Tonnes of CO ₂ e 2015
Scope 1 – Combustion of fuel and operation of facilities	6,201	5,865
Scope 2 – Electricity, heat, steam and cooling	4,766	4,343
Intensity ratio: Tonnes of CO ₂ e per £m of revenue	24.5	22.3

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 2016 the UK fleet of 53,300 vehicles had an average age of 20.9 months. The total fleet in Spain was 39,800 vehicles with an average age of 23.3 months. All vehicles purchased in the year ended 30 April 2016 met Euro 5 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 and Safety award.

The Group encourages employees to partake in activities in aid of charities:

UK

During the year colleagues have supported various charities including Birmingham Children's Hospital charity, Breast Cancer Now, the victims of flooding in Sowerby Bridge through the loan of a vehicle, School of Hard Knocks through donation of a vehicle and collection of Christmas presents for a children's charity in a Northgate van.

Spain

The Spanish business has been involved in helping out at a food bank in Sevilla, collaborating in a charity bike ride supporting a children's cancer charity and supporting Gavi, a vaccine alliance aimed at widening access to immunisation for children in the world's poorest countries.

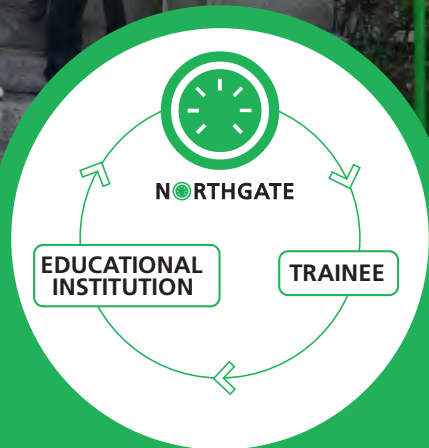


School and university partnerships

Seeking to prepare individuals for the workplace has been a significant focus for our Spanish business over the past four years. Since 2012 we have:

- ⌚ Worked with **78 schools**
- ⌚ to provide **300 individuals** with internships across all of our geographical locations

- ⌚ From these internships we have employed over **30 trainees**
- ⌚ These tripartite agreements benefit all parties



As well as the wider social benefits, **Northgate** benefit from having a pool of talent where the highest performers can join the business with no or little recruitment cost.

The **educational institutions** we partner with have fulfilled their duties to equip their students for the post educational world of work.

Trainees get the benefit of exposure to real life work experience, support with employability skills and for some the opportunity of a job at the end of the programme.

Work with social guarantee scholars is an area we are particularly pleased with. Guarantee scholars are those who come from low income families or families with social difficulties. This programme involves the students spending three months learning about every aspect of the work of a motor vehicle technician. This covers both technical aspects and areas such as Health & Safety.

The students also benefit from sessions on employability and workplace behaviour. From each group two or three would typically be employed.

Our continued commitment to developing these relationships shows our commitment to being a responsible corporate citizen and enhancing the communities we do business in.



NORTHGATE
Vehicle Hire

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



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GOVERNANCE

Board of Directors



	Andrew Page Chairman	Bob Contreras ACA Chief Executive	Paddy Gallagher Group Finance Director
Joined Board	December 2014	June 2008	February 2016
Committee membership	Remuneration, Nominations (C)		
Key skills and experience	- Previously CEO of a FTSE 250 business - International business - Major capital investment decisions - Chartered Accountant	- Wide cross-sector experience - International business - Chartered Accountant	- Significant cross-sector experience - International business - Chartered Accountant
Current positions	Carpetright – Senior Independent Director Schroder UK Mid Cap Fund plc – non-executive Director JP Morgan Emerging Markets Investment Trust plc – non-executive Director	Speedy Hire – non-executive Director	
Former positions	Restaurant Group plc – Chief Executive Officer Arena Leisure plc – Senior Independent Director	Mölnlycke Healthcare Group – Divisional Managing Director Demovo Group SA – Chief Executive Azlan Group plc – Group CFO	Spirit Pub Company plc – CFO The Rank Group plc – CFO Dell Inc



Andrew Allner Senior Independent Director	Jill Caseberry Non-executive Director	Claire Miles Non-executive Director	Bill Spencer Non-executive Director
September 2007	December 2012	November 2015	June 2016
Audit & Risk (C), Remuneration, Nominations	Audit & Risk, Remuneration (C), Nominations	Audit & Risk, Remuneration, Nominations	Audit & Risk, Remuneration, Nominations
- Significant Board experience (see below) - UK and multinational experience - Chartered Accountant	- Sales - Marketing - General management	- Commercial strategy - Multi-channel customer operations - Large scale transformation	- International business - Former CFO of a FTSE 100 company - Wide multi-industry experience
Marshalls plc – Chairman Go Ahead Group plc – Chairman Fox Marble Holdings plc – Chairman	Enhance Drinks Limited – Chief Executive	HomeCare, British Gas – Managing Director	Exova Group – Senior Independent Director and Chairman of Audit Committee UK Mail Group – Chair of Audit Committee
RHM plc – Finance Director Enodis Plc – Chief Executive AZ Electronic Materials SA – Senior Independent Director and Chair of Audit Committee CSR plc – Chair of Audit Committee Moss Bros Group plc – Chair of Audit Committee PriceWaterhouse – Partner	Mars – Various Sales and Marketing roles PepsiCo – Commercial Director Premier Foods – General Manager	Santander Cards – Managing Director, Retail Distribution GE Money – Commercial Director HFC Bank – Head of Cards	Intertek Group – CFO

(C) denotes Chairman

Chairman's introduction to governance



Significant changes made to the Code in 2014 have applied to the Group for the first time this year. This has facilitated a comprehensive review of how we approach risk management.

Andrew Page | Chairman

Dear Shareholder,

At Northgate we recognise the vital role that governance plays in delivering the best outcomes for all stakeholders in the business. Our system of risk management and internal control is underpinned by our core values of professionalism, team work and can-do attitude which are espoused by our 2,900 staff.

Significant changes made to the Code in 2014 have applied to the Group for the first time this year. This has facilitated a comprehensive review of how we approach risk management. We have overseen Directorate changes as well as undertaking a formal evaluation of the Board's own performance. We have also transitioned to a new external auditor.

UK Corporate Governance Code

The 2014 update to the Code became effective in the current year. This has facilitated a review of our approach and disclosure of risk management. We have provided an overview of our risk governance processes in the Managing risk report on pages 38 to 42. This report explains the Board's risk appetite. The risk appetite statement was approved by the Board during the year and is reviewed by the Audit and Risk Committee. Further details of the work performed by this committee is outlined on pages 61 to 63.

The Board considers that it has complied with the provisions of the Code throughout the year, with the exception of provision C.3.1 which requires the Audit Committee to consist of at least three members. The membership of this committee was increased from two to three following the appointment of Claire Miles in November 2015, therefore the Group was fully compliant with the Code as at the date of this report.

Board changes

I am delighted to welcome Claire Miles and Bill Spencer to the Board as new non-executive Directors. They collectively bring with them a wealth of commercial and Board experience and continue to broaden the skills base of the Board.

I am also pleased to welcome Paddy Gallagher to the Board as Group Finance Director. Paddy brings with him significant cross-sector public company experience and he has already made a valuable contribution towards the development of the Group.

Board evaluation

During the year an external evaluation of Board effectiveness was undertaken. I am pleased to report that this review concluded that Board governance is in good repair. A number of areas were identified where we can improve further. These have been discussed and prioritised by the Board and will be a key area of focus going forward.

Change in auditor

The shareholders approved the appointment of PwC as statutory auditor during the AGM in September. The transition has been managed smoothly and their audit report can be seen on page 79.

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

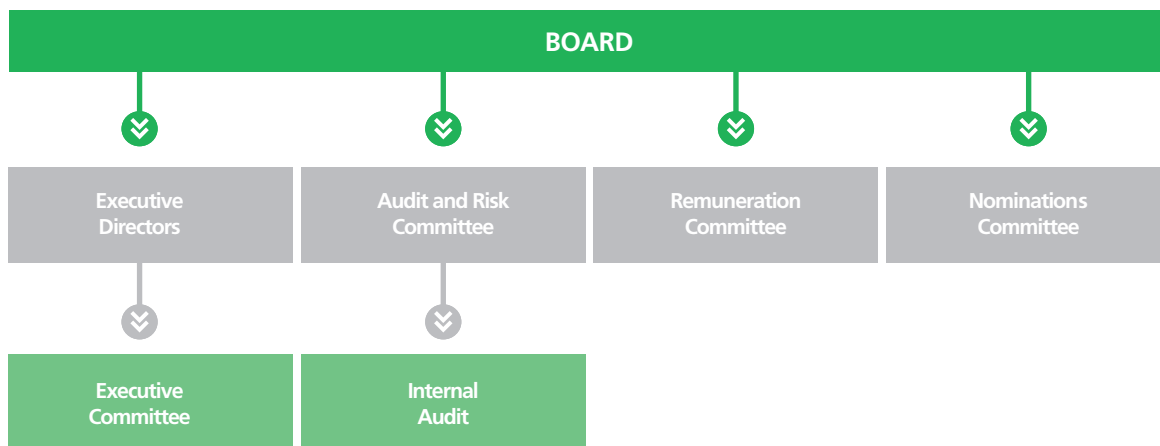
Andrew Page

Chairman

27 June 2016

Introduction to governance

Governance structure



Responsibilities

Board

The Board has overall responsibility for:

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

2016 key activities:

- Redefinition of the Group's strategy
- Conducted a review of the Group's risk management processes
- Overseeing the appointment of two new non-executive Directors
- Appointment of a new Group Finance Director

2017 key focus:

- Overseeing the strategic development of the Group
- Acting upon recommendations of the external Board effectiveness review
- Embedding the recommendations of the external risk management review into the Group
- Ensuring that the Group follows recommendations made following the external review of cyber risk

Introduction to governance

CONTINUED

Executive Directors

Executive Directors are responsible for:

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

New UK executive team

Facilitating the restructuring of the UK executive management team, including the appointment of a UK Managing Director.

Executive Committee

The Executive Committee is responsible for:

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

Sharing best practice

The Committee was formed during the year, replacing direct reporting of operating segment management to the executive Directors. The Committee meets once a month and facilitates best practice across the Group.

The Committee comprises the executive Directors and senior management from each territory.

Audit and Risk Committee

The Audit and Risk Committee is responsible for:

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



Further information on the work of the Audit and Risk Committee is detailed in the Report of the Audit and Risk Committee on pages 61 to 63.

New auditors

After a formal tender process PwC were appointed as our external auditor at our AGM in September 2015.

Risk review

The Committee commissioned external reviews of the Group's approach to risk management and cyber security during the year and will oversee the implementation of the recommendations made.



Remuneration Committee

The Remuneration Committee is responsible for:

- Determining and agreeing with the Board the remuneration policy for the Board and other executives, excluding non-executive Director remuneration. Non-executive Director remuneration is decided by the Chairman and the executive Directors;
- Determining and annually reviewing the remuneration policy and employee benefits structure for all employees throughout the Group;
- Reviewing the design and outcome of any share incentive plans put in place; and
- Determining the scope of Group pension arrangements.



The Remuneration Report can be found on pages 64 to 74.

New Director remuneration

During the year the Committee determined the remuneration to be awarded to the newly appointed Group Finance Director.

Nominations Committee

The Nominations Committee is responsible for:

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

Three new appointments

During the year the Nominations Committee approved the appointment of two new non-executive Directors and a new Group Finance Director.

It also oversaw new appointments in the roles of Chairman and Senior Independent Director.

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

Corporate governance

We recognise the vital role that good governance plays in delivering the best outcomes for all stakeholders in the business. Furthermore, UK Listed Companies are required by the FCA (the designated UK Listing Authority), to include a statement in their annual accounts on compliance with the principles of good corporate governance and code of best practice set out in the Code. The provisions of the Code applicable to listed companies are divided into five parts, as set out below:

1. Leadership

The business is managed by the Board of Directors currently comprising two executive and five non-executive Directors, details of whom are shown on pages 52 and 53.

The offices of the Chairman and Chief Executive are separate.

An overview of the leadership of the Group, including the responsibilities and activities of each component is outlined in the Introduction to Governance on pages 55 to 57.

2. Effectiveness

Information supplied

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

Attendance

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

	Board	Audit and Risk	Remuneration	Nominations
No. of meetings	9	4	7	2
AJ Allner				
JG Astrand ¹	 (Max 3)	–	–	–
G Caseberry				
RL Contreras		–	–	–
P Gallagher ²	 (Max 2)	–	–	–
RD Mackenzie ³	 (Max 3)	–		–
C Miles ⁴	 (Max 5)			–
CJR Muir ⁵	 (Max 6)	–	–	–
A Page		–		

¹ Resigned from the Board on 17 September 2015

² Appointed to the Board on 22 February 2016

³ Resigned from the Board on 17 September 2015

⁴ Appointed to the Board on 27 November 2015

⁵ Resigned from the Board on 22 February 2016

All Directors in office at that time were present at the AGM held in September 2015.



Director appointments

The Nominations Committee is responsible for the composition of the Board including the selection and appointment of new Directors. A summary of the work of this Committee is outlined on page 57.

There is a formal induction process for new Directors facilitated by the Company Secretary. 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 meeting attendance and preparation time.

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

Andrew Allner will have completed nine years' service as a non-executive director of the Company in September 2016, at which time he will no longer be regarded as independent in terms of the Code or by the ABI. As recently announced, it is the Board's intention that Bill Spencer, appointed to the Board as a non-executive director on 1 June 2016, will assume the roles of Senior Independent Director and Chairman of the Audit and Risk Committee on 1 October 2016.



Board review

The Board undertook a formal evaluation of its own performance, and that of its Committees and individual Directors during the year. The Code requires that the Company conduct an externally facilitated evaluation every three years but, following the appointment of a new Chairman, it was decided to bring forward the date of the next external evaluation, and that it should again be facilitated by Duncan Reed of Condign Board Consulting Ltd, as it was in 2014. This was to provide continuity of perspective, and to allow changes to be assessed and placed in their proper context. Condign is a firm which specialises in board effectiveness work. Neither Mr Reed nor Condign have any other connection with the Company.

The evaluation process consisted of a structured interview with the Chairman, each Director, the Company Secretary and the Managing Directors of the Spanish and UK businesses, with an outline of the agreed topics to be covered in the interview sent to each in advance. The evaluation also included the review of relevant Board papers, and Mr Reed attended the January Board meeting prior to the Strategy Day. The outcome of the review was discussed with the Chairman, the full report then shared with all of the Directors, and then Mr Reed presented it in person, and facilitated a discussion about it, before the April Board meeting, where he was also available for questions pertaining to it.

The review concluded that Board governance was still in good repair, and that the Board itself – though much changed due to director rotation and retirement – remained ‘notably commercial’ and ‘business-focused’. Robust discussions of a constructive nature continue to be had, against the backdrop of a changed boardroom environment and challenging market expectations.

The engagement by the new Board with strategy development at a Group level was again highlighted and now accepted as an urgent priority. It was agreed that personnel change at executive and non-executive level had had an impact on progress in this area over the last two years.

To assist this, and to drive performance and best practice in a number of areas, a new Group structure was put in place in January 2016, with a separate UK Managing Director (a role previously undertaken by the Group CEO), the hiring of UK Sales and Marketing Directors, and the appointment of a new Operations Director. This team now forms part of the Group Executive Committee involving the Spanish and Irish management, which meets monthly.

Recommendations which will be implemented following the 2016 Board performance evaluation were made and then agreed under the headings of vision and strategy, people and succession, and communications.

They include making time available for the Board to discuss a more strategic forward agenda planner, to ensure that the right topics are being covered at the right times, to flag opportunities for further input from the Directors, and to ensure that strategic objectives are being pursued and monitored. The Board will also receive more regular reporting on HR matters such as employee engagement, cultural change and personnel development, as well as succession planning for key roles. The Board will also see more of the key line managers in the business through the year, in parallel with arrangements for the Group Executive Committee to meet monthly, and for the CEO to have fortnightly calls with his direct reports.

The non-executive Directors, led by the Senior Independent Director, will shortly evaluate the early performance of the Chairman in his role, using input from the externally facilitated evaluation. The Chairman will do the same in relation to each of the Directors. The Board continues to believe that the Directors have strongly relevant experience to the Group and its businesses, and contribute multiple perspectives and, importantly, ongoing independent judgement.

Corporate governance

CONTINUED

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 www.northgateplc.com

Whilst the overriding criteria for Board appointments will always be based on merit, so as to encourage an appropriate balance of skills, experience and knowledge on the Board at all times, for all future appointments we will only use executive search firms who have committed to the Voluntary Code of Conduct on gender diversity.

At the same time the Board recognises that, particularly given the nature of its business, the development of a pool of suitably qualified candidates may take time to achieve and therefore does not believe it is appropriate to set targets, however aspirational, at the present time.

At 30 April 2016 33% of Board members were female. In the senior management team 13% are female and for all employees this figure is 30%.

Conflicts of interest

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

3. Accountability

Although no system of internal controls can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that, should any problems occur, these are identified on a timely basis and dealt with appropriately.

Internal control

Confirmation that the Board has performed an assessment of the risk management and internal control systems of the Group, as required by the Code provision C.2.3, is contained in the Managing risk report on pages 38 to 42.

Whistleblowing hotline

The Board has established a confidential telephone service, operated by an independent external organisation, which may be used by all staff to report any issues of concern relating to dishonesty or malpractice within the Group. All issues reported are investigated by senior management and Internal Audit as appropriate.

Information and communication

Each reporting segment prepares monthly management accounts with a comparison against their business plan and

prior year, with review by management of variance from targeted performance levels.

These commentaries are consolidated into the pack submitted to the Board. Year to date actuals are used to guide forecasts, which are updated regularly and communicated to the Board.

Planning

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

Assurance

An account of the work of the Audit and Risk Committee is included within the Report of the Audit and Risk Committee on pages 60 to 63. Both the external auditor and Head of Internal Audit report directly to the Committee.

4. Remuneration

Details of the Company's remuneration policy and the remuneration of each Director are given in the Remuneration Report on pages 64 to 74.

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 AGM, of which more than the recommended minimum 20 working days' notice is given.

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

Significant interests in shares are detailed on page 75.

Compliance with the Code

The Board considers that the Company complied with the provisions on the Code throughout the year, with the exception of provision C.3.1. Up until the appointment of Claire Miles in November 2015 the Audit and Risk Committee comprised two independent non-executive Directors, rather than three. Upon appointment to the Board Claire was appointed to the Audit and Risk Committee and therefore since November 2015 and up until the date of this report C.3.1 has been complied with.

D Henderson

Secretary
27 June 2016

Report of the Audit and Risk Committee

Chairman's introduction



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

Andrew Allner | Chairman

Dear Shareholder,

The Audit and Risk Committee (the 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.

As reported last year we conducted a formal tender process for the external audit and I am pleased to report that PwC were appointed as external auditors at the AGM in September 2015 replacing Deloitte as the outgoing firm. The transition has progressed smoothly due to the combined efforts of the Committee, PwC and executive management. We look forward to continuing to work with PwC for the rest of their tenure.

The key accounting issue considered during the year continued to be 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. In order to address this challenge we have included a separate report on pages 32 to 35, which deals with this issue alone and we hope that it enhances the understanding of our financial results.

The other area I would like to highlight and where I believe we have continued to make good progress is risk management. The Board's risk appetite and approach towards risk is outlined in the Managing risk report on pages 38 to 42. This year we commissioned an external review of our risk management approach. Whilst this showed that our risk management processes were comparable to our peers it highlighted areas where we can improve further and this will be a focus of the Committee in the forthcoming year.

We also engaged in a review of cyber security risk during the year. Again, our risk rating was considered appropriate for an organisation of our nature and we are acting upon recommendations made in order to reduce our level of cyber risk further.

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

This will be my final report to you as Chairman of the Committee. I would like to thank management and our advisers for their support over the last nine years and wish my successor, Bill Spencer, every success in the years ahead.

Andrew Allner

Chairman of Audit and Risk Committee
27 June 2016

Report of the Audit and Risk Committee

Role

The role of the Audit and Risk Committee is set out in the Introduction to Governance report on page 56.

Membership

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

	Date of appointment
AJ Allner FCA (Chairman)	26 September 2007
G Caseberry	10 December 2012
C Miles	27 November 2015
B Spencer	1 June 2016

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

Meetings

The Committee is required to meet at least three times a year. Details of attendance at meetings held in the year ended 30 April 2016 are given on page 58.

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

Activity

Since May 2015, the Committee has:

- reviewed the financial statements for the years ended 30 April 2015 and 2016 and the half yearly report issued in December 2015. As part of this review process, the Committee received reports from Deloitte on the 2015 full year results and PwC on the half year and 2016 full year results. For the full year results this included making a recommendation to the Board as to whether the Annual Report and Accounts were fair, balanced and understandable;
- overseen the transition in external auditor from Deloitte to PwC;
- reviewed and agreed the scope of the audit work to be undertaken by PwC and agreed their fees;
- monitored the Group's risk management process and business continuity procedures;
- reviewed the effectiveness of the Group's system of internal controls;
- reviewed the Group's whistleblowing procedures;
- reviewed the Group's depreciation policy;
- reviewed the Group's corporate taxation arrangements;
- reviewed the output of the risk management framework review;
- reviewed the external report on cyber security;
- reviewed the viability statement made on page 42;
- reviewed a management paper on the Group's investor relations activities, principally focused on communication through the annual report;



- monitored and reviewed the activities of the Group's Internal Audit department;
- monitored and assessed the Group's going concern status;
- considered the risk implications of the UK referendum result to leave the EU and the political uncertainty in Spain;
- 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 were content with the assumptions and judgements made;
- **The recoverability of aged trade receivables** – throughout the period, KPIs are provided. The Committee ensured that management dedicated sufficient resources to mitigate bad debt risk across the Group;
- **Provisions for uncertain tax positions** – the Committee reviewed formal papers prepared by management at each reporting date which outlined the Group's tax positions. The Committee challenged areas where significant judgement was taken in order to determine the level of provisions held in the balance sheet and was satisfied with the judgements made;
- **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 Annual Report and Accounts, and in particular, the analysis between underlying and statutory disclosures. We were satisfied with management's presentation.

External auditor

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

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

- Certain audit related work such as the review of the half year announcement, being work that, in its capacity as auditor, it is best placed to carry out and will generally be asked to do so. Nevertheless, where appropriate, it will be asked for a fee quote; and
- Tax compliance, tax advisory and other non-audit related and general consultancy work: this type of work will either be placed on the basis of the lowest fee quote or to consultants who are felt to be best able to provide the expertise and working relationship required. The external auditor is not invited to compete for this type of work. For this reason PwC were replaced as the Group's tax adviser in the year following their appointment as external auditor.

Fees paid and payable to PwC in respect of the year under review are as shown in Note 5 on page 100.

PwC were appointed at the AGM in September 2015 as a result of the proposal put forward being passed.

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. As a result of this the Committee has recommended to the Board the reappointment of PwC at the AGM.

Internal Audit

In fulfilling its duty to monitor the effectiveness of the Internal Audit function, the Committee has:

- reviewed the adequacy of the resources of the Internal Audit department for 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 AGM to answer any questions about the work of the Committee.

Andrew Allner

Chairman of Audit and Risk Committee
27 June 2016

Remuneration report

Chairman's introduction



The role of the Remuneration Committee is to design a remuneration strategy that drives performance aligned to the Group's strategic priorities

Jill Caseberry | Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 30 April 2016.

Purpose

The role of the Remuneration Committee (the Committee) is to design a remuneration strategy that drives performance aligned to the strategic priorities of the business, as well as enabling it to attract, retain and motivate high-calibre executives.

Overall reward structure

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

Performance of the Group

The following are the key financial highlights for the year:

- Underlying PBT of £82.9m; a £3.3m increase after further adjusting for depreciation and the impact of a weaker Euro;
- Underlying EPS of 49.0p (2015 - 51.0p);
- Cash generation remains strong with free cash flow generation of £62.9m; and
- 10% increase in proposed full year dividend of 16.0p per share compared to 14.5p in 2015.

In addition, there has been good progress made on our key strategic priorities including strengthening of the UK management team, reviewing our potential addressable market, developing a segmented customer proposition and delivering excellent net promoter customer service scores.

This encouraging performance is reflected in the annual bonus payment and long term incentive vesting levels referred to below.

Executive change

In March 2016, Chris Muir left the business and Paddy Gallagher was appointed as Group Finance Director.

Paddy brings with him a wealth of cross-sector experience and a proven track record. His base salary of £325,000 reflects his skills and experience and was set taking into account market data for comparable companies in the same industry as Northgate at the time of appointment. Paddy's benefits and variable remuneration opportunities are at the same level as our former CFO and no 'buy-out' payments were made.

In accordance with Chris Muir's Service Agreement, he is entitled to a payment in lieu of 12 months' notice, subject to mitigation. Chris has secured alternative employment and the total payment in lieu of notice is therefore £20,198. In line with our Remuneration Policy and good leaver status Chris may exercise his deferred bonus shares within six months of leaving the business. His Executive Performance Share Plan awards will remain subject to performance and vest pro rata and on the original dates.

Chris and Paddy's annual bonus payments for the year to 30 April 2016 are pro-rated for the period of time they served as CFO.

Base salary

In line with the general UK workforce no salary increases have been awarded to the CEO or CFO for the year to 30 April 2017.

Annual bonus

Annual bonuses for the year ended 30 April 2016 were based on profit before tax (75% of maximum opportunity) and key strategic targets (25% of maximum opportunity) with a ROCE underpin. Bonuses of 34.1% of maximum have been awarded to the CEO, 44.6% of maximum to CFO Chris Muir and 4.9% of maximum to CFO Paddy Gallagher. Full details of the bonus criteria and calculations can be found on page 68.

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

Executive Performance Share Plan (EPSP)

Vesting of the EPSP award granted on 9 July 2013 was based on performance over the three years ended 30 April 2016. This award was subject to EPS performance for 50% of the award and ROCE for the other 50%. The performance achieved has resulted in 79.15% vesting for the CEO and CFO (Chris Muir). Further detail regarding this award can be found on page 69.

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

Committee changes

There have been three Committee changes in the last year. Bob Mackenzie ceased to be a member of the Remuneration Committee on his retirement from the Board. I would like to thank Bob for his commitment and valuable counsel to the Committee. Claire Miles and Bill Spencer have joined the Remuneration Committee on their respective appointments to the Board. I am sure that their extensive experience will be an asset going forward.

Other items

For the fifth 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 shares to the value of £500 after the Preliminary Results announcement.

As previously reported, our depreciation rates were reduced on 1 May 2012 and 1 May 2014 in the UK and 1 May 2014 and 1 May 2015 in Spain. Where appropriate when setting performance targets in future the Committee will take this into account. With regard to outstanding unvested EPSP awards the Committee has agreed that it will review the position at the end of the performance period for each award when the exact impact is known and make any adjustment it considers appropriate. Any adjustment will be fully explained in the Annual Report on Remuneration for the relevant year.

Shareholder feedback

Given our continued strategy for growth, our remuneration arrangements remain unchanged for the coming year and we will not be asking shareholders to vote on a new policy. We will, however, seek your support in the form of an advisory vote for the Annual Report on Remuneration and this statement at the AGM on 21 September 2016.

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

Jill Caseberry

Chairman of the Remuneration Committee
27 June 2016

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 (the Regulations), 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 2016 AGM. The information on pages 67 to 68 has been audited, along with other indicated selected information within this report.

The Remuneration Committee

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

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

	Number of meetings attended out of potential maximum
G Caseberry (Chairman)	7 out of 7
AJ Allner	7 out of 7
A Page	7 out of 7
RD Mackenzie (until 17 September 2015)	3 out of 3
C Miles (From 27 November 2015)	4 out of 4

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 £29,947 (2015 – £9,770). The fees are predominantly charged on a 'time spent' basis.

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



The Committee's terms of reference are available on the Company's website. **www.northgateplc.com**

The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman and the executive Directors of the Company as well as the Company Secretary.

The senior executives below Board level, 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 for the year ended 30 April 2016

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2016 (or for performance periods ending in the year ended 30 April 2016 in respect of long term incentives) and in the year ended 30 April 2015.

£'000		Salary & Fees	Taxable Benefits ⁽⁷⁾	Annual Bonus ⁽⁸⁾	Long Term incentive ⁽⁹⁾	Pension ⁽¹⁰⁾	Other ⁽¹¹⁾	Total
Executive Directors								
RL Contreras	2016	408	16	208	505	73	4	1,214
	2015	400	18	542	686	72	5	1,723
PJ Gallagher ⁽¹⁾	2016	62	5	16	–	10	–	93
CJR Muir ⁽²⁾	2016	234	20	104	295	42	3	698
	2015	250	18	250	365	45	5	933
Chairman								
A Page ⁽³⁾	2016	138	–	–	–	–	–	138
	2015	49	–	–	–	–	–	49
RD Mackenzie ⁽⁴⁾	2016	68	–	–	–	–	–	68
	2015	160	–	–	–	–	–	160
Non-executive Directors								
AJ Allner	2016	71	–	–	–	–	–	71
	2015	65	–	–	–	–	–	65
JG Astrand ⁽⁵⁾	2016	23	–	–	–	–	–	23
	2015	55	–	–	–	–	–	55
G Caseberry	2016	65	–	–	–	–	–	65
	2015	63	–	–	–	–	–	63
C Miles ⁽⁶⁾	2016	28	–	–	–	–	–	28

¹ Paddy Gallagher was appointed to the Board on 22 February 2016.

² Chris Muir retired from the Board on 22 February 2016.

³ Andrew Page was appointed Chairman on 17 September 2015.

⁴ Bob Mackenzie retired from the Board on 17 September 2015.

⁵ Jan Astrand retired from the Board on 17 September 2015.

⁶ Claire Miles was appointed to the Board on 27 November 2015.

⁷ Taxable Benefits:

	PJ Gallagher £000	RL Contreras £000	CJR Muir £000
Car	5	15	19
Medical insurance	–	1	1

⁸ 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 on page 68.

⁹ This relates to the 2013 EPSP award, details of which are given on page 69. The value of the options vesting in respect of FY2015 shown in last year's accounts of £802,000 and £427,000 respectively were valued at the average closing share price over the last three months of that financial year of 622.76p per share. They have been restated using the actual share price on the date of vesting (17 August 2015) of 532p. The options vesting in respect of FY2016 are valued at the average closing price over the last three months of FY2016 of 385.18p.

¹⁰ The executive Directors are eligible for membership of a Group personal pension plan under which they are entitled to a contribution from the Company of 18% of basic salary. In view of the Annual Allowance cap, part or all of their entitlements were paid to them in cash.

¹¹ 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.

Remuneration report

Annual Report on Remuneration CONTINUED

In accordance with Chris Muir's Service Agreement and his agreement with the Company relating to the termination of his employment, following the Termination Date (31 March 2016) Chris is entitled to receive a payment in lieu of his 12 month notice period. This payment is to be made in equal monthly instalments with any remuneration received during the 12 months following the Termination Date being offset against the monthly amount being paid to him by the Company. Chris has found alternative employment, which commenced on 4 April 2016. His salary and benefits at Northgate as at the Termination Date equated to £324,875 per annum. His new salary and benefits equate to £307,346 per annum. The difference of £17,529 per annum will be paid to Chris in equal monthly instalments of £1,460.75 over the next 12 months. Chris was also paid an additional amount of £2,669.88 in respect of the first three days of April 2016 before he started his alternative employment. The total amount paid in this financial year after he ceased to be a Director was therefore £4,130.63.

Paddy Gallagher was appointed to the Board on 22 February 2016 at a basic salary of £325,000 per annum. His maximum annual bonus potential is 100% of basic salary and his maximum annual award level under the EPSP is 150% of salary. There was no buyout of incentive arrangements from his previous employer.

Annual bonus for the year ended 30 April 2016

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 11.97% (being 95% of budget), below which no bonus would be payable. ROCE on the above basis was 12.2% for the year ended 30 April 2016.

The maximum potential bonus for the CEO was 150% of basic salary but with a stretch performance target to achieve that level of bonus. The maximum potential bonus for the CFO was 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 CFO 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 73.

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	82.7	87.1	91.0	92.8
CEO	25%	62.5%	125%	150%
CFO	25%	50%	100%	–

Group PBT for the year was £82.9m.

The Committee set the CEO objectives on management restructuring, development of customer proposition and improvement to NPS, new site performance and a future European Strategy. On assessment by the Committee against these objectives it was felt that, whilst good progress had been made in relation to embedding a new senior management team in the UK, improvements to NPS and setting a European strategy, the performance of new sites was not yet at a satisfactory level. As a result, the Committee determined that 56.25% out of the 25% available for this part of the bonus had been achieved. The CFO's objectives were centred on debt restructuring, cyber risk mitigation, IT strategy project review and improvements to year end processes. The Committee assessed his performance and felt that the CFO had fully achieved all his objectives.

The resulting bonuses for 2016 were as follows:

	PBT	Strategic objectives	Total	Maximum £000	Achievement £000	Cash £000	Shares £000
RL Contreras	20.0%	14.1%	34.1%	612	209	104.5	104.5
CJR Muir	19.6%	25.0%	44.6%	234 ⁽²⁾	104	52	52
PJ Gallagher	26.1%	— ⁽¹⁾	26.1%	61 ⁽²⁾	16	8	8

¹ Given his start date, it was not felt appropriate to set strategic objectives for Paddy Gallagher, so his bonus was based purely on the PBT measure.

² The bonuses payable to Chris Muir and Paddy Gallagher were pro-rated for time to reflect their periods of service with the Company – Chris Muir from 1 May 2015 to 31 March 2016 and Paddy Gallagher from 22 February 2016 to 30 April 2016.

Vesting of EPSP awards

The EPSP award granted on 9 July 2013 was based on performance over the three years ended 30 April 2016. 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)	26.3p+ (CPI +3% p.a.) = 29.2p	26.3p+ (CPI +11% p.a.) = 36.6p	Final year of the performance period	49.2p	41.9p	100.0
ROCE (50% of award)	10.8%	11.7%	Average of the 3 years of the performance period	11.7%	11.2%	58.3

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

The resulting vesting position will therefore be:

	Original award (shares)	Total vesting %	Pro rating %	Total shares vesting
RL Contreras	165,684	79.15	–	131,138
CJR Muir	99,410	79.15	97.2 ⁽¹⁾	76,479

Note 1: The number of shares vesting to Chris Muir has been pro-rated for time to reflect his period of service with the Company relative to the performance period – 35 out of 36 months.

EPSP awards made during the year (audited)

On 20 July 2015, the following EPSP awards were granted to executive Directors:

Type of award		Basis of award granted	Share price at 30 June 2015 ⁽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 £408,000	575p	106,424	612,000	25%	Three financial years to 30 April 2018 ⁽²⁾
CJR Muir	Nil cost option	150% of salary of £255,000	575p	66,521	382,500	25%	As above

¹ The closing price on the date of the Preliminary Announcement of the results for FY2015.

² The number of shares vesting to Chris Muir will be pro-rated for time to reflect his period of service with the Company relative to the performance period – 11 out of 36 months.

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

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (60% of award)	48.9p+ (CPI+3% p.a.)	48.9p+ (CPI+11%p.a.)	Final year of the performance period relative to FTSE250 (excl. investment trusts) over the performance period.
TSR (40% of award)	Median	Upper quartile	

Remuneration report

Annual Report on Remuneration CONTINUED

Percentage change in remuneration levels

	2015	2016	% change
CEO (£000)			
– salary	400	408	2.0
– benefits	18	16	(11.1)
– bonus	542	209	(61.4)
Average per UK employee (£)			
– salary	23,739	24,640	3.8
– benefits	1,501	1,691	12.68
– bonus	1,928	383	(80.13)

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.

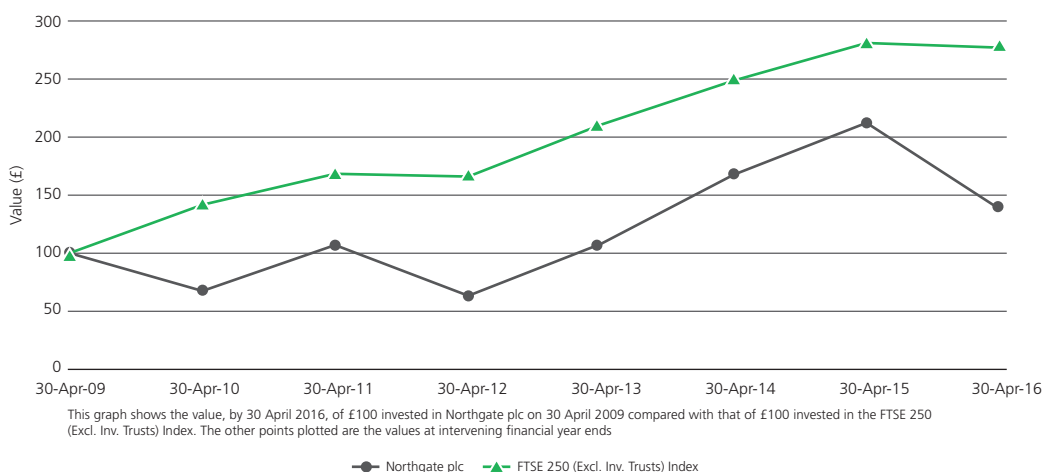
Performance graph

As required by the Regulations, the graph below illustrates the performance of Northgate plc measured by Total Shareholder Return (share price growth plus dividends paid) against a 'broad equity market index' over the last seven years. As the Company has been a constituent of the FTSE 250 index for the majority of that time, that index (excluding investment companies) is considered to be the most appropriate benchmark. The mid-market price of the Company's Ordinary shares at 30 April 2016 was 403p (30 April 2015 – 645p). The range during the year was 323p to 645p.

The chart below shows the Company's TSR performance against the performance of the FTSE 250 index from 30 April 2009 to 30 April 2016.

Total shareholder return

Source: Thomson Reuters



Total remuneration for CEO

Year ended 30 April	2010	2011	2012	2013	2014	2015	2016
Total Remuneration (£000)	831	821	1,115	859	628	1,723	1,214
Annual bonus (% of maximum)	70%	100%	100%	0%	43.59%	90.33%	34.1%
Long term incentive vesting (% of maximum)	0%	0%	100%	33⅓%	0%	47.9%	79.15%

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

	2015 £000	2016 £000	% increase (decrease)
Staff costs	93,332	89,368	(4.25)
Dividends	14,632	20,139	37.64

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

Outstanding share awards

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

RL Contreras (audited)

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2015	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2016	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	17.08.12	Nil	269,138	–	128,917	–	140,221	128,917	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
EPSP	20.07.15	Nil	–	106,434	–	–	–	106,434	30.04.18	20.07.18	20.07.18 – 20.07.25
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	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	327.9	9,149 ⁽³⁾	–	–	–	–	9,149	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	Nil	44,220 ⁽¹⁾	–	–	–	–	44,220	–	30.08.14	30.08.14 – 30.08.21
DABP	20.07.12	Nil	78,947 ⁽¹⁾	–	78,947	–	–	78,947	–	20.07.15	20.07.15 – 20.07.22
DABP	11.07.14	Nil	16,025 ⁽¹⁾	–	–	–	–	16,025	–	11.07.17	11.07.17 – 11.07.24
DABP	20.07.15	Nil	–	59,478 ⁽¹⁾	–	–	–	59,478	–	20.07.18	20.07.18 – 20.07.25

Remuneration report

Annual Report on Remuneration CONTINUED

CJR Muir (audited)

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2015	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2016	End of performance period	Vesting date	Exercise period
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
EPSP	20.07.15	Nil	–	66,521	–	–	–	66,521	30.04.18	20.07.18	20.07.18 – 20.07.25
DABP	30.08.11	Nil	7,295 ⁽⁴⁾	–	–	–	–	7,295	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	327.9	7,295 ⁽³⁾	–	–	–	–	7,295	–	30.08.14	30.08.14 – 30.08.21
DABP	20.07.12	Nil	2,908 ⁽⁵⁾	–	2,908	–	–	2,908	–	20.07.15	20.07.15 – 20.07.22
DABP	20.07.12	209	2,908 ⁽³⁾	–	2,908	–	–	2,908	–	20.07.15	20.07.15 – 20.07.22
DABP	20.07.12	Nil	33,934 ⁽¹⁾	–	33,934	–	–	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
DABP	20.07.15	Nil	–	21,739 ⁽¹⁾	–	–	–	21,739 ⁽¹⁾	–	20.07.18	20.07.18 – 20.07.25

¹ Deferred Award.

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

³ Approved Option.

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

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

The share price at 30 April 2016 was 403p.

PJ Gallagher held no share awards at 30 April 2016 or at any time since his appointment on 22 February 2016.

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

As an eligible leaver, Chris Muir will be permitted to exercise all outstanding vested and unvested DABP awards for up to six months from his termination date, 31 March 2016. Similarly, he will be permitted to exercise all vested but unexercised EPSP awards over the same period. Unvested EPSP awards will be considered for release, subject to the applicable performance conditions and pro-rated for time, on the scheduled vesting dates.

SIP

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

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

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

The fifteenth annual cycle ended in December 2015 and resulted in 509 employees acquiring 115,264 Partnership shares at 393.5p each and being allocated the same number of Matching shares. As at 30 April 2016 the Capita Trust held 1,354,433 50p Ordinary shares that have been allocated to employees from the first 15 cycles.

The sixteenth annual cycle started in January 2016 and currently some 600 employees are making contributions to the scheme at an annualised rate of £547,000.

During the year, an award of 75 Free shares was made to all eligible employees with one year's service. The total number of shares awarded was 113,400.

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 600,000 (2015 – 2,150,000) Ordinary shares were purchased by the Guernsey Trust and 345,967 (2015 – 169,600) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2016 the Guernsey Trust held 1,899,747 (2015 – 1,910,135) Ordinary shares as a hedge against the Group's obligations under these schemes.

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

EPSP

Shares to satisfy the vesting of awards under the EPSP may be sourced either from new issue or through open market purchases. To date, all exercises have been satisfied by open market purchase.

SIP

Awards may be satisfied either by new issue or market purchase or by a combination of the two. The total number of shares required to satisfy the allocation made in January 2016 was 230,528 (2015 – 149,602) of which 150,096 were transferred from the Guernsey Trust, with the balance of 80,432 (2015 – 74,670) being shares already held by the Capita Trust from forfeiture during the year. The 113,400 free shares referred to above were also sourced from the Guernsey Trust.

At 30 April 2016 the Capita Trust held 17,186 (2015 – 35,552) Ordinary shares which had been forfeited as a result of early withdrawals post January 2016.

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 2016 was 1.25% under the EPSP, MPSP and DABP and 1.72% under all schemes.

In line with current best practice guidelines, the Committee has introduced recovery provisions into the rules of all discretionary schemes, which can be invoked in the event of 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 (audited)

	Beneficially owned at 30 April 2016	Outstanding EPSP awards		Outstanding DABP awards		Interests in SIP subject to forfeiture	% shareholding guideline achieved at 30 April 2016
		Vested but not exercised	Not vested	Vested but not exercised	Not vested		
RL Contreras	248,776	128,917	389,765	132,316	75,503	1,603	245.7
PJ Gallagher	–	–	–	–	–	–	0
A Page	10,000	–	–	–	–	–	N/A
AJ Allner	13,090	–	–	–	–	–	N/A
G Caseberry	5,000	–	–	–	–	–	N/A
C Miles	–	–	–	–	–	–	N/A

No changes in the above interests have occurred between 30 April 2016 and the date of this report.

Remuneration report

Annual Report on Remuneration CONTINUED

Remuneration for FY2016

Salaries as at 1 May 2016 are as follows:

	Salary as at 1 May 2015	Salary as at 1 May 2016	Increase
RL Contreras	£408,000	£408,000	0%
PJ Gallagher	£325,000 ⁽¹⁾	£325,000	0%

¹ On appointment.

In line with UK staff generally, no increases were made to the executive Directors' salaries at 1 May 2016.

Fees for the Chairman and non-executive Directors

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

	Salary as at 1 May 2015	Salary as at 1 May 2016	Increase
Chairman	£163,200	£163,200	0%
Base fee	£55,000	£55,000	0%
Senior Independent Director	£10,000	£10,000	0%
Audit Committee Chairman	£10,000	£10,000	0%
Remuneration Committee Chairman	£10,000	£10,000	0%

Fees were last reviewed at 1 May 2016.

Performance targets for the annual bonus and EPSP awards to be granted in 2016

For 2016, 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 2016 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 2016 will be 150% of salary for the EPSP for both the CEO and CFO. Annual bonus opportunity will be 150% of salary for the CEO and 100% of salary for the CFO.

Statement of shareholder voting and shareholder feedback

At last year's AGM, voting on the Annual Report on Remuneration was 95.256% in favour, 4.742% against and 0.002% withheld.

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
27 June 2016

Report of the Directors

The Directors present their report and the audited consolidated accounts for the year ended 30 April 2016.

Results

Profit for the year after taxation was £61,479,000 (2015 – £66,802,000).

The Directors recommend the payment of a final dividend of 10.9p per share on the Ordinary shares. This dividend, if approved, will be paid on 23 September 2016 to shareholders on the register at close of business on 19 August 2016.

An interim dividend of 5.1p per share was paid on the Ordinary shares on 11 January 2016.

Principal activities

The Company is an investment holding company.

A list of subsidiary companies is shown 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 2016	7 June 2016
Aviva Plc	7,783,670 (5.84%)	7,665,644 (5.75%)
Schroders plc	7,454,107 (5.60%)	7,454,107 (5.60%)
Aberforth Partners	6,773,063 (5.08%)	6,773,063 (5.08%)
BlackRock Inc.	*	6,686,835 (5.01%)
Artemis Investment Management Ltd	6,536,818 (4.90%)	6,536,818 (4.90%)
Norges Bank	5,728,257 (4.30%)	5,728,257 (4.30%)
Old Mutual Plc	5,735,049 (4.30%)	5,735,049 (4.30%)
Legal & General Group Plc	5,307,060 (3.98%)	5,307,060 (3.98%)

* No disclosable holding

Directors

Details of the present Directors are listed on pages 52 and 53. All have served throughout the year except Claire Miles who was appointed on 27 November 2015, Paddy Gallagher who was appointed on 22 February 2016 and Bill Spencer who was appointed on 1 June 2016. Bob Mackenzie and Jan Astrand retired from the Board on 17 September 2015 and Chris Muir retired from the Board on 22 February 2016.

Report of the Directors

CONTINUED

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



The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Policy which is available on the Company's website: www.northgateplc.com.

Directors' indemnities

As permitted by the Company's Articles of Association, qualifying third party indemnities for each Director of the Company were in place throughout their periods of office during the year and, for those currently in office, remained in force as at the date of signing of this report.



the Company's Articles of Association are available on the Company's website: www.northgateplc.com

Employee consultation

Employees are kept informed on matters affecting them as employees and on various issues affecting the performance of the Group through 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 44 to 49.

Remuneration report

The Directors' Remuneration Report contains:

- a statement by Jill Caseberry, Chairman of the Company's Remuneration Committee, on pages 64 and 65; and

- the Annual report on remuneration, which sets out payments made in the financial year ended 30 April 2016 on pages 66 to 74.

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 in 2014, is available on the Company's website: www.northgateplc.com. This policy is subject to a binding shareholder vote by ordinary resolution at least every three years and will next be put to such vote in 2017.

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 AGM held in September 2015 and expires at the forthcoming AGM. A resolution to renew that authority for a period expiring at the conclusion of the AGM to be held in 2017 will be proposed at the AGM. The authority will permit the Directors to allot up to an aggregate nominal amount of £22m of share capital which represents approximately 33% of the present issued Ordinary share capital and is within the limits approved by the Investment Association and the National Association of Pension Funds.

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

A special resolution will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis in accordance with the best practice guidance set out in the Statement of Principles issued by The Pre-Emption Group and which has been endorsed by the Investment Association. This authority will be limited to:

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

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

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

Disclosure of information under Listing Rule 9.8.4

Dividend waiver arrangements are in place for the employee trusts as shown on page 73.

Length of notice of general meetings

The minimum notice period permitted by the Companies Act 2006 for general meetings of listed companies is 21 days, but the Act provides that companies may reduce this period to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. Please refer to Note 6 to the Notice of AGM on page 127 for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

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

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

Authority for the Company to purchase its own shares

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

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 22 to 31 and in Notes 21 and 29 to the accounts.

Auditor

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

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

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

27 June 2016

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 (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRS as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit 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

27 June 2016

Independent auditor's report

to the members of Northgate plc

Report on the financial statements¹

Our opinion on the financial statements

In our opinion:

- Northgate plc's ('Northgate') Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 April 2016 and of the Group's profit and the Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Performing the audit

On behalf of PricewaterhouseCoopers LLP ('PwC') it is my responsibility to form these opinions. This was the first year that you have appointed PwC as Northgate's auditors, and I have therefore provided more information on how PwC prepared for the audit together with an explanation of the audit approach applied and details of the accounting issues we focused on, which I have discussed with the Audit and Risk Committee.

Preparing to change auditors

Following the decision to appoint PwC as auditors in March 2015 I and members of my team met with Northgate's management teams in the UK and Spain to understand the issues faced by the business and to gather information which would assist us in the planning of our audit.

During the 30 April 2015 year-end process we met the former auditors in order to understand the complex or significant audit judgements which they made, observing the Audit and Risk Committee and reviewing the Annual Report and Accounts.

In August 2015 we held a workshop with UK management which helped us build a more detailed understanding of Northgate's business, assisted in our determination of the significant audit risks and provided an opportunity for the wider audit team to get to know Northgate management.

We also reviewed the working papers of the former auditors, to help familiarise ourselves with the testing approach they applied for the purposes of issuing their opinion, and to understand the evidence they obtained over key judgements.

How the audit approach was structured

Northgate has two principal trading components in the UK and Spain, a smaller trading component in Ireland and a non-trading component in Malta, overseen by a Group function in the UK. I planned the audit approach to reflect Northgate's structure, which incorporated two important aspects.

i. Audit work executed on subsidiary businesses

I performed the audit partner role on Northgate's UK business and received an audit opinion from the PwC member firm in Spain on Northgate Spain. I was in active dialogue throughout the year with the partner responsible for the audit of Northgate Spain; this included consideration of how she planned and performed her work and visiting the business once during the year and attending the audit closing meeting which was also attended by the Northgate Spain Finance Director. Although not significant to the Group audit, my UK audit team also performed a full scope audit in Ireland.

ii. Audit procedures undertaken at a Group level and on the Parent Company

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

In aggregate these two areas provided me with the evidence required to form an opinion on the financial statements. Collectively the scope of our work covered 100% of revenue, 99% of total assets and 91% of profit before tax.

¹ Northgate plc's financial statements comprise the Group and Parent Company balance sheet as at 30 April 2016, the consolidated income statement and Group and Parent Company statements of comprehensive income for the year then ended, the Group and Parent Company cash flow statements for the year then ended, the Group and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in the preparation of the financial statements is 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.

Independent auditor's report

to the members of Northgate plc

CONTINUED

The purpose and scope of my audit

An audit has an important role in providing confidence in the financial statements that are provided by companies to their members. The audit opinion does not provide assurance over any particular number or disclosure, but over the financial statements taken as a whole. It is the Directors' responsibility to prepare the financial statements and to be satisfied that they give a true and fair view. These responsibilities have been recognised on behalf of the Board of Directors on page 78.

My responsibility is to undertake my work and express my opinion in accordance with applicable law and the International Standards on Auditing (UK and Ireland) as issued by the Financial Reporting Council ('FRC') of the United Kingdom. These standards also require me to comply with the APB's Ethical Standards for auditors.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed;

- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report and Accounts (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.

Materiality

In order for me to perform my work I had regard to the concept of materiality. I determined materiality as follows:

Overall group materiality	£3.9m
How I determined it	5% of profit before tax
Why I believe this is appropriate	I believe a standard benchmark of 5% of profit before tax is an appropriate quantitative indicator of materiality, although of course an item could also be material for qualitative reasons. I selected profit before tax because management believes it best reflects the performance of Northgate.

When planning the audit I considered if multiple errors may exist which, when aggregated, could exceed £3.9m. In order to reduce the risk of multiple errors which could aggregate to this amount I used a lower level of materiality, known as performance materiality, of £3.0m to identify the individual balances, classes of transactions and disclosures that were subject to audit. Furthermore, each subsidiary of the Group and the Parent Company was audited to an assigned materiality level reflecting the size of the operation. These ranged from £120,000 (Ireland) to £3.5m (Northgate UK).

Where the audit identified items that were not reflected appropriately in the audited financial statements, I considered these items carefully to assess if they were individually or in aggregate material. I reported any such items which exceeded £200,000 to the Audit Committee, who were responsible for deciding whether adjustments should be made to the financial statements in respect of those items. The Directors have concluded that all items which remained unadjusted were not material to the financial statements, either individually or in aggregate. I agree with their conclusion.

Our areas of audit focus

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

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

Area of focus	How our audit addressed the area of focus
Determining appropriate depreciation rates for vehicles available for hire The net book value of vehicle assets for hire at 30 April 2016 is £684.5m (2015: £660.2m) with a depreciation charge for the year of £137.7m (2015: £138.0m). IAS 16 ‘Property, Plant and Equipment’ requires that depreciation rates and estimated useful lives are reviewed regularly to ensure that the net book value of tangible fixed assets when they are sold is broadly equivalent to their market value. This requires management to make an estimate of the sale proceeds at the time of disposal. Determining likely sales proceeds for future vehicle disposals is judgemental and requires a number of key estimates to be made, including the age, condition and mileage of each vehicle, the method of selling a vehicle and expected future market conditions, such as forecast levels of supply and demand. Further explanation is included in the Group’s critical accounting judgements and key sources of estimation uncertainty in Note 3, the Audit and Risk Committee report on pages 61 to 63 and Note 14.	We examined management’s assumptions of expected future market values of hire vehicles used in the calculation by comparison to external third party industry data for expected future market prices. We considered the historical accuracy of expected future market values by comparison to actual values achieved. We tested the assumption of the level of vehicle registrations to third party, publically available data and recalculated the impact of a reduction in fleet age on disposal profits. We performed detailed testing of the calculations supporting these judgements, including comparison to recent actual market prices achieved on disposal of similar vehicles. From the work we performed we did not identify any material misstatements.
The recoverability of aged trade receivables Trade receivables are stated in the balance sheet at their fair value less any provision for irrecoverable amounts. At 30 April 2016 net trade receivables were £58.1m (2015: £61.4m) after provisions of £12.9m (2015: £12.6m). Determining an appropriate provision for potentially irrecoverable trade receivables requires judgement across the Group’s large and diverse customer base of the likely levels of recovery of these receivables, along with the consideration of the overall economic environments in the UK, Ireland and Spain. Further details are included in the Group’s critical accounting judgements and key sources of estimation uncertainty in Note 3, the Audit and Risk Committee report on pages 61 to 63 and Note 18.	We recalculated provisions to test whether they were calculated in accordance with Group policy. We examined the levels of post year end cash collections against year-end trade receivables and investigated individual overdue balances greater than £100,000, by reference to recent history of recoveries and correspondence with customers. To assess the reasonableness of provisions we tested the age profile of the trade receivables balance back to a sample of invoices raised. We considered the collectability of individual balances raised more than 90 days prior to year-end greater than £100,000, by reference to recent history of recoveries and correspondence with customers. We also performed look back testing to consider management’s historical accuracy of provisioning for trade receivables. From the work we performed we did not identify any material misstatements.

Independent auditor's report

to the members of Northgate plc

CONTINUED

Area of focus	How our audit addressed the area of focus
Provisions for uncertain tax positions We focused on this area due to the judgement required in assessing the need for provisions, to cover the risk of challenge of certain of the Group's tax positions, which have been taken as current tax deductions in the current and previous years.	We evaluated and challenged management's rationale for the level of provisions held. We considered the status of recent and current tax audits and enquiries, the outcome of previous claims and the tax environment in each territory. We also considered any penalty regimes that could apply should any of the Group's tax positions be challenged successfully. From the work we performed we did not identify any material misstatements.

Going concern

The Directors have made a statement on page 30 regarding going concern. This statement is based on their belief that the Group and Parent Company intend to, and have sufficient resources to, remain in business for 12 months from the date of this report. I am required to review this statement, and in doing so have considered Northgate's budgets and forecast cash flows and financial covenants and sensitivity analysis thereon. I have nothing to report as a result of my review and have nothing material to add or draw attention to in relation to the Directors' statement.

Other reporting

The Annual Report also contains a considerable amount of other required information and in respect of this information my responsibilities and my reporting are set out in the table below:

Area of the Annual Report	My responsibility	My reporting
Remuneration report on pages 64 to 74		
Those parts of which are clearly marked as audited.	Consider whether the information is properly prepared.	In my opinion, this information has been properly prepared in accordance with the Companies Act 2006.
Other remuneration report disclosures.	Consider whether certain other disclosures specified by the Companies Act have been made.	The other required disclosures have been made.
Other areas		
Strategic Report and the Directors' Report	Consider whether they are consistent with the audited financial statements.	In my opinion, the information in these reports is consistent with the audited financial statements.
Viability statement on page 42 which considers the longer term sustainability of the Group's business model.	Review the statement in the light of the knowledge gathered during the audit.	I have nothing material to draw attention to or to add to the statement.
Directors' confirmation of their robust assessment of principal risks and disclosures, describing those risks and how they are managed or mitigated on pages 39 to 41.	Review the confirmation and description in the light of the knowledge gathered during the audit.	I have nothing material to draw attention to or to add to the confirmation or description.

Area of the Annual Report	My responsibility	My reporting
Audit Committee report on page 61.	Consider whether it deals appropriately with those matters that I reported to the Audit Committee.	No exceptions to report.
Directors' statement (on page 78) that they consider the Annual Report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for you to assess Northgate's performance, business model and strategy.	Consider whether any information found during the course of the audit would cause me to disagree.	No disagreements to report.
Corporate Governance report (on pages 58 to 60)	Review the remaining 10 provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.	Nothing to report following our review.
All other information in the Annual Report aside from the audited financial statements.	Consider whether it is materially inconsistent or materially incorrect based on the knowledge gained in the audit, or otherwise misleading. Consider whether it is materially inconsistent with the audited financial statements.	No exceptions to report

In addition, I am required to report to you if, in my opinion:

- I have not received all the information and explanations required for my audit; or
- adequate accounting records have not been kept by the parent company, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

I have no exceptions to report arising from this responsibility.

Use of this report

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

Steve Denison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
27 June 2016

FINANCIALS

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



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Consolidated income statement

For the year ended 30 April 2016

	Notes	Underlying 2016 £000	Statutory 2016 £000	Underlying 2015 £000	Statutory 2015 £000
Revenue: hire of vehicles	4	447,134	447,134	456,818	456,818
Revenue: sale of vehicles	4	171,154	171,154	157,442	157,442
Total revenue	4	618,288	618,288	614,260	614,260
Cost of sales		(459,286)	(459,286)	(445,221)	(445,221)
Gross profit		159,002	159,002	169,039	169,039
Administrative expenses (excluding exceptional items and intangible amortisation)		(64,683)	(64,683)	(71,267)	(71,267)
Exceptional administrative expenses	26	–	(1,777)	–	–
Intangible amortisation	13	–	(1,979)	–	(2,010)
Total administrative expenses		(64,683)	(68,439)	(71,267)	(73,277)
Operating profit	4,5	94,319	90,563	97,772	95,762
Interest income		3	3	9	9
Finance costs (excluding exceptional items)	7	(11,373)	(11,373)	(12,808)	(12,808)
Exceptional finance costs	7, 26	–	(1,561)	–	–
Profit before taxation		82,949	77,632	84,973	82,963
Taxation	8	(17,599)	(16,153)	(17,029)	(16,161)
Profit for the year		65,350	61,479	67,944	66,802

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

Underlying profit excludes exceptional items as set out in Note 26, as well as 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	49.0p	46.1p	51.0p	50.1p
Diluted	10	48.3p	45.5p	50.0p	49.2p

Statements of comprehensive income

For the year ended 30 April 2016

	Notes	GROUP		COMPANY	
		2016 £000	2015 £000	2016 £000	2015 £000
Amounts attributable to the owners of the Parent Company					
Profit (loss) attributable to the owners		61,479	66,802	37,624	(2,933)
Other comprehensive income (expense)					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings		22,775	(28,526)	–	–
Net foreign exchange differences on long term borrowings and derivatives held as hedges		(18,347)	21,885	–	–
Foreign exchange difference on revaluation reserve	25	70	(126)	–	–
Recycling of hedging reserve items		649	–	–	–
Net fair value losses on cash flow hedges		(1,428)	(1,772)	(1,428)	(1,772)
Deferred tax credit recognised directly in equity relating to cash flow hedges		285	355	285	355
Total other comprehensive income (expense)		4,004	(8,184)	(1,143)	(1,417)
Total comprehensive income (expense) for the year		65,483	58,618	36,481	(4,350)

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

Balance sheets

As at 30 April 2016

	Notes	GROUP		COMPANY	
		2016 £000	2015 £000	2016 £000	2015 £000
Non-current assets					
Goodwill	12	3,589	3,589	–	–
Other intangible assets	13	4,054	4,341	–	16
Property, plant and equipment: vehicles for hire	14	684,499	660,160	–	–
Other property, plant and equipment	15	65,765	66,248	2,398	2,459
Total property, plant and equipment		750,264	726,408	2,398	2,459
Derivative financial instrument assets	21	–	57	–	57
Deferred tax assets	22	15,256	14,784	1,688	1,058
Investments	16	–	–	120,893	120,893
Total non-current assets		773,163	749,179	124,979	124,483
Current assets					
Inventories	17	23,109	21,673	–	–
Trade and other receivables	18	63,499	71,817	825,275	774,631
Cash and bank balances		18,748	9,676	–	–
Total current assets		105,356	103,166	825,275	774,631
Total assets		878,519	852,345	950,254	899,114
Current liabilities					
Trade and other payables	19	53,183	62,273	328,233	285,442
Current tax liabilities		19,350	9,956	–	–
Short term borrowings	20	10,015	12,081	34,347	28,638
Total current liabilities		82,548	84,310	362,580	314,080
Net current assets		22,808	18,856	462,695	460,551
Non-current liabilities					
Derivative financial instrument liabilities	21	3,152	1,780	3,152	1,780
Long term borrowings	20	318,610	335,375	318,610	335,375
Deferred tax liabilities	22	3,184	4,524	–	–
Total non-current liabilities		324,946	341,679	321,762	337,155
Total liabilities		407,494	425,989	684,342	651,235
Net assets		471,025	426,356	265,912	247,879
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	1,026	956	1,371	1,371
Own shares reserve	25	(8,157)	(8,812)	–	–
Merger reserve	25	67,463	67,463	63,159	63,159
Hedging reserve	25	(2,522)	(2,028)	(2,522)	(1,379)
Translation reserve	25	(9,400)	(13,828)	–	–
Capital redemption reserve	25	40	40	40	40
Retained earnings		242,451	202,441	23,740	4,564
Total equity		471,025	426,356	265,912	247,879

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 27 June 2016.

They were signed on its behalf by:

A Page
Director

PJ Gallagher
Director

Cash flow statements

For the year ended 30 April 2016

	Notes	GROUP		COMPANY	
		2016 £000	2015 £000	2016 £000	2015 £000
Net cash generated from (used in) operations	(a)	73,726	8,532	(10,867)	(20,076)
Investing activities					
Interest received		3	9	3	1
Dividends received from subsidiary undertakings		–	–	44,788	30,000
Loans to subsidiary undertakings		–	–	20,411	6,878
Proceeds from disposals of other property, plant and equipment		1,001	2,371	–	–
Purchases of other property, plant and equipment		(4,503)	(5,659)	–	–
Purchases of intangible assets		(1,682)	(889)	–	–
Net cash (used in) generated from investing activities		(5,181)	(4,168)	65,202	36,879
Financing activities					
Dividends paid		(20,114)	(14,607)	(20,114)	(14,607)
Receipt of bank loans and other borrowings		70,410	14,317	70,410	7,920
Repayments of bank loans and other borrowings		(107,653)	–	(103,280)	–
Debt issue costs paid		(1,675)	(2,042)	(1,675)	(2,042)
Settlement of financial instruments with subsidiary undertaking		–	–	–	(7,665)
Net payments to acquire own shares for share schemes		(2,366)	(10,068)	(2,366)	(10,068)
Termination of financial instruments		(1,561)	–	(1,561)	–
Net cash used in financing activities		(62,959)	(12,400)	(58,586)	(26,462)
Net increase (decrease) in cash and cash equivalents		5,586	(8,036)	(4,251)	(9,659)
Cash and cash equivalents at 1 May		9,676	19,056	(28,638)	(20,283)
Effect of foreign exchange movements		3,486	(1,344)	(1,458)	1,304
Cash and cash equivalents at 30 April	(b)	18,748	9,676	(34,347)	(28,638)

Notes to the cash flow statements

For the year ended 30 April 2016

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

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Operating profit (loss)	90,563	95,762	(2,104)	684
Adjustments for:				
Depreciation of property, plant and equipment	144,272	144,455	61	61
Exchange differences	–	–	–	(7,665)
Amortisation of intangible assets	1,979	2,010	16	31
Loss on disposal of property, plant and equipment	122	50	–	–
Share options fair value charge	1,666	1,680	1,666	1,680
Operating cash flows before movements in working capital	238,602	243,957	(361)	(5,209)
Decrease in non-vehicle inventories	866	105	–	–
Decrease in receivables	10,157	2,833	2,353	25
(Decrease) increase in payables	(6,825)	4,672	315	272
Cash generated from (used in) operations	242,800	251,567	2,307	(4,912)
Income taxes paid, net	(8,259)	(16,524)	–	–
Interest paid	(10,527)	(12,302)	(13,174)	(15,164)
Net cash generated from (used in) operations	224,014	222,741	(10,867)	(20,076)
Purchases of vehicles	(296,165)	(350,085)	–	–
Proceeds from disposals of vehicles	145,877	135,876	–	–
Net cash generated from (used in) operations	73,726	8,532	(10,867)	(20,076)

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Cash and cash equivalents comprise:				
Cash and bank balances	18,748	9,676	–	–
Bank overdrafts	–	–	(34,347)	(28,638)
Cash and cash equivalents	18,748	9,676	(34,347)	(28,638)

Statements of changes in equity

For the year ended 30 April 2016

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 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 1 May 2015	180,124	(8,812)	(2,028)	(13,828)	68,459	202,441	426,356
Share options fair value charge	–	–	–	–	–	1,666	1,666
Share options exercised	–	–	–	–	–	(3,021)	(3,021)
Profit attributable to owners of the Parent Company	–	–	–	–	–	61,479	61,479
Dividends paid	–	–	–	–	–	(20,114)	(20,114)
Net purchase of own shares	–	(2,366)	–	–	–	–	(2,366)
Transfer of shares on vesting of share options	–	3,021	–	–	–	–	3,021
Other comprehensive (expense) income	–	–	(494)	4,428	70	–	4,004
Total equity at 30 April 2016	180,124	(8,157)	(2,522)	(9,400)	68,529	242,451	471,025

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 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 1 May 2015	180,124	1,371	(1,379)	63,159	40	4,564	247,879
Share options fair value charge	–	–	–	–	–	1,666	1,666
Profit attributable to owners of the Parent Company	–	–	–	–	–	37,624	37,624
Dividends paid	–	–	–	–	–	(20,114)	(20,114)
Other comprehensive expense	–	–	(1,143)	–	–	–	(1,143)
Total equity at 30 April 2016	180,124	1,371	(2,522)	63,159	40	23,740	265,912

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 130. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 7 to 49.

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

2 Principal accounting policies

Statement of compliance

The accounts have been prepared in accordance with IFRS, adopted by the EU and therefore the Group accounts comply with Article 4 of the EU IAS Regulation.

Basis of preparation

The financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The accounts have been prepared in accordance with International Financial Reporting Standards Interpretations Committee (IFRS-IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 42, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Changes in accounting policy

Annual improvements 2012, Annual improvements 2013 and IAS 19 (Employee benefits) became effective or were amended during the year but had no impact on the financial statements. Various new accounting standards and amendments were endorsed during the year, none of which have had or are expected to have any significant impact on the Group.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2015 and 30 April 2016.

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

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

Revenue recognition

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

Revenue from vehicle hire is recognised evenly over the hire period. Revenue from sales of other related goods and services is recognised at the point at which the goods or services are provided.

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

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 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 12 years
Motor vehicles	3 to 6 years

Vehicles for hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between three and 12 years, averaging around six years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles. Depreciation charges reflect adjustments made as a result of differences between expected and actual residual values of used vehicles, taking into account the further directly attributable costs to sell the vehicles.

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.

Investments in subsidiaries

Investments in subsidiaries 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 and any amounts outstanding in relation to previous years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

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

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. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

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

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

Leasing and hire purchase commitments

As Lessee:

If the lease transfers substantially all the risks and rewards incident to ownership of the asset then it is classified as a finance lease. All other leases are classified as operating leases.

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.

Employee share schemes and share based payments

The Group issues equity-settled payments to certain employees.

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

2 Principal accounting policies continued

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 or which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the accounts are to be properly understood.

Dividends

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

Provisions

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

Own shares

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

Depreciation

Vehicles for hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between three and 12 years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles, after taking account of costs required to sell the vehicles.

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

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

Notes to the accounts CONTINUED

3 Critical accounting judgements and key sources of estimation uncertainty continued

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. See note 29 for further information.

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 probable that taxable profit will be available against which the deductible temporary difference can be utilised.

4 Segmental reporting

Management has determined the operating segments based upon the information provided to the 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 as it forms part of the UK reporting segment and the aggregation criteria of IFRS 8 have been met. The principal activities of these divisions are set out in the strategic report.

	UK 2016 £000	Spain 2016 £000	Corporate 2016 £000	Total 2016 £000
Revenue: hire of vehicles	306,353	140,781	–	447,134
Revenue: sale of vehicles	127,044	44,110	–	171,154
Total revenue	433,397	184,891	–	618,288
Underlying operating profit (loss)*	58,151	41,267	(5,099)	94,319
Restructuring costs	(1,777)	–	–	(1,777)
Brand royalty charges	(559)	(4,723)	5,282	–
Intangible amortisation	(1,898)	(64)	(17)	(1,979)
Operating profit	53,917	36,480	166	90,563
Interest income				3
Finance costs				(11,373)
Exceptional finance costs				(1,561)
Profit before taxation				77,632
Other information				
Capital expenditure	203,930	95,847	–	299,777
Depreciation	98,384	45,827	61	144,272
Reportable segment assets	579,671	283,592	–	863,263
Income tax assets				15,256
Total assets				878,519
Reportable segment liabilities	262,335	119,473	–	381,808
Derivative financial instrument liabilities				3,152
Income tax liabilities				22,534
Total liabilities				407,494

4 Segmental reporting continued

	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
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

* Underlying operating profit (loss) stated before intangible amortisation, intra-Group brand royalty charges and exceptional items is the measure used by the 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 2016 £000	Non-current assets 2016 £000	Revenue 2015 £000	Non-current assets 2015 £000
United Kingdom and Republic of Ireland	433,397	494,861	426,340	500,892
Spain	184,891	263,046	187,920	233,446
	618,288	757,907	614,260	734,338

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.

Notes to the accounts CONTINUED

5 Operating profit

	2016 £000	2015 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 14 and 15)	144,272	144,455
Staff costs (Note 6)	89,368	93,332
Cost of inventories recognised as an expense	206,849	193,845
Net impairment of trade receivables (Note 29)	3,468	3,051
Auditors' remuneration for audit services (below)	324	352
Auditors' remuneration for non-audit services (below)	122	156

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

	2016 £000	2015 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	205	231
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	119	121
Total audit fees	324	352
Other services pursuant to legislation	26	21
Tax services	28	135
Other services	68	–
Total non-audit fees	122	156

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

A description of the work of the Audit and Risk Committee is set out on pages 61 to 63 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

6 Staff costs

	2016 Number	2015 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,492	1,536
Administration	476	487
	1,968	2,023
Spain:		
Direct operations	806	751
Administration	147	138
	953	889
	2,921	2,912

6 Staff costs continued

	2016 £000	2015 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	77,569	81,454
Social security costs	9,806	10,030
Other pension costs – defined contribution plans	1,993	1,848
	89,368	93,332

Wages and salaries include £2,391,000 (2015 – £885,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the Remuneration Report on pages 64 to 74.

7 Finance costs

	2016 £000	2015 £000
Interest on bank overdrafts and loans	10,096	12,338
Recycling of hedging reserve items	649	–
Amortisation of arrangement fees	603	445
Preference share dividends	25	25
Finance costs (excluding exceptional items)	11,373	12,808
Termination of interest rate swaps (note 26)	1,561	–
Exceptional finance costs	1,561	–
	12,934	12,808

8 Taxation

	2016 £000	2015 £000
Current tax:		
UK corporation tax	10,823	10,111
Adjustment in respect of prior years	854	(1,789)
Foreign tax	5,023	9,188
	16,700	17,510
Deferred tax:		
Origination and reversal of timing differences	1,168	(4,097)
Adjustment in respect of prior years	(1,818)	898
Rate adjustments in UK and Spain	103	1,850
	(547)	(1,349)
	16,153	16,161

UK corporation tax is calculated at 20.00% (2015 – 20.92%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

Notes to the accounts CONTINUED

8 Taxation continued

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

	2016 £000	%	2015 £000	%
Profit before taxation	77,632		82,963	
Tax at the UK corporation tax rate of 20.00% (2015 – 20.92%)	15,526	20.0	17,356	20.9
Tax effect of expenses that are not deductible in determining taxable profit	1,502	1.9	682	0.8
Tax effect of income not taxable in determining taxable profit	(960)	(1.2)	(2,699)	(3.2)
Difference in taxation in overseas subsidiary undertakings	946	1.2	(357)	(0.4)
Reduction in tax rate	103	0.1	1,850	2.2
Adjustment to tax charge in respect of prior years	(964)	(1.2)	(671)	(0.8)
Tax charge and effective tax rate for the year	16,153	20.8	16,161	19.5

In addition to the amount charged to the income statement, a net deferred tax amount of £285,000 has been credited (2015 – £355,000) directly to equity (Note 22).

The underlying tax charge of £17,599,000 (2015 – £17,029,000) excludes exceptional tax credits of £668,000 (2015 – £Nil) as set out in Note 26, and tax credits on brand royalty charges and intangible amortisation of £778,000 (2015 – £868,000). There has been no recognition of deferred tax assets previously derecognised.

In July 2015 an announcement was made meaning that the applicable tax rate in the UK will reduce from 20% to 19% for the fiscal year starting 1 April 2017 and thereafter. In March 2016 it was announced that for the fiscal year starting 1 April 2020 the rate would reduce to 17%. Neither of these changes have been substantively enacted at the balance sheet date and deferred tax balances have therefore not been revalued. The Spanish corporation tax rate reduced to 25% on 1 January 2016. Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 20% in the UK and 25% in Spain.

9 Dividends

An interim dividend of 5.1p per Ordinary share was paid in January 2016 (2015 – 4.3p). The Directors propose a final dividend for the year ended 30 April 2016 of 10.9p per Ordinary share (2015 – 10.2p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2016. No dividends have been paid between 30 April 2016 and the date of signing the Accounts.

10 Earnings per share

	Underlying 2016 £000	Statutory 2016 £000	Underlying 2015 £000	Statutory 2015 £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	65,350	61,479	67,944	66,802

10 Earnings per share continued

	2016 Number	2016 Number	2015 Number	2015 Number
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	133,232,518	133,232,518	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares:				
– share options	1,990,249	1,990,249	2,649,060	2,649,060
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	135,222,767	135,222,767	135,881,578	135,881,578
Basic earnings per share	49.0p	46.1p	51.0p	50.1p
Diluted earnings per share	48.3p	45.5p	50.0p	49.2p

11 Result of the Parent Company

A profit of £37,624,000 (2015 – loss of £2,933,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under s408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

12 Goodwill

£000

Carrying value:

At 1 May 2014, 1 May 2015 and 30 April 2016

3,589

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

The goodwill balance all relates to the UK. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the 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 three year business plan approved by the Directors in May 2016 using growth rates of 1% over a 10 year period, including terminal values, using a discount rate of 8.9% for the UK CGU and 8.9% for the Spain CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity.

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

Notes to the accounts CONTINUED

12 Goodwill continued

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 2015 using growth rates of 1% over a 10 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 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 2014	14,988	13,356	28,344	90
Additions	–	889	889	–
Exchange differences	(504)	(149)	(653)	–
At 1 May 2015	14,484	14,096	28,580	90
Additions	–	1,682	1,682	–
Exchange differences	280	91	371	–
At 30 April 2016	14,764	15,869	30,633	90
Amortisation:				
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 1 May 2015	11,574	12,665	24,239	74
Charge for the year	775	1,204	1,979	16
Exchange differences	279	82	361	–
At 30 April 2016	12,628	13,951	26,579	90
Carrying amount:				
At 30 April 2016	2,136	1,918	4,054	–
At 30 April 2015	2,910	1,431	4,341	16

14 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2014	971,859
Additions	350,742
Exchange differences	(47,039)
Transfer to motor vehicles	(328)
Transfer to inventories	(288,107)
At 1 May 2015	987,127
Additions	293,592
Exchange differences	27,464
Transfer to motor vehicles	(663)
Transfer to inventories	(310,394)
At 30 April 2016	997,126
Depreciation:	
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 1 May 2015	326,967
Charge for the year	137,678
Exchange differences	9,850
Transfer to motor vehicles	(170)
Transfer to inventories	(161,698)
At 30 April 2016	312,627
Carrying amount:	
At 30 April 2016	684,499
At 30 April 2015	660,160

At 30 April 2016, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £20,599,000 (2015 – £25,920,000).

Notes to the accounts CONTINUED

15 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
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 1 May 2015	76,799	19,798	3,354	99,951
Additions	726	2,504	1,273	4,503
Exchange differences	2,580	755	–	3,335
Transfer from vehicles for hire	–	–	663	663
Disposals	(1,474)	(1,164)	(1,489)	(4,127)
At 30 April 2016	78,631	21,893	3,801	104,325
Depreciation:				
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 1 May 2015	20,811	11,828	1,064	33,703
Charge for the year	2,577	3,318	699	6,594
Exchange differences	600	497	–	1,097
Transfer from vehicles for hire	–	–	170	170
Disposals	(1,209)	(1,026)	(769)	(3,004)
At 30 April 2016	22,779	14,617	1,164	38,560
Carrying amount:				
At 30 April 2016	55,852	7,276	2,637	65,765
At 30 April 2015	55,988	7,970	2,290	66,248
			2016 £000	2015 £000
Land and buildings by category:				
Freehold and long leasehold			49,909	49,299
Short leasehold			5,943	6,689
			55,852	55,988

At 30 April 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £48,000 (2015 – £377,000).

15 Other property, plant and equipment continued

Company	Land & buildings £000
Cost:	
At 1 May 2014, 1 May 2015 and 30 April 2016	3,239
Depreciation:	
At 1 May 2014	719
Charge for the year	61
At 1 May 2015	780
Charge for the year	61
At 30 April 2016	841
Carrying amount:	
At 30 April 2016	2,398
At 30 April 2015	2,459

16 Investments

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost:			
At 1 May 2014, 1 May 2015 and 30 April 2016	76,328	47,000	123,328
Accumulated provisions:			
At 1 May 2014, 1 May 2015 and 30 April 2016	2,435	–	2,435
Carrying amount:			
At 1 May 2015 and 30 April 2016	73,893	47,000	120,893

At 30 April 2016, a full list of subsidiaries 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
 NGMalta Finance Limited* (incorporated in the Republic of Ireland)
 Northgate Vehicle Sales Limited*
 Goode Durrant Administration Limited*
 Fleet Technique Limited*
 Northgate (AVR) Limited
 Willhire Group Limited*
 Willhire Vehicle Rentals Limited*

* Interest held indirectly by the Company.

Notes to the accounts CONTINUED

17 Inventories

Group	2016 £000	2015 £000
Vehicles held for resale	17,758	15,544
Spare parts and consumables	5,351	6,129
	23,109	21,673

18 Trade and other receivables

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade receivables	58,131	61,373	–	–
Amounts due from subsidiary undertakings	–	–	825,090	774,459
Other taxes	–	–	56	31
Other receivables and prepayments	5,368	10,444	129	141
	63,499	71,817	825,275	774,631

		2016	2015
The average credit period given on trade sales is	UK	36 days	39 days
	Spain	38 days	44 days

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

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

19 Trade and other payables

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade payables	23,158	26,736	125	54
Amounts due to subsidiary undertakings	–	–	325,226	282,340
Social security and other taxes	7,054	5,348	239	109
Accruals and deferred income	22,971	30,189	2,643	2,939
	53,183	62,273	328,233	285,442

		2016	2015
The average credit period taken on trade purchases is	UK	32 days	31 days
	Spain	61 days	60 days

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

20 Borrowings

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

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank loans and overdrafts	249,742	346,415	274,527	363,513
Loan notes	77,930	–	77,930	–
Cumulative Preference shares	500	500	500	500
Confirming facilities	453	541	–	–
	328,625	347,456	352,957	364,013

The borrowings are repayable as follows:

	GROUP		COMPANY	
	2016 £000	2015 £000	2016 £000	2015 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	9,562	11,540	34,347	28,638
Confirming facilities	453	541	–	–
	10,015	12,081	34,347	28,638
In the second year				
Bank loans	–	7,609	–	7,609
	–	7,609	–	7,609
In the third to fifth years				
Bank loans	242,754	328,863	242,754	328,863
	242,754	328,863	242,754	328,863
Due after more than five years				
Loan notes	78,025	–	78,025	–
Cumulative Preference shares	500	500	500	500
	78,525	500	78,525	500
Unamortised finance fees relating to the bank loans and loan notes	(2,669)	(1,597)	(2,669)	(1,597)
Total borrowings	328,625	347,456	352,957	364,013
Less: Amounts due for settlement within one year (shown within current liabilities)	10,015	12,081	34,347	28,638
Amounts due for settlement after more than one year	318,610	335,375	318,610	335,375

The UK syndicated bank loans, totalling £242,754,000 (gross of unamortised fees) at 30 April 2016, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £78,025,000 (gross of unamortised fees) at 30 April 2016, would have to be offered full repayment in the event of a change in control of the Group.

Bank loans and overdrafts

Bank loans and overdrafts are unsecured and bear interest at rates of 0.70% to 2.25% (2015 – secured and bear interest rates of 2.30% to 2.80%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

Notes to the accounts **CONTINUED**

20 Borrowings continued

Loan notes

During the year the Company issued €100,000,000, 2.38% seven year private placement loan notes. These are unsecured and mature in August 2022.

Cumulative Preference shares

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

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2015 – 1,300,000), of which 1,000,000 (2015 – 1,000,000) were allotted and fully paid at the balance sheet date.

Confirming facilities

Spanish confirming facilities of £453,000 (2015 – £541,000) are unsecured and all fall due within one year. The Group pays no interest on confirming.

Total borrowing facilities

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

	2016 £000	2015 £000
Less than one year	5,200	5,723
In one year to five years	195,494	169,571
	200,694	175,294

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 2015 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2016 £000
Cash at bank and in hand	(9,676)	(5,586)	–	(3,486)	(18,748)
Bank loans	346,415	(107,653)	(977)	11,957	249,742
Loan notes	–	70,410	(95)	7,615	77,930
Cumulative Preference shares	500	–	–	–	500
Confirming facilities	541	–	(88)	–	453
Consolidated net debt	337,780	(42,829)	(1,160)	16,086	309,877

The Group calculates gearing to be net borrowings as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net borrowings comprise borrowings less cash and bank balances. At 30 April 2016, the gearing of the Group amounted to 66.9% (2015 – 80.7%) where net borrowings are £309,877,000 (2015 – £337,780,000) and shareholders' funds less goodwill and the net book value of intangible assets are £463,382,000 (2015 – £418,426,000).

20 Borrowings continued

Financial instruments (see also Note 29)

Financial assets

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

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

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has credit insurance policies in place to partially mitigate this risk.

Treasury policies and the management of risk

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

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

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

Financing and interest rate risk

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

Cash at bank, and on deposit, yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings is managed through the use of interest rate derivatives as detailed in Note 21. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. At 30 April 2016 96.7% (2015 – 75.5%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £75,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £453,000 of confirming facilities (30 April 2015 – interest rate swaps of £105,000,000 and €206,500,000, £500,000 of Preference shares and £541,000 of confirming facilities).

Notes to the accounts CONTINUED

20 Borrowings continued

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 2016			
Bank loans	74,376	175,366	249,742
Cumulative Preference shares	500	–	500
Confirming facilities	–	453	453
Loan notes	–	77,930	77,930
	74,876	253,749	328,625

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

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	
	2016 £000	2015 £000	2016 £000	2015 £000
Interest rate derivatives	(3,152)	(1,723)	(3,152)	(1,723)
They are represented in the balance sheet as follows:				
Non-current derivative financial instrument assets	–	57	–	57
Non-current derivative financial instrument liabilities	(3,152)	(1,780)	(3,152)	(1,780)
	(3,152)	(1,723)	(3,152)	(1,723)

21 Derivative financial instruments continued

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings is managed through the use of interest rate derivatives. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix a substantial element of the interest cost on outstanding debt. The interest rate derivatives to which the Group was party as at 30 April 2016 are summarised below:

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

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

All the Group's interest rate swaps are designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, has been deferred in equity. There was no hedge ineffectiveness during the year (2015 – £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.

Notes to the accounts CONTINUED

22 Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payment £000	Intangible assets £000	Losses £000	Other temporary differences £000	Total £000
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 charged (credited) to income	1,488	(836)	311	(220)	–	155	898
Transferred to current tax	–	–	–	–	(3,217)	–	(3,217)
At 1 May 2015	2,489	1,156	(687)	562	(9,509)	(4,271)	(10,260)
(Credit) charge to income	(1,908)	(28)	(186)	(155)	2,335	1,110	1,168
Credit to equity	–	–	–	–	–	(285)	(285)
Exchange differences	(268)	21	–	(1)	(577)	(155)	(980)
Adjustment to tax rate charged (credited) to income	96	–	–	–	(56)	63	103
Adjustments in respect of prior years credited to income	(1,804)	–	–	–	–	(14)	(1,818)
At 30 April 2016	(1,395)	1,149	(873)	406	(7,807)	(3,552)	(12,072)

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 2016	
Deferred tax assets	(15,256)
Deferred tax liabilities	3,184
Net deferred tax assets	(12,072)
At 30 April 2015	
Deferred tax assets	(14,784)
Deferred tax liabilities	4,524
Net deferred tax assets	(10,260)

In the current year, the net credit to equity of £285,000 (2015 – £355,000) in respect of other temporary differences relates to derivative financial instruments which has been reflected in the hedging reserve (Note 25).

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

22 Deferred tax continued

Net deferred tax assets of £3,552,000 (2015 – £4,271,000) classified as other temporary differences relate to movements on fair values of foreign currency derivatives, other temporary differences in relation to tax payable in various tax jurisdictions in which the Group operates and other temporary differences within the UK.

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

Company	Share based payments £000	Other temporary differences £000	Total £000
At 1 May 2014	(854)	(72)	(926)
Charge to income	133	37	170
Credit to equity	–	(355)	(355)
Change in UK tax rate charged to income	34	19	53
At 1 May 2015	(687)	(371)	(1,058)
Credit to income	(186)	(159)	(345)
Credit to equity	–	(285)	(285)
At 30 April 2016	(873)	(815)	(1,688)

23 Share capital

Group and Company	2016 £000	2015 £000
Allotted and fully paid: 133,232,518 (2015 – 133,232,518) Ordinary shares of 50p each	66,616	66,616

24 Share premium account

Group and Company	£000
At 1 May 2014, 1 May 2015 and 30 April 2016	113,508

25 Other reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2014	40	1,082	67,463
Foreign exchange differences	–	(126)	–
At 1 May 2015	40	956	67,463
Foreign exchange differences	–	70	–
At 30 April 2016	40	1,026	67,463

Company	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2014, 1 May 2015 and 30 April 2016	40	1,371	63,159

The above shows the movements on the reserves classified as 'Other reserves' on the Group's statement of changes in equity. Movements on the Own shares reserve, Hedging reserve and Translation reserve are shown in the Statement of changes in equity, which can be seen on page 91.

Notes to the accounts CONTINUED

25 Other reserves continued

Further information on certain of these reserves is given below:

Own shares

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 28). At 30 April 2016 the Guernsey Trust held 1,899,747 (2015 – 1,910,135) 50p Ordinary shares and the Capita Trust held 17,186 (2015 – 35,552) 50p Ordinary shares. The total number of shares held by these employee trusts represents 1.4% of the allotted and fully paid share capital of the Group.

The results of the trusts are consolidated into the results of the Group in accordance with IFRS 10 (Consolidated Financial Statements).

Hedging reserve

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

Translation reserve

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

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

26 Exceptional items

	2016 £000	2015 £000
Restructuring costs	1,777	–
Exceptional administrative expenses	1,777	–
Costs associated with July 2015 refinancing	1,561	–
Exceptional finance costs	1,561	–
Total pre-tax exceptional items	3,338	–
Tax credits relating to exceptional items	(668)	–

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

Restructuring costs

The Group incurred total exceptional restructuring costs of £1,777,000 (2015 – £Nil), all of which arose in the United Kingdom.

Costs associated with July 2015 refinancing

The Group incurred £1,561,000 (2015 – £Nil) of exceptional finance costs relating to the cancellation of previous interest rate swaps which no longer qualified for hedge accounting as the hedged items were deemed to no longer exist.

27 Operating lease arrangements

As lessee

Group	2016 £000	2015 £000
Lease payments under operating leases recognised in the income statement for the year	6,422	5,819

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	2016 £000	2015 £000
Within one year	6,020	5,451
In the second to fifth years inclusive	17,011	15,927
After five years	20,863	21,491
	43,894	42,869

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 (2015 – 11 years) and rentals are fixed for an average term of 10 years (2015 – 10 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.

28 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration Report on pages 64 to 74.

The Group and Company recognised total expenses of £1,666,000 (2015 – £1,680,000) related to equity-settled share based payment transactions in the year.

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

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

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

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

Notes to the accounts CONTINUED

28 Share based payments continued

Details regarding the plans in the year ended 30 April 2016 are outlined below:

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

	DABP 2016	MPSP 2016	EPSP 2016	AESS 2016	Free Shares 2016
Weighted average remaining contractual life at the end of the year	7.7 years	6.0 years	7.7 years	1.9 years	1.2 years
Weighted average share price at the date of exercise of options in the year	£4.83	£4.83	£4.83	£3.36	£4.62
Date options granted/allocated in the year	July 2015	–	July 2015	January 2016	August 2015
Aggregate estimated fair value of options at the date of grant	£617,000	–	£658,000	£378,000	£440,000

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

Weighted average share price	£5.65	–	£5.65	£5.31	£5.69
Weighted average exercise price	£2.31	–	£Nil	£Nil	£Nil
Expected volatility	46.7%	–	46.7%	45.7%	46.2%
Expected life	3 years	–	3 years	3 years	3 years
Risk free rate	1.53%	–	1.53%	1.03%	1.38%
Expected dividends	2.9%	–	2.9%	3.0%	2.9%

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 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)	(34,530)	–	(109,865)	(17,450)
Forfeited/lapsed during the year	(8,583)	(160,783)	(251,600)	(22,474)	(51,650)
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	–	–

28 Share based payments continued

	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%

29 Financial instruments

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 23 to 25.

Foreign currency risk management

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

Foreign currency sensitivity analysis

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

The following tables detail the Group's sensitivity to a €0.15 (2015 – €0.10) increase and decrease in the Euro/Sterling exchange rate.

A €0.15 (2015 – €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 €0.15 (2015 – €0.10) change in foreign currency rates.

	As stated in annual report £000	As would be stated if €0.15 increase £000	As would be stated if €0.15 decrease £000
2016			
Profit before taxation	77,632	75,047	80,629
Total equity	471,025	462,602	481,687

Notes to the accounts **CONTINUED**

29 Financial instruments continued

	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			
Profit before taxation	82,963	80,876	85,400
Total equity	426,356	423,164	430,055

Interest rate risk management

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

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rates for floating rate liabilities and related derivatives. For the floating rate liabilities, the analysis is prepared on the basis of both the average liability outstanding over the period and 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% (2015 – 1.0%) increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rates in the near term.

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2016			
Profit before taxation	77,632	77,200	78,062
Total equity	471,025	470,680	471,370

	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

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.

29 Financial instruments continued

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

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal amount		Fair value	
	2016 %	2015 %	2016 £000	2015 £000	2016 £000	2015 £000
Sterling						
In the second to fifth years inclusive	1.17	1.02	£75,000	£105,000	(1,001)	(524)
Euro						
In the second to fifth years inclusive	0.06	0.48	€190,000	€206,500	(2,151)	(1,199)

Liquidity risk management

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

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. All interest cash flows and the weighted average effective interest rate have been calculated using interest rate conditions prevailing at the balance sheet date.

2016	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	23,611	–	–	–	23,611
Fixed interest rate instruments	2.40%	1,882	1,882	5,646	80,851	90,261
Variable interest rate instruments	1.64%	13,723	4,053	251,543	–	269,319
		39,216	5,935	257,189	80,851	383,191

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

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

2016	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	1,091	1,091	2,226	4,408

Notes to the accounts CONTINUED

29 Financial instruments continued

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

Fair value of financial instruments

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

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

All the financial instruments below are categorised as Level 2.

The fair values of financial assets and financial liabilities are determined as follows:

Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates; and

The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values or, in the case of interest rate swaps, 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 receivables amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

	2016 £000	2015 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	71,004	73,988
Allowance for doubtful receivables	(12,873)	(12,615)
	58,131	61,373
Ageing of trade receivables not impaired		
Not overdue	52,088	55,804
Past due not more than two months	4,552	5,219
Past due more than two months but not more than four months	221	64
Past due more than four months but not more than six months	1,270	286
	58,131	61,373

29 Financial instruments continued

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 £802,000 (2015 – £893,000) 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 £6,062,000 (2015 – £5,569,000) 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.

	2016 £000	2015 £000
Movement in the allowance for doubtful receivables		
At 1 May	12,615	14,470
Impairment losses recognised	4,837	5,014
Amounts written off as uncollectible	(3,846)	(3,621)
Impaired losses reversed	(1,369)	(1,963)
Exchange differences	636	(1,285)
At 30 April	12,873	12,615

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 £159,000 (2015 – £168,000).

	2016 £000	2015 £000
Ageing of impaired trade receivables		
Not overdue	138	279
Past due not more than two months	1,856	1,695
Past due more than two months but not more than four months	2,434	2,012
Past due more than four months but not more than six months	250	316
Past due more than six months but not more than one year	8,195	8,313
	12,873	12,615

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.

Notes to the accounts **CONTINUED**

30 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £3,447,000 (2015 – £3,927,000) interest payable and £5,282,000 (2015 – £5,323,000) royalty charges receivable.

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

Remuneration of key management personnel

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

In respect of the compensation of key management personnel, the short term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the Remuneration Report on pages 64 to 74. The fair value charged to the income statement in respect of equity-settled share based payment transactions with the Directors is £660,000 (2015 – £521,000). There are no other long term benefits accruing to key management personnel, other than as set out in the Remuneration Report.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and eighteenth Annual General Meeting of Northgate plc (the Company) will be held at 10 Paternoster Square, London EC4 at 11.30 a.m. on 21 September 2016 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 to 17 will be proposed as special resolutions:

1. To receive the Directors' Report and audited accounts of the Company for the year ended 30 April 2016.
2. To declare a final dividend of 10.9p per Ordinary share.
3. To approve the Directors' Remuneration Report in the form set out on pages 64 to 74 of the 2016 Annual Report and Accounts.
4. To appoint PricewaterhouseCoopers LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting.
5. To authorise the Audit and Risk Committee to determine the remuneration of the auditor.
6. To re-elect Mr 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 elect Mrs C Miles as a director.
11. To elect Mr P Gallagher as a director.
12. To elect Mr W Spencer as a director.
13. That the Board be and it is hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006 (the Act) to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £22,000,000 provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
14. That subject to the passing of Resolution 13 the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:
 - a. to the allotment of equity securities in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and
 - b. to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £3,330,000,

such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 21 December 2017) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Notice of Annual General Meeting

CONTINUED

15. That subject to the passing of Resolution 13, the Board be authorised in addition to any authority granted under Resolution 14 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,330,000; and
- b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 21 December 2017) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

16. That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.
17. 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 27 June 2016;
 - 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

David Henderson

Secretary

27 June 2016

Registered office:

Norflex House

Allington Way

Darlington

DL1 4DY

Notes

1. A member entitled to attend and vote at the Annual General Meeting (the Meeting) may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. A proxy form which may be used to make this appointment and give proxy instructions accompanies this notice. Details of how to appoint a proxy are set out in the notes to the proxy form. As an alternative to completing a hard copy proxy form, proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours before the time of the Meeting.
4. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act (a Nominated Person). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
5. To be entitled to attend and vote, whether in person or by proxy, at the Meeting, members must be registered in the register of members of the Company at 6 pm on Monday 19 September 2016 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.

Notice of Annual General Meeting

CONTINUED

9. Members satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.
10. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it would interfere unduly with the preparation for the Meeting or if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. As at 27 June 2016 (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 8 August 2016, being the date six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Glossary

Term	Definition	Term	Definition
ABI	Association of British Insurers	LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
AGM	Annual General Meeting	Listing Rules	The Listing Rules of the Financial Conduct Authority
Annual Report on Remuneration	That section of the Remuneration Report which is subject to an advisory shareholder vote	MPSP	Management Performance Share Plan (closed to new awards from 2013)
CEO	Chief Executive Officer/Chief Executive	NBS	New Bridge Street, a trading name of Aon plc
CFO	Chief Financial Officer/Group Finance Director	Net tangible assets	Net assets less goodwill and other intangible assets
CPI	Consumer Price Index	NPS	Net promoter score: a standardised measure of customer satisfaction
CSR	Corporate Social Responsibility	NVQ	National Vocational Qualification
DABP	Deferred Annual Bonus Plan	OHSAS	Occupational Health & Safety Management Systems - requirements
DEFRA	The Department for Environment, Food and Rural Affairs	PBT	Underlying profit before tax
Deloitte	Deloitte LLP	PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs), divided by the number of vehicles sold
EBIT	Earnings before interest and taxation (equivalent to operating profit)	PwC	PricewaterhouseCoopers LLP
EBITDA	Earnings before interest, taxation, depreciation and amortisation	RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995
EPS	Basic earnings per share	ROCE	Underlying return on capital employed: calculated as underlying operating profit (see non-GAAP reconciliation) divided by average capital employed
EPSP	Executive Performance Share Plan	SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme
ESG	Environment, social and governance	SMEs	Small and medium sized enterprises
ESOS	Energy Savings Opportunity Scheme	The Code	The UK Corporate Governance Code
EU	European Union	The Company	Northgate plc
Euro 5	European Emissions Standard 5, for Light Duty Vehicle standards	The Group	The Company and its subsidiaries
Facility headroom	Calculated as facilities of £532.0m less net borrowings of £312.6m. Net borrowings represent net debt of £309.9m less unamortised arrangement fees of £2.7m and stated after the deduction of £18.7m of cash balances which are available to offset against borrowings.	TSR	Total Shareholder Return
FCA	Financial Conduct Authority	UKAS	The United Kingdom Accreditation Service
Free cash flow	Net cash generated before the payment of dividends	Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
FY2015	The year ended 30 April 2015		
FY2016	The year ended 30 April 2016		
GAAP	Generally Accepted Accounting Practice: meaning compliance with International Financial Reporting Standards		
Gearing	Calculated as net debt divided by net tangible assets (as defined below)		
GHG	Greenhouse Gas		
HMRC	Her Majesty's Revenue & Customs		
IFRS	International Financial Reporting Standards		
ISO	International Organisation for Standardisation		
KPIs	Key Performance Indicators		

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)
Overseas: (+44) 208 639 3399



KEEPING BUSINESS MOVING



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



Northgate plc
Norflex House, Allington Way
Darlington, DL1 4DY

Tel
01325 467558

Fax
01325 523640

Web
northgateplc.com