Driving business forward

NORTHGATE

About us

Northgate plc is the leading light commercial vehicle hire business by fleet size in the UK, Ireland and Spain and has been operating in the sector since 1981.

We hire primarily to businesses on a flexible and term basis, offering our customers the value and choice that match their requirements and allow them to **drive their business forward.**

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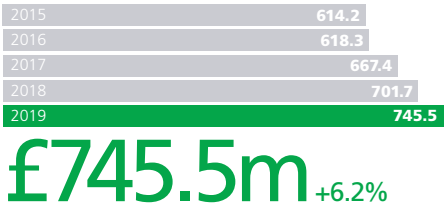
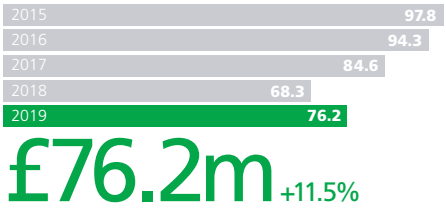
Highlights

Revenue (£m)



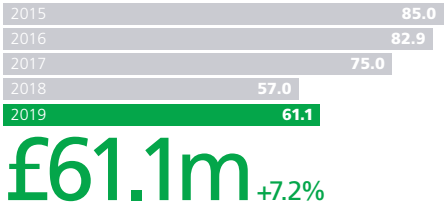
Underlying operating profit (£m)



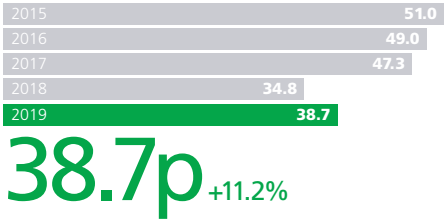
Strategic highlights

- In Spain we continue to leverage the strength of our flexible hire business to provide a comprehensive fleet solution to our customers.
- Strong momentum in UK from our self-help agenda.
- We continue to make good progress executing our rental strategy to address the compelling growth opportunity in our markets.
- Steady state cash generation remains strong.

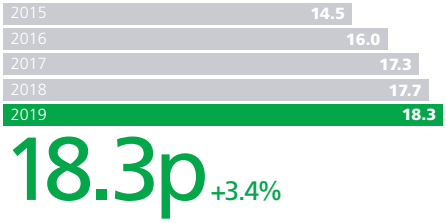
Underlying profit before tax (£m)



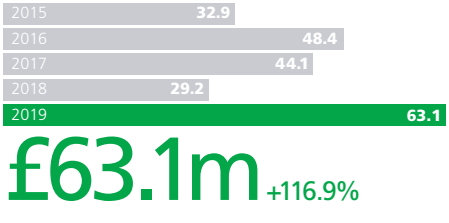
Underlying EPS (p)



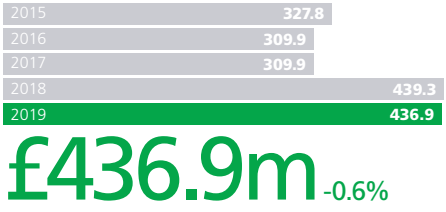
Dividend per share (p)



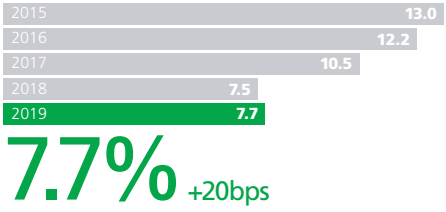
Underlying free cash flow (£m)



Net Debt (£m)



ROCE (%)



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.

In particular we refer to disposals profit. This is a non-GAAP measure used to describe the adjustment in 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).

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

Exceptional items are explained in the Notes to the accounts and a reconciliation of GAAP to non-GAAP measures is included on page 38.

At a glance

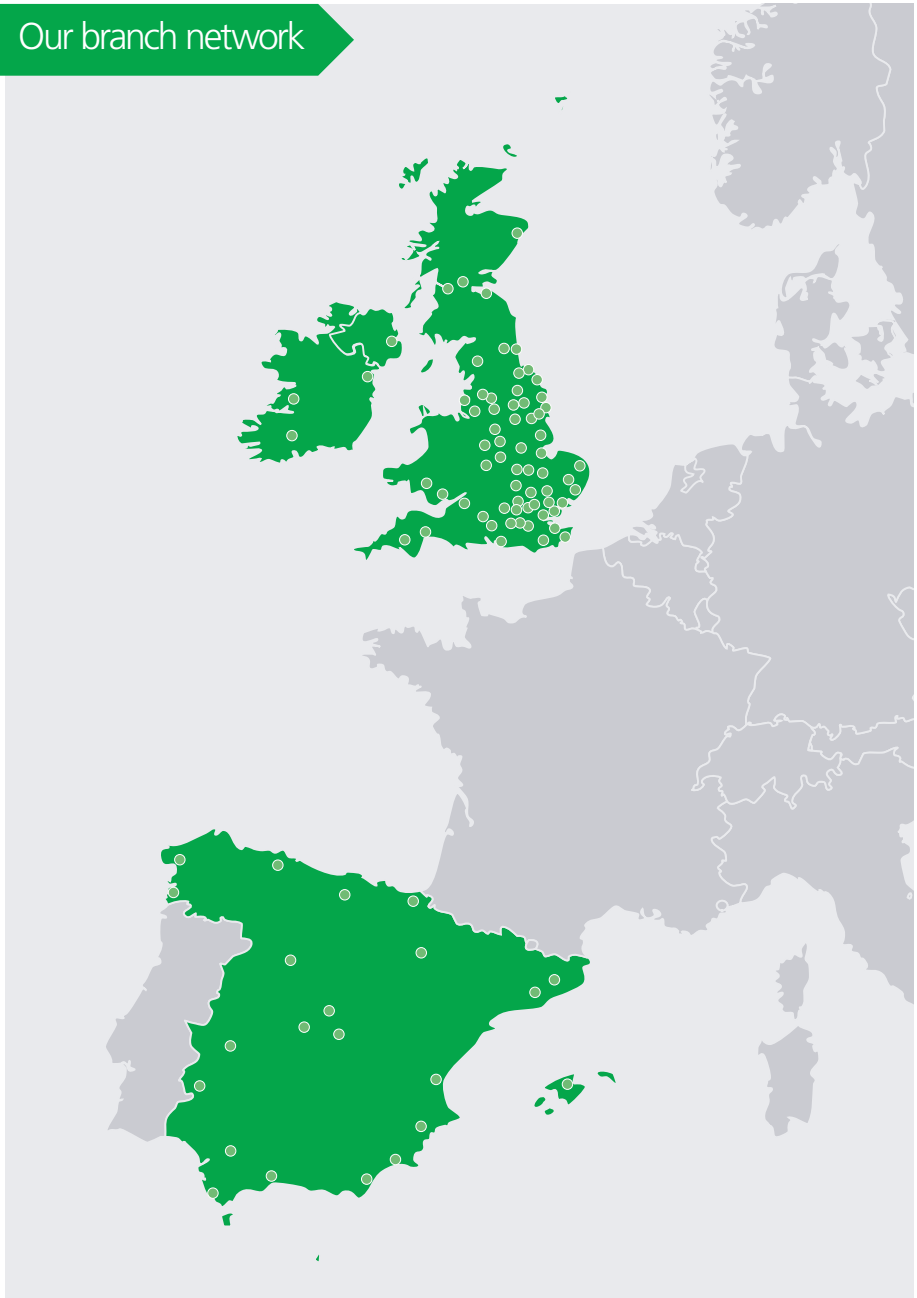
Understanding Northgate

There are approximately 8 million light commercial vehicles (LCVs) in operation across Northgate's two main markets with annual revenues in the sector totalling around £15bn. Our comprehensive offering ensures that we have the ability to adapt to the market's evolving needs and grow our share of this market.

Our markets

We operate a modern fleet of over 100,000 vehicles across our network. We operate in a growing market which is underpinned by a structural shift towards rental. We partner with customers in the UK & Ireland and Spain at a variety of scales and across multiple sectors.

Our branch network



Flexible rental

Flexible rental is the historical core of Northgate and is an area where we remain a market leader. With no contractual or capital commitment, this service offers the most operational flexibility for our customers. Vehicles are usually supplied fully inclusive of maintenance and other service enhancements.

Minimum term

Minimum term rentals require a contractual commitment from customers to commit to rental for a minimum period of 12 months. This service offers customers similar benefits to vehicle ownership while limiting their exposure to residual value risk and initial cash outflow. We offer additional service enhancements which distinguishes our offering from our competitors.

Vehicle sales

Acquisition of used vehicles in the secondary market generates transactions of c.£5bn in value per year. End users are typically individual business owners. We can access the end users directly through our national network of retail sale locations. This enables us to reduce the overall holding cost of our vehicles. Our scale and our retail sales networks enable us to offer customers the widest range of vehicles and service in the market.

UK & Ireland

Read more – See pages 6 to 11

Revenue – hire of vehicles (£m)

2015	311.3
2016	306.4
2017	293.7
2018	283.5
2019	315.6

£315.6m +11.3%

Average vehicles on hire ('000)

2015	48.7
2016	47.2
2017	44.8
2018	43.5
2019	48.4

48.4 +11.3%

Utilisation (%)

2015	88
2016	87
2017	88
2018	87
2019	88

88% +1ppt

Fleet Size ('000)

2015	56.4
2016	53.3
2017	50.3
2018	56.7
2019	54.6

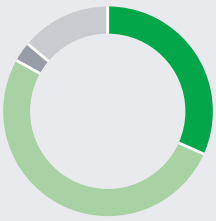
54.6 -3.7%

Rental Margin (%)

2017	10.6
2018	8.3
2019	7.8

7.8% -0.5ppts

Fleet mix



Small vans	32%
Medium vans	52%
Cars	3%
Other	13%

Spain

Read more – See pages 6 to 11

Revenue – hire of vehicles (£m)

2015	145.5
2016	140.8
2017	163.4
2018	187.6
2019	202.1

£202.1m +7.7%

Average vehicles on hire ('000)

2015	35.5
2016	35.6
2017	36.0
2018	40.3
2019	44.8

44.8 +10.9%

Utilisation (%)

2015	91
2016	91
2017	91
2018	91
2019	91

91% -

Fleet Size ('000)

2015	39.4
2016	39.8
2017	41.8
2018	48.0
2019	51.1

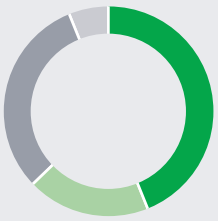
51.1 +6.5%

Rental Margin (%)

2017	15.6
2018	15.4
2019	19.7

19.7% +4.3ppts

Fleet mix



Small vans	44%
Medium vans	19%
Cars	31%
Other	6%

Group

Read more – See pages 6 to 11

Revenue – hire of vehicles (£m)

2015	456.8
2016	447.1
2017	456.1
2018	471.2
2019	517.6

£517.6m +9.9%

Average vehicles on hire ('000)

2015	84.2
2016	82.7
2017	80.8
2018	83.8
2019	93.2

93.2 +11.1%

Utilisation (%)

2015	89
2016	89
2017	89
2018	89
2019	89

89% -

Fleet size ('000)

2015	95.5
2016	93.1
2017	92.1
2018	104.8
2019	105.6

105.6 +1.0%

Chairman's statement

A culture of innovation

Bill Spencer
Interim Chairman and Senior Independent Director

Board priorities FY 2020

- Prepare for the appointment of a new chairman and recruit someone with the appropriate skills and experience.
- Fully embed our new values throughout the Group to progress towards our vision.
- Lead further improvements to culture and the working environment through development of the Workforce Advisory Panel.

Dear shareholders,
The year ended 30 April 2019 has presented many challenges for the Group. We have worked hard to increase engagement with shareholders and act positively on the feedback we have received. In the markets we operate in, it has been encouraging to see continued growth in revenue despite uncertain macro-economic conditions and increasing competition.

On behalf of the Board I would like to thank Andrew Page, who stepped down as Chairman on 27 March 2019. He played a significant role in rebuilding the foundations of Northgate and steering the Group through a period of strategic change. I am currently overseeing the process to recruit a new Chairman with the appropriate skills and experience to take the Group forward.

Performance

In the markets where we operate Northgate remains well positioned to capitalise on the significant opportunities they provide. The Board has continued to oversee implementation of the strategy and has re-emphasised the need to remain focused on delivering improvement in margins balanced against the opportunities available to grow across the Group.

The Group's EPS increased to 38.6p from 32.4p and underlying EPS increased to 38.7p (2018: 34.8p). This included the changes in depreciation rates announced last year and a lower effective tax rate. Ensuring management deliver sustainable earnings growth in the long term remains a key focus for the Board and we will continue to support the strategy put in place to achieve this. ROCE increased 20bps in FY 2019 to 7.7% and was impacted by reduced disposals and investment for growth. Improving ROCE remains a key financial milestone in the successful delivery of our strategy.

Dividend

The Group remains in a robust financial position, with strong underlying cash generation and a resilient balance sheet. This underpins our progressive dividend policy and we are proposing a full year dividend of 18.3p, an increase of 3.4% compared with the 2018 full year dividend of 17.7p. Our dividend policy remains unchanged such that the underlying basic earnings per share will cover the total annual dividend within a range of 2.0x to 3.0x.

Board changes

I am pleased to welcome Philip Vincent to the Board as Group CFO. Philip brings a wealth of relevant financial and commercial experience gained in a wide range of senior roles, in the UK and internationally, which should enable him to make a significant contribution to Northgate's future success.

Andrew Allner stepped down as a Non-executive Director on 31 December 2018, following 11 years with the Group and John Pattullo was appointed as a Non-executive Director on 1 January 2019. John brings a broad range of experience across publicly listed and private equity companies which will be of great benefit to Northgate.

I am pleased that Fernando Cogollos Ubeda is expected to join the Board as a Non-executive Director following his retirement as General Manager of our business in Spain and on the commencement of his replacement, Jorge

Want to know more about governance?

visit: www.northgateplc.com/governance

Dividend per share (p)

Alarcon. This will ensure strong continuity of leadership and the retention of Fernando's knowledge and understanding of our business and markets.

Our people

The Board has established the Northgate Workforce Advisory Panel to be led by Non-executive Director Claire Miles. Our firm belief is that this new panel will enable the board to engage more directly with employees, contributing to enhancements in culture and the working environment.

The Group has implemented a new system of vision and values this year which will enable our people to succeed. Our vision is to transform commercial vehicle rental so customers choose a rental model over ownership and to achieve this we recognise the need to attract and inspire people who are passionate about our business.

On behalf of the Board I would like to thank all of our team members throughout Northgate and look forward to seeing them implement our values of service, integrity, heart, ambition, and teamwork to ensure that the Group is able to fulfil our purpose: providing expert, easy and responsible commercial vehicle solutions in pursuit of our vision to transform vehicle rental so customers choose to rent not own.

"Our vision is to transform commercial vehicle rental so customers choose a rental model over ownership."

Outlook

We have done much work in the past year to further strengthen the foundations of the Group. We have a clear strategy to grow revenues, profits and returns. We aim to continue enhancing our capabilities and leverage our competitive advantages to realise the growth opportunities identified.

Bill Spencer
Interim Chairman

24 June 2019

The board's view on purpose, vision and values.

It is imperative that the Group shares a purpose, vision and values across all its operations. This year we are pleased to announce that, after consultation across the Group, we have arrived at a meaningful expression of who we are and what we stand for.

Our vision is to transform business vehicle rental so that rental, not ownership, becomes the best decision for all our customers and we aim to do this by providing expert, easy and responsible vehicle rental.

At the heart of this vision we identified a core set of values, namely:

- Teamwork
- Service
- Heart
- Ambition
- Integrity

To achieve our ambitious vision we know that we will need to make renting a vehicle or a whole fleet easy and cost-effective so that it is the obvious choice for smart businesses. We are of the view that we have the right people across the Group to deliver this.

Chief Executive's review

Focussed on our strategic objectives

Kevin Bradshaw
Chief Executive Officer

Market and opportunities

There are approximately 8 million Light Commercial Vehicles (LCVs) on the roads in Northgate's two territories. The rental and term hire segments present the greatest opportunities for future growth within the LCV sector, driven by the major structural shift in the market from vehicle ownership to 'usership'.

Customers are increasingly attracted to a rental proposition that avoids the high initial capital outlay of vehicle ownership and brings them certainty of future cash outflows. In addition, the benefit of third party vehicle supply and management delivers lower total ownership costs to customers versus direct ownership.

Northgate is evolving its fleet solutions to offer customers a comprehensive range of complementary services including fleet management, telematics and accident management. This evolution increases the attractiveness of LCV rental solutions to our customers, and in return will allow Northgate to participate in the higher returns these technology-led services offer.

Group performance

During 2019 we continued to strengthen the Group's foundations and execute on our strategy to deliver long-term sustainable growth in revenues, profits and shareholder returns.

Total revenues grew 6.2% to £745.5m (2018: £701.7m) driven by our selective penetration into the rental markets through our attractive minimum-term proposition. Group statutory operating profit of £75.5m grew 17.8%, with underlying operating profit growth of 11.5% to £76.2m (2018: £68.3m), driven by growth in rental profits partially offset by lower disposal profits reflecting the transition to longer vehicle holding periods following implementation of the fleet optimisation policy. Operating profit growth included a net £15.3m benefit following the changes to depreciation rates at the start of the year, being a £20.2m benefit in rental profit offset by a £4.9m unwind through disposal profits. Underlying earnings per share grew 11.2% to 38.7p (2018: 34.8p), with the net benefit of the depreciation changes representing 9.7p of the earnings per share increase. Statutory earnings per share of 38.6p increased from 32.4p in the prior year.

Free cash flow improvement was delivered from growth in the business and significantly lower total capex, reflecting lower growth in our fleet alongside the benefits of our fleet optimisation policy. Steady state cash generation grew 7.3% to £67.1m, reflecting improved cash generation from our rental operations alongside investment in attractive minimum-term growth opportunities. Year end net debt of £436.9m is flat versus the prior year, giving leverage of 1.64x at the year end, within our target range of 1.5x to 2.5x.

ROCE in FY 2019 improved 20 bps to 7.7%, reflecting the strategic progress made during the year and was impacted by reduced disposal profits following the transition to a more aged fleet, by strong minimum-term growth in VOH, and from capital employed increasing ahead of the profit from those growth vehicles.

For the year ended 30 April 2019, we are proposing a final dividend of 12.1p (2018: 11.6p) which, together with the interim dividend of 6.2p (2018: 6.1p), gives a full year dividend of 18.3p (2018: 17.7p), an increase of 0.6p or 3.4% on 2018. If approved by Shareholders, the final dividend will be paid on 27 September 2019 to Shareholders on the register on 16 August 2019. The proposed dividend increase reflects the strong performance of FY 2019 and the Board's confidence in the strategy initiatives in place to deliver increasing profits and distributions to shareholders going forward.

Our capital management framework remains consistent, delivering attractive returns to shareholders via our progressive dividend policy whilst maintaining a dividend cover of 2.0x – 3.0x. We continue to invest in the business and explore core bolt-ons, supported by established facilities and free cash flow. All of this done whilst maintaining balance sheet leverage within our stated range of 1.5x to 2.5x.

Four part strategy

Northgate exists to provide expert, easy and responsible vehicle rental. Behind this purpose are four principal market objectives through which we will leverage our strong market positions and competitive advantages to deliver strong growth and attractive returns:

1. Defend and grow our share of flexible rental markets;

2. Selectively gain share in minimum-term markets;

3. Broaden our provision of capital-light fleet solutions;

4. Optimise and increase participation in the disposals market.

Q&A

Chief Executive's Q&A

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What are you doing to improve margins?
Margin improvement has been a significant area of focus in the year, particularly in UK& Ireland where we have delivered sequential improvements in each half of the year. We have been more disciplined about passing on input price increases and have more closely linked pricing to the usage of a vehicle. We've also improved cost control in key areas such as utilisation of vehicles and maintenance. In Spain, we have experienced significant pricing pressure as more competitors have entered the flexible rental marketplace. We are now being more selective in our target customers, mainly focusing on the SME market where our business model and proposition allows us to defend our pricing.

How do you protect your position in the market?
We continue to believe that our scale, network coverage and customer proposition offers the best available service to our customers.

Within the UK & Ireland we have seen some consolidation as competitors seek the scale to match our business model. We are also seeing increased competition, both from daily rental suppliers, and from contract hire and leasing operators. In response we have continued to develop and promote a full range of propositions to cover all our customers' needs. We use our LCV expertise, specialisation and scale to be more flexible than anyone else, which is what our customers are looking for.

In Spain, the market is becoming more competitive as companies offering long-term rental for large corporates move their proposition into our space. We are responding by focusing more on the SME market, which is where our proposition is best suited to customer needs.

Are you beginning to see the benefits of your investment in technology and systems?
The process of implementing more sophisticated asset-management and rental-management systems is underway and we are pleased with the progress made so far. The introduction of the new system will deliver benefits over the next few years across almost every aspect of our business.

In the coming months, we will start to introduce new technology programmes such as dealer management for vehicle sales, simplified communication systems and an improved CRM database. These will deliver a number of benefits over the coming months, but the big step change will be to our core asset management and rental system.

What impact are you seeing from the changes in regulations for diesel engines?
We continue to maintain a modern fleet therefore virtually all Northgate vehicles comply with the latest Euro 5 or Euro 6 emissions standards. As low emission zones areas increase, we have a competitive advantage over operators with older fleets.

The diesel market for commercial vehicles remains robust in the UK – making up 99% of new LCV registrations, mainly because alternative fuel vehicles do not deliver an adequate combination of fuel economy and payload to operators. In Spain, our car purchases are now mainly petrol, with hybrid, LPG and electric vehicles making about 1.5% of the fleet. There is still a significant premium to the purchase cost of electric LCV's, and challenges remain regarding infrastructure for charging and reductions in payload. However, we are committed to staying at the forefront of electrical and low-emission penetration into the market, working with OEMs to ensure we have as full an allocation as possible of these vehicle types for customers.

What effect is Brexit having on your business?
The greatest risk would be a disruption to the supply of new vehicles and vehicle components imported into the UK from the EU, including additional import costs which may be imposed. Around 90% of vehicles purchased in the UK from OEMs are imported from the EU, valued at approximately £220 million per annum. Assurances have been sought from these OEMs, who are confident that there will be no material long-term disruption. Any potential short-term supply disruption can also be mitigated, by slowing the rate of vehicle de-fleets in order to maintain vehicle availability for customers. Components for vehicles manufactured in the UK are also imported from the EU. However, normal OEM stock levels are considered to be sufficient to address any potential short-term supply issues. The introduction of import costs could create some margin pressure in the short-term. However, we believe that in the longer-term, we will be able to pass through to end-users any significant additional costs that might be imposed on imported vehicles. A potential upside in the event of supply disruptions or higher purchase costs, would be the likely increase in rental demand and stronger residual values that would result. Less than 5% of our UK employees do not possess a UK passport, so any change to the status of EU citizens in the UK will not have a material effect on the company's operations.

A flagship site for Madrid

A highlight of the year was our opening of a new flagship site for retail sales in Los Olivos, Getafe, Madrid, close to our Spanish head office.

Los Olivos offers 2,000 sq m of showroom and 4,000 sq m of workshop as well as office space and extensive outdoor parking, together making an area of more than 15,000 sq m, all equipped with the latest technology.

Serving local, national and international companies in the area, customers can view and test drive a wide-ranging fleet covering LCV, vans, cars, off-road vehicles and, importantly in the Madrid metropolitan area, high energy efficiency vehicles such as Liquified petroleum gas and electric.

The flagship branch consolidates our position as leader in the Spanish market for flexible rental solutions and LCV sales.

Chief Executive's review continued

The strategy above has evolved to include the broadening of Northgate's provision of fleet solutions through the development of capital-light services in attractive and complementary markets. Northgate already provides a number of complementary services in the wider B2B vehicle rental landscape such as fleet and accident management solutions, and we expect to grow our participation in these attractive areas to support and drive future growth in our core business operations.

Delivery of the above market objectives draws on Northgate's many competitive strengths, which include:

Our strong brand, reputation and relationships in the LCV market;

The breadth and depth of our operational experience and expertise;

Our strong coverage capability in both territories, we offer national coverage capability as well as a presence in local markets through our nation-wide network of rental depots, service workshops and sales;

Our purchasing scale and strong relationships with vehicle manufacturers; and

Our strong balance sheet and cash flows and our disciplined approach to capital deployment.

Management of the vehicle fleet

In the prior year we made the decision to increase vehicle holding periods in all territories, to give a more efficient capital base and drive stronger cash returns and higher ROCE. The transition to this fleet optimisation policy continued during this year, which led to a lower number of vehicle sales with a corresponding reduction in replacement vehicles purchased. Consequently, the revenue and profits from disposals, capex, and net debt levels were all lower than they would have been under the previous policy whilst the fleet was transitioning to this older ageing.

Attractive growth in minimum-term

Average VOH growth in the year was driven by growth in our minimum-term product across both our markets, this will provide increasing visibility of our rental revenue and earnings. We have applied increased selectivity to minimum-term growth as the year progressed, seeing good opportunities for attractive growth in the UK & Ireland, and strong benefits of providing a bundled fleet solution to our customers in Spain.

Investment case

The Northgate equity story

1 Market

We operate in attractive and profitable markets, which are growing as customers shift from ownership of vehicles to rental.

2 Proposition

Our market-leading and differentiated product propositions in flexible and minimum-term rental are more customer friendly than the competition's.

3 Scale

We benefit from economies of scale in purchasing, while our national networks of depots enable us to offer the highest levels of service.

4 Earnings

Our turnaround is starting to take effect, and underlying earnings have strong growth potential.

5 Returns

We have a progressive dividend policy and continue to grow our dividend, providing sustainable returns to investors.

6 Financial

We have a strong balance sheet which continues to grow in value, demonstrating our underlying financial resilience.

UK & Ireland 2019 performance

UK & Ireland

Year ended 30 April	2019 ('000)	2018 ('000)	Change %
KPI			
Average VOH	**48.4**	43.5	11.3%
Closing VOH	**47.1**	45.5	3.4%
Vehicles purchased (incl. acquired)	**15.7**	23.4	(32.9%)
Vehicles sold	**21.0**	21.0	–
Profit per Unit (PPU) £	**512**	457	12.0%
Closing fleet size (incl. acquired)	**54.6**	56.7	(3.7%)
Average utilisation %	**88%**	87%	1 ppt
Average fleet age at year-end (mo.)	**21**	21	–

Year ended 30 April	2019 £m	2018 £m	Change %
Profit & loss (Underlying)			
Revenue – vehicle hire	**315.6**	**283.5**	11.3%
Revenue – vehicle sales	**166.5**	**156.9**	6.1%
Total revenue	**482.0**	**440.5**	9.4%
Rental profit	**24.6**	**23.5**	4.8%
Rental Margin %	**7.8%**	**8.3%**	(0.5 ppt)
Disposals profit	**10.8**	**9.6**	12.0%
Operating profit	**35.4**	**33.1**	6.9%
ROCE %	**6.4%**	**6.4%**	–

Want to know more about our Board?
visit: www.northgateplc.com/about-us/board-of-directors

Rental business

Rental revenue in the UK & Ireland in 2019 increased by 11.3% over the prior year to £315.6m (2018: £283.5m), driven by average VOH growth of 11.3%. Following the return to growth of year-on-year VOH in late 2018, momentum has remained strong throughout 2019, resulting in VOH of 47,100 at the end of the year, 3.4% higher than the prior year.

This strength in UK & Ireland rental revenues was driven by successful execution of the rental strategy, supported by the self-help actions identified through our strategic review. Lead generation from our marketing function has increased substantially during the year, particularly from our telesales capabilities and new digital marketing programme. In addition, Northgate successfully integrated 1,600 ex-TOM vehicles into VOH during the first quarter of 2019.

Price rises introduced to certain flexible hire products at the beginning of the year paved the way for further regular rate increases across our full range of rental products. These price adjustments have been very well planned, communicated and executed, and we have not seen an apparent adverse customer churn resulting from these changes. Year-on-year average hire rates returned to growth in the final quarter of the year, following a more proactive approach to managing revenues during the year. We are confident we will be able to continue to reflect the structural cost increases faced by the business through regular adjustments to our hire rates going forward.

At the year end, Northgate's compelling minimum-term proposition accounted for around 24% of average VOH, compared to 11% at the start of the year. The average term of these contracts is approximately three years, representing a significant improvement in the visibility of rental revenue and earnings, as well as lower transactional costs.

The 2019 UK & Ireland rental margin benefitted by approximately £4.8m from the changes in depreciation rates introduced on 1 May 2018. The rental margin has delivered sequential improvement for the past three half year periods, increasing from 6.0% in H2 2018, to 7.1% in H1 2019 and 8.5% in H2 2019. This improvement reflects the more competitive pricing introduced to the market as well as the execution of our strategic priorities. The overall 2019 rental margin of 7.8% decreased by 0.5 ppts versus the prior year.

The net impact of the higher VOH and lower rental margins was a 4.8% increase in UK & Ireland rental profits to £24.6m (2018: £23.5m)

Management of fleet and vehicle sales

The total UK & Ireland year end fleet size of 54,600 vehicles decreased from 56,700 in the prior year. 15,700 vehicles were purchased during the year and approximately 17,800 vehicles were de-fleeted, including 1,800 ex-TOM vehicles.

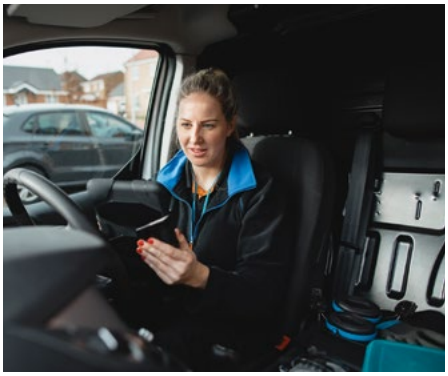
A total of 21,000 vehicles were sold in UK & Ireland during the year, including third-party vehicles purchased for resale and sales from stock. Our Van Monster operations achieved strong sales, especially in the retail channel, in addition to robust residual values in the market.

Disposal profits of £10.8m (2018: £9.6m) increased 12.0% over the prior year, driven by a c.12% increase in the average profit per unit (PPU) on disposals to £512 (2018: £457). Disposal profits were reduced by approximately £0.7m relating to the unwind of the depreciation rate changes.

Operating profit and ROCE

Underlying operating profit of £35.4m grew 6.9% over the prior year (2018: £33.1m) including a £4.1m net benefit from lower depreciation and the associated unwind through disposal profits.

The return on capital employed in the UK & Ireland was 6.4% (2018: 6.4%) reflecting both the increase in operating profit and the increase in capital employed resulting from attractive growth in minimum-term VOH.



Capex and cash flow

Year ended 30 April	2019 £m	2018 £m	Change %
EBITDA	**151.8**	135.8	11.8%
Net Replacement Capex	**(122.8)**	(105.4)	(16.5%)
EBITDA less Net Replacement Capex	**29.0**	30.4	(4.5%)
Growth Capex (incl. inorganic)	**(21.0)**	(53.1)	(60.5%)

EBITDA increased by 11.8% to £151.8m (2018: £135.8m) due to higher rental and disposal profits.

Net replacement capex in the year was £122.8m, 16.5% higher than in 2018, driven by OEM price inflation, strong VOH growth and expansion of our minimum-term product, offset by the benefit of vehicle ageing.

EBITDA less net replacement capex reduced by 4.5% in 2019 to £29.0m (2018: £30.4 million) reflecting higher EBITDA more than offsetting higher replacement capex in the year. Investment to grow the fleet was £21.0m, including approximately £1.6m partial cost of the TOM acquired vehicles.

Chief Executive's review continued

Spain 2019 performance

Spain

Year ended 30 April	2019 ('000)	2018 ('000)	Change %
KPI			
Average VOH	**44.8**	40.3	10.9%
Closing VOH	**46.0**	42.7	7.5%
Vehicles purchased	**13.9**	18.9	(26.5%)
Vehicles sold	**11.6**	13.0	(10.8%)
PPU €	**626**	871	(28.1%)
Closing fleet size	**51.1**	48.0	6.5%
Average utilisation %	**91%**	91%	–
Average fleet age at year-end (mo.)	**20**	19	1 mo.

Year ended 30 April	2019 £m	2018 £m	Change %
Profit & loss (Underlying)			
Revenue – vehicle hire	**202.1**	187.6	7.7%
Revenue – vehicle sales	**61.4**	73.5	(16.6%)
Total revenue	**263.4**	261.2	0.9%
Rental profit	**39.7**	29.0	37.1%
Rental margin %	**19.7%**	15.4%	4.3 ppts
Disposals profit	**6.4**	10.0	(36.3%)
Operating profit	**46.1**	39.0	18.3%
ROCE %	**10.7%**	10.0%	70 bps

Rental business

Rental revenue in Spain grew 7.7% to £202.1m (2018: £187.6m) driven by average VOH growth of 10.9% in FY 2019. At constant exchange rates the reported growth in rental revenue was 7.9%.

Strong VOH growth throughout the year was underpinned by stable macro-economic conditions, strong growth in the Spanish rental fleet and the continuing structural shift away from LCV ownership to 'usership', most notably into minimum-term hire. Northgate leveraged its leading position in the flexible rental market to support ongoing expansion into minimum-term during the year. Customers have welcomed Northgate's successful bundling of minimum-term and flexible products and cross-selling achievements have been strong.

VOH growth was also supported by ongoing vehicle diversification of flexible hire vehicles allowing us to serve new markets, with niche vehicles including refrigerated vehicles for food distribution now representing c.1.5% of Northgate's fleet. In addition, we have also increased our base of green vehicles in response to increasing anti-pollution measures and trends in sustainable mobility.

VOH growth softened in the final quarter to 8.6%, principally reflecting the strong VOH growth in the prior year. This led to closing VOH of 46,000 at the end of the year, 7.5% higher year-on-year. At the end of the year around 31% of average VOH were being supplied on minimum-term contracts.

The 2019 rental margin of 19.7% (2018: 15.4%) increased significantly year-on-year driven primarily by the 3% reduction in depreciation rates in Spain, effective 1 May 2018. Rental profits in 2019 grew 37.1% to £39.7m (2018: £29.0m) including a £15.4m benefit from the changes in depreciation rates. Alongside the depreciation benefit, the delivery of operational leverage and efficiency improvements more than offset the impacts of vehicle price inflation and the greater proportion of minimum-term contracts. Vehicle utilisation in the year remained consistent with the prior year at 91%.

Rental profits grew by 37.7% at constant exchange rates.

Management of fleet and vehicle sales

The total fleet size in Spain increased by 6.5% to 51,100 vehicles, driven by the strong growth in VOH during the year. This net increase of 3,100 vehicles comprised 13,900 vehicles purchased for the fleet less approximately 10,800 de-fleeted vehicles. The average age of the fleet at the end of the year was around one month higher than at the same time last year.

A total of 11,600 vehicles were sold in Spain during the year, 10.8% less than in the previous year. The average profit per unit (PPU) on disposals in Spain fell by more than 28% to €626 (2018: €871), reflecting the impacts of the fleet optimisation policy. As a result of the lower disposal volumes and PPU, profits from vehicle sales fell by 36.3% to £6.4m (2018: £10.0m).

Operating profit and ROCE

The growth of rental profit of £10.7m was partially offset by the £3.6m fall in disposal profits, with total operating profit increasing by £7.1m (18.3%) to £46.1m (2018: £39.0m). At constant currencies, operating profits in Spain grew 18.8%.

The return on capital employed in Spain was 10.7% (2018: 10.0%) reflecting improved operating profit and the increase in capital employed driven by the growth and mix of the fleet.

Capex and cash flow

Year ended 30 April	2019 £m	2018 £m	Change %
EBITDA	**115.1**	109.4	5.2%
Net Replacement Capex	**(78.5)**	(80.5)	2.5%
EBITDA less Net Replacement Capex	**36.6**	28.9	26.6%
Growth Capex	**(21.7)**	(72.0)	69.9%

EBITDA increased by 5.2% to £115.1m (2018: £109.4m) reflecting higher rental profits partially offset by lower disposal profits.

Net replacement capex in Spain in the year was £78.5m, 2.5% lower than in 2018, mainly due to OEM price inflation, with growth in minimum-term being offset by vehicle ageing.

EBITDA less net replacement capex grew by 26.6%, to £36.6m (2018: £28.9m), reflecting the benefit of ageing. Growth capex was £21.7m, £50.3m lower than the prior year due to lower growth in the fleet.

Kevin Bradshaw
Chief Executive Officer

Marketplace

The markets where we operate are undergoing significant structural changes, not least the continuing shift from vehicle ownership to rental. We are well placed to capitalise on this and other changes, ensuring we tailor our comprehensive product offering to each particular market's needs.

Flexible rental

Customers in this market have no contractual or capital commitment, and so enjoy the most operational flexibility. Vehicles are usually supplied inclusive of maintenance and other services. There is generally strong demand from customers who want the ability to return a vehicle at short notice due to changes in demand through their business cycle. When businesses have more certainty in their outlook, there is a natural shift of customers moving from flexible rental into longer-term commitments in minimum-term rental. Northgate is a market leader competing typically against regional operators.

Our response

- Our competitive advantage comes from our scale and unique understanding of our customers' requirements.
- We aim to defend and grow our share of this market, through emphasising our superior service levels and product offer, as well as defending on price where necessary. For more information on flexible rental, please refer to page 16.

Minimum term

Minimum-term rentals require customers to commit to a rental period for a minimum of 12 months. This offers them similar benefits to vehicle ownership while limiting their exposure to residual-value risk and initial cash outflow. It is the natural landing point for customers who shift out of the ownership model, and the market is seeing a clear trend out of ownership and into rental. Minimum-term hire is a substantially larger market than flexible rental, approximately twice the size, and continues to grow.

Our response

We are well placed to capture the significant market opportunity through:

- a range of minimum-term offers with levels of service and flexibility typically associated with flexible rental, and additional service enhancements distinguishing our products from our competitors;
- cross-selling minimum-term rental to a core base of flexible rental accounts, as most medium to large fleet operators have a requirement for both; and
- targeting an increasing proportion of our marketing spend toward taking advantage of the structural shift from vehicle ownership to rental.

Read more on our strategic priorities
See pages 16 and 17

Read more on how we manage risk
See pages 28 to 31

Read more on our resources and relationships
See pages 40 to 43

We undertake our key activities in two distinct geographic markets:

The UK & Ireland and Spain. Macro-economic conditions in both have been stable throughout the year.

We can outline the characteristics of our markets under the areas outlined below.

2.4%

2018 GDP growth in Spain

1.4%

2018 GDP growth in the UK

Vehicle sales

Sales of used LCVs in the secondary market generate transactions of c.£5 billion a year. End users are typically individual business owners. Being a highly fragmented market, opportunities exist to consolidate to make the market more efficient and transparent.

Our response

- We coninually explore opportunities to make markets in used LCVs in each territory more accessible to our customers.
- We use our Group-wide expertise to optimise the disposal route for our vehicles, thereby minimising holding costs.
- Through our national networks of retail sale locations we can offer customers the widest range of vehicles and service in the market.

Sustainability and the low carbon economy

There is a slow but sure growth in demand for electric and lower emissions vehicles in response to increasing regulation in emissions in both Spain and the UK. In Spain, central Madrid has a ban on driving and parking for vehicles without an eco sticker (LPG, hybrid, natural gas) or blue sticker (fully electric vehicles). Given that metropolitan Madrid represents 20%+ of Spanish GDP, moves such as this will have consequences for company fleets. In the UK & Ireland, more than 99% of new LCV vehicle registrations are still diesel, as it is cost-effective, offering the best combination of fuel economy and payload. In addition, the availability of suitable electric LCVs is minimal. Nonetheless, we are aware that market demands will change with any legislation.

Our response

- We are progressively aligning our fleet policy fully with market demands, to be at the forefront of electric and zero emission penetration into the market.
- We are working with OEMs to ensure we have as full an allocation as possible of these vehicle types for customers.
- In Spain, we have continued to invest in electric vehicles, which now comprise 1.5% of the fleet. We are also exploring LPG as an alternative fuel with near zero emissions, which is becoming an increasingly attractive proposition in Spain. In passenger car purchases, we are now 100% petrol rather than diesel.
- In the UK, the challenges of infrastructure, and reductions in payload coupled with the higher cost of investment are currently restricting the demand for commercial vehicles running on alternative fuels. However, changes in regulations and widening of low emission zones will influence demand.

Our business model

We support our customers' businesses at every stage of the business life cycle, helping them grow and succeed

Making the most of our key resources… **…to support our main activities…**

Vehicles

- We offer a full range of LCV models, operating a fleet of over 100,000.

Relationships

- Our close relationships with manufacturers help supply a key resource and allow us to meet customer demand.
- Our skilled and experienced employees enable us to offer market-leading levels of customer service. For further information on our KPIs, please refer to page 26.

Leadership

- We have the leadership to mobilise for, and capitalise on, an outstanding market opportunity.

Network

- We have national networks of workshops across our territories enabling us to service and maintain our fleet, meaning we keep our customers' vehicles on the road.

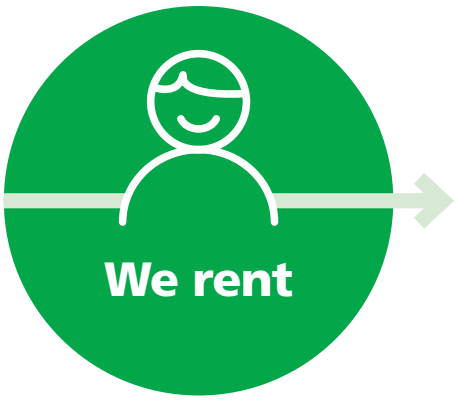
Capital

- We work with our lenders and investors to access the funds we need to grow the business sustainably.

Our scale means we can negotiate directly with manufacturers, enabling us to access the best terms and the widest range of vehicles for our customers.

What makes us different?

We operate a fleet of over 100,000 vehicles, across two markets, taking advantage of our vast offering to ensure we meet customer demand.



Vehicle rental is our main business. We look to maximise value from our vehicles by maintaining high levels of utilisation. Our diverse product offering ensures we can provide solutions to a range and mix of commercial fleet needs.

What makes us different?

Customers hire vehicles when they need them, for as long as they need. For customers who have more certainty of their fleet needs, commitment can start at just 12 months, with servicing and maintenance included in the price, and flexible options within the contracted period.

Reinvesting to maintain our competitive advantage

At the end of a vehicle's rental life, we maximise returns by **selling vehicles** through the optimal disposal channel, including our **Van Monster brand**. We efficiently recycle this capital to support our objectives.

What makes us different?

We have retail operations in both territories, from a trusted name, with high levels of repeat customers.

We also offer finance and other support.

…to create sustainable value for our stakeholders

Customers

We help our customers drive their businesses forward by supporting their fleet needs as their operations change.

Investors and lenders

We provide investors with regular updates so they can make informed investment decisions. We encourage two-way communication with analysts, shareholders and lenders to ensure we are allocated capital efficiently at a rate that enables us to provide returns to our shareholders and lenders. For further information on our KPIs, please refer to page 26.

Employees

We are proud of the development opportunities we offer our people, and we are continually looking to develop our team members as our business grows. We offer our employees the opportunity to learn and grow within the business, as well as to participate in the success of their hard work through our share schemes.

Communities and the environment

We strive to be a good neighbour, and to give back to the communities in which we operate. We support our employees in championing local causes close to their hearts and we encourage them to get involved in their local communities. We recognise the need for business to respect the environment, and so we build environmental sustainability into our business model.

Suppliers

We aim to be a responsible business partner and maintain close working relationships with our suppliers. This allows us to execute our strategy efficiently while also having a positive impact on our suppliers' businesses.

Read more on corporate social responsibility and the Board's engagement with stakeholders

See pages 40 to 43.

Our strategy

Measuring our strategic progress

We aim to use our competitive advantage to make the most of the clear growth opportunities we have identified in all our markets.

Strategy	Why this is important
1 Flexible rental – defend and grow share	Flexible rental is Northgate's core market, and as a market leader it is important we defend it. Our network and people are set up to succeed in this market. We can win market share using the competitive advantage of our scale and our unique understanding of customer requirements.
2 Minimum-term hire – selectively gain share	With a low share of a fragmented market, there is significant opportunity for us to grow, and we can serve this market with limited variations to our operating model. We offer a range of minimum-term commitments with levels of service typically associated with flexible rental, these are attractive propositions to cross-sell within our existing flexible customer base. Most medium and large fleets have a requirement for both flexible and minimum-term rentals. Minimum-term is also the natural landing point for customers who transition from vehicle ownership to term-hire. Customers no longer feel the need to own their vehicles outright and are attracted to the upfront cash flow advantage, predictable cash flows, and the potential for whole-life costs to be lower than ownership.
3 Broaden our provision of capital-light fleet solutions	There are a number of complementary service solutions across the lifecycle of B2B vehicle rental. Expansion into these areas in an organic or inorganic way, would allow Northgate to provide a comprehensive LCV rental proposition to our customers. Many of these adjacencies provide technology-led solutions to enable customers to manage all aspects of their fleet in the most efficient and cost-effective way.
4 Optimise and increase participation in the disposal market	We can make the most of our scale through our national Van Monster network in the UK & Ireland, and Northgate Occasion in Spain and thus offer customers the widest range of vehicles and service in the market. This allows us to maximise cash returns on sales of vehicles, reduce the overall holding cost of our vehicles and ensure we can invest in rental fleet.

Supported and mobilised by our strategic pillars

Leadership

Our strong leadership teams in each business will ensure we can achieve our strategic opportunities. Our leadership drives cultural change and will therefore help us to achieve growth.

Culture

Culture is an integral part of our business and enables our people to align behind our growth strategy.

Read more about our KPIs
See pages 26 and 27

Read more about our we manage risk
See pages 28 to 31

What we achieved	Priorities	How we measure and monitor success
– We have defended our position in this market, through emphasising our superior service levels and product offer, while ensuring that pricing remains competitive. – In the UK & Ireland, flexible rental vehicles on hire declined in the year as a result of increased selectivity. – In Spain, flexible rental represents approximately two thirds of our current vehicles on hire. We have the largest market offering with 50% share and are growing alongside the market. Net growth this year is a little flat, having experienced high churn as customers use flexible rental to meet seasonal needs.	Defend and grow our share of this market.	3.6% Decrease in flexible rental contracts
– We have seen significant share gain in this market as a result of our compelling offers, which attract customers who no longer feel the need to own their vehicles outright, and allow greater flexibility for customers through the life of the contract. – In the UK, we have built on the momentum generated in late FY 2018 in vehicles on hire, with strong growth this year. We have continued to see growth in the 'we buy, you rent' proposition where we buy existing used fleet from customers and provide them with a cash injection, taking the pain out of disposing of second-hand LCVs. Simultaneously we move them into new vehicles, under competitive minimum-term contracts. – In Spain, we gained share and grew VOH, this growth being a mix of existing customers and customers converting from ownership. We have focused successfully on moving SMEs from ownership to minimum-term, as this is where we exploit our competitive advantages in the market, including our pricing.	We continue to see this as a substantial opportunity for the future for Northgate, as the market is twice the size of the flexible market and growing faster. We continue to invest in targeted marketing in each territory to support the transition from ownership to term-hire where adequate returns are achievable.	126.2% Increase in minimum-term rental contracts
– New strategic priority for FY 2020	We see an opportunity to strengthen Northgate's B2B LCV service proposition through expansion into a number of complementary services solutions.	We aim to report on success in this area from FY 2020
– In the disposal markets and particularly through Van Monster, we are exploring the opportunities that exist to make markets in used LCVs in each territory more efficient and more transparent. – Van Monster has traded strongly, achieving good sales prices, offsetting the reduction in vehicles de-fleeted from our rental fleet due to the change in the holding policy. – In Spain, we have streamlined operations in response to the lower volume of defleets as we hold vehicles for longer. We also opened a flagship retail sales outlet in Madrid which will enable us to maximise returns though this channel.	We continue to see rich opportunities in increasing the proportion of disposals made through higher margin retail channels and minimising the holding cost of vehicles.	41% UK retail sales penetration 16% Spain retail sales penetration

Systems

Our growth will be supported through our business infrastructure. In particular, our processes and systems are being updated to drive our business and our service offering.

Scale

Northgate has a vast service offering and, combined with a large geographical presence, this ensures we are well placed to achieve growth. We can leverage our scale to achieve our growth strategy.

1 Strategy in action

Defending and growing our share in Flexible rental

Tradivel

Tradivel is a long-standing Northgate customer based in Madrid. Its 400 professionals cover the whole of Spain providing electrical maintenance and installation services to utility distribution companies and industry. It has more recently diversified into the gas and renewables sectors.

Tradivel often needs to respond quickly to new projects and customers, so they appreciate the availability of fleet under our Flexible solution. Also, the speed at which we can, in turn, respond to their needs. They currently have 189 vehicles on hire, a number they can adapt based on the seasonal nature of their maintenance business.

In addition, they can take advantage of the **systems** and processes we are developing for adding value fleet-wide through additional services. Tradivel now manages its fleet with our data telematics solution, helping them optimise their driver management, and promote their staff safety strategy.

Systems

Our growth will be supported through our business infrastructure. In particular, our processes and systems are being updated to drive our business and our service offering.

189

Vehicles on hire

Tradivel currently has 189 vehicles on hire, a number they can adapt based on the seasonal nature of their maintenance business.

2 Strategy in action

Minimum term as the mainstay of our integrated service proposition

Elecnor

Elecnor has become one of Spain's leading business groups and a model of outsourcing project development, construction and operations to the utilities infrastructure, renewable energy, and telecoms and technology sectors. They are Northgate's biggest customer in Spain.

They are known for their quick response and overall integrated service provision to these industries. Exactly the same as we provide for them when it comes to their LCV fleet. Based on a core fleet of 500 vehicles on our minimum- term proposition, we also supply more than 1,300 vehicles on Flexible rental arrangements. For Elecnor, this **scale** is vital, as our nationwide branch coverage provides the geographical presence they need.

Northgate's wide variety of vehicle types and the storage space they offer, all supplied in company livery, is also key. In a very competitive market, they also depend on our efficient workshop services to allow them to offer their customers the best availability. We also supply Telematic solutions to 200 of their vehicles, enhancing their fleet management and employee scheduling.

Scale

Northgate has a vast service offering and, combined with a large geographical presence, this ensures we are well placed to achieve growth. We can leverage our scale to achieve our growth strategy.

500

Vehicles on minimum term hire

We supply **Elecnor** with more than 500 vehicles on minimum term hire as part of its core fleet and support them through changes in demand with flexible rental.

3 Strategy in action

Supporting the growing trend away from ownership

Tenon

Tenon provides facilities management services for customer locations across the UK, including mechanical and electrical, cleaning, security and environmental. Wanting to refresh their entire fleet, and meet new Ultra-Low Emission Zone requirements at the same time, Tenon bought into Northgate's 'we buy, you rent' proposition – appreciating the better total cost values of rental as opposed to ownership.

We initially valued 66 Tenon vehicles and bought them to resell through Van Monster. We then established the arrangements for the 52 new vehicles Tenon needed, on our minimum-term contracts – four years for vans and three years for cars. Tenon preferred a fast turn around switch rather than a phased roll-out. Our **culture** ensures that we put the customer first, and keep things simple. So, over a two week period, across the UK, we either collected the vehicles from Tenon branches, or Tenon dropped them off when they collected their new vehicles.

Culture

Culture is an integral part of our business and enables our people to align behind our growth strategy.

52

New vehicles supplied

The 52 new vehicles Tenon needed were supplied, on our minimum-term contracts, helping our customer realise the benefits of vehicle rental.

4 Strategy in action

Minimising holding costs utilising our retail disposal networks

Van Monster and Northgate Occasion

Van Monster and Northgate Occasion, our sales outlets for used LCVs in the UK & Ireland and Spain, respectively, are growing sustainably to become **leading** retailers of used commercial vehicles. Building on a strong customer demand for good quality vehicles, Van Monster and Northgate Occasion have sites offering easy access for customers across the UK & Ireland and Spain.

Based principally on former Northgate rental vehicles, our market-leading offering includes vehicles of varying ages and mileages for all budgets and from all leading LCV manufacturers, offering huge flexibility in providing the right van for each customers' need.

Excellent levels of service mean a customer can go from purchase decision to vehicle delivery in 24 hours. We also benefit from Northgate's territory-wide network of workshops, offering competitive service plans, extended warranty and breakdown cover.

Leadership

Our strong leadership teams in each business will ensure we can achieve our strategic opportunities. Our leadership drives cultural change and will therefore help us to achieve growth.

32,600

Vehicles sold

This year we have sold **32,600** vehicles across the Group, ensuring that we optimise the disposal channel and minimise holding costs.

Key performance indicators

Identifying and monitoring performance is critical to inform strategic decision making

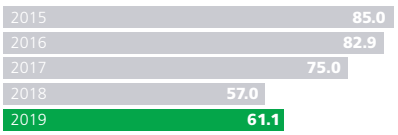
Financial

Earnings

Underlying PBT and EPS are key measures of profitability. They also are key remuneration metrics. Underlying PBT and EPS are stated excluding exceptional costs in order to better compare performance year on year.

Performance

Underlying profit before tax (£m)



£61.1m +7.2%

Target

Our target is to grow the underlying PBT of the Group. The earnings profile in the coming years will be impacted by changes to depreciation rates.

Strategy link

Monitoring the PBT of the Group measures the success of all of our strategic objectives.

Risk factor link

1 2 3 4 5 6 7

Business model link

We buy We rent We sell

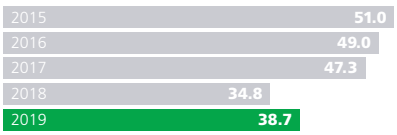
Remuneration link

75% of Executive Director annual bonus is based on PBT targets.

Read more on pages 34 to 39

Performance

Underlying earnings per share (p)



38.7p +11.2%

Target

Our target is to grow the underlying earnings per share of the Group. The earnings profile in the coming years will be impacted by changes to depreciation rates.

Strategy link

Monitoring EPS allows the Board to better plan how to allocate capital, including returns to shareholders.

Risk factor link

1 2 3 4 5 6 7

Business model link

We buy We rent We sell

Remuneration link

33% of Executive Director long term incentive targets are based on EPS targets.

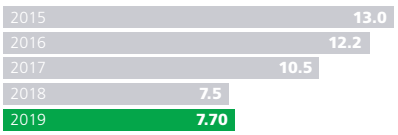
Read more on pages 34 to 39

Return on capital employed (ROCE)

In a capital intensive business ROCE is an important measure of performance. ROCE measures how efficiently the Group allocates capital to deliver returns to our shareholders.

Performance

ROCE (%)



7.7% 20 bps

Target

We aim to maintain ROCE above our weighted average cost of capital.

Strategy link

Monitoring ROCE allows the Group to identify the efficiency of the business model and allocate resources to the best growth opportunities.

Risk factor link

1 2 3 4 5 6 7

Business model link

We buy We rent We sell

Remuneration link

75% of Executive Director annual bonus is awarded subject to a minimum ROCE target being achieved. 33% of Executive Director long term incentive targets are based on ROCE targets.

Read more on pages 34 to 39

Key to principal risk factors

1. Economic environment
2. Market risk
3. Vehicle holding costs
4. The employee environment
5. Legal compliance
6. IT systems
7. Access to capital

Read more on strategy
See pages 16 to 25
Read more on our performance
See pages 4 to 11
Read more on managing risk
See pages 28 to 31

Operational

Vehicles on hire

Growing average vehicles on hire is critical to the success of our business. Placing vehicles on hire with customers at profitable rates is a critical driver of our earnings.

Performance

Average vehicles on hire ('000)

2015	84.2
2016	82.7
2017	80.8
2018	83.8
2019	93.2

93.2 +11.1%

Target

Our target is to grow vehicles on hire at profitable margins in order to maximise sustainable returns to investors.

Strategy link

Monitoring Group vehicles on hire is critical to assessing the demand for our services and our market proposition.

Risk factor link

1 2 3 4 5 6 7

Business model link

We buy | We rent | We sell

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. Utilisation is a measure of the proportion of available fleet on hire with customers.

Performance

Utilisation (%)

2015	89
2016	89
2017	89
2018	89
2019	89

89% +0ppts

Target

We aim to maintain utilisation at current levels or above.

Strategy link

Monitoring utilisation allows the Group to assess how effectively we use our fleet and manage our operational efficiency.

Risk factor link

1 2 3 4 5 6 7

Business model link

We buy | We rent | We sell

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.

Performance

Staff turnover (%)

2015	22
2016	23
2017	20
2018	20
2019	24

24% +4ppts

Target

We aim to manage staff turnover at current levels or below reflecting the impact of self help actions in the UK&I.

Strategy link

Monitoring staff turnover allows the Group to manage the impact our operations have on one of our key stakeholders.

Risk factor link

1 2 3 4 5 6 7

Business model link

We buy | We rent | We sell

Remuneration link

25% of Executive Director annual bonus is based on personal objectives including operational measures.

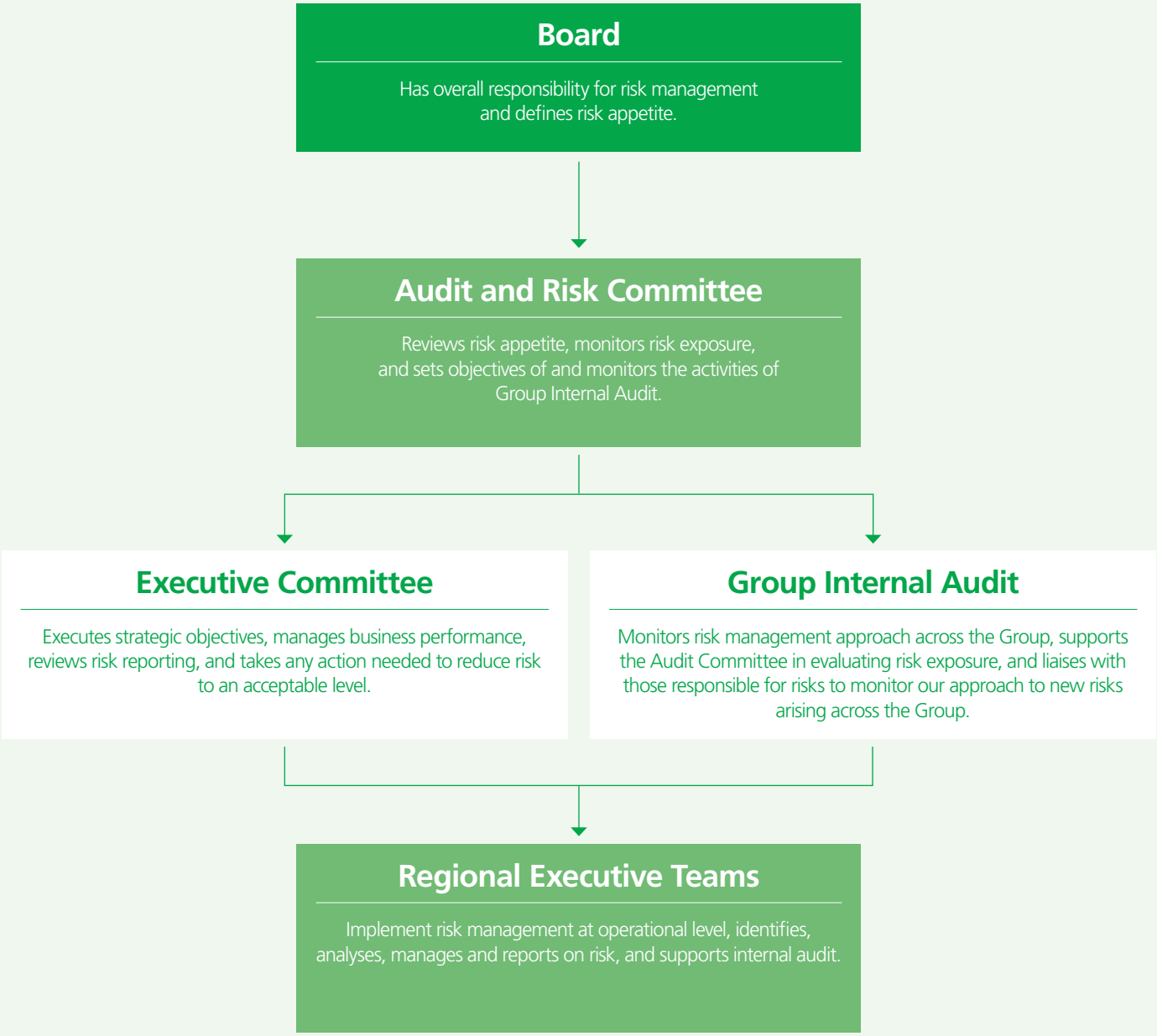
33% of Executive Director long term incentive targets are based on TSR growth targets which incorporates operational performance.

Read more on pages 34 to 39

Managing risk

Identification of risks and management

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



Our risk management strategy supports our ability to respond to the changing needs of our stakeholders, and the dynamics of the markets we operate in. The purpose of our risk management strategy is to identify risks which could affect us achieving our strategic objectives, and mitigate these to an acceptable level.

Identifying risks

The Board and the Group's management are responsible for identifying the major business risks facing the Group, and for developing systems to mitigate and manage those risks. The Board and the Regional Executive Teams review the control of key risks at their monthly meetings.

The Group risk register comprises risks identified and owned at the business unit level by the Regional Executive Teams. Risks incorporated into the risk register are given a score and categorised as strategic, financial or operational risks. We assess the Group-wide impact and effectiveness of any mitigation by internal audit.

The Board oversees the ongoing process for identifying, evaluating and managing the significant risks the Group faces. The Board is also responsible for ensuring the process has been in place for the year under review, and up to the date of approval of this Annual Report, and that it accords with corporate governance guidance and therefore the Board has performed a robust assessment of the principal risks facing the Group.

Risk appetite

The Board takes a conservative view of risk, and maintains a focus on effective risk management, which flows all the way through the organisation. The culture of the organisation ensures all activities, from day-to-day operations to high level strategic decisions, are performed in line with this approach.

The Board's assessment of our principal risks is based on the perceived impact on the Group's ability to achieve its strategic objectives, and the likelihood of their occurrence taking into account controls that have been put into place to mitigate the impact.

Risk is governed 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.

Principal risks

Recognising that all businesses entail elements of risk, the Board maintains a policy of continuously identifying and reviewing risks that represent a threat to the existence of the business, or that may cause future Group results to differ materially from expected results. The table overleaf is an overview of the principal risks the Group faces, with corresponding controls and mitigating factors. The risks specified are not intended to represent an exhaustive list of all potential risks and uncertainties. The risk factors outlined overleaf should be considered in conjunction with the Group's system for managing risk, described above and in the Corporate Governance Report on page 50.

There has been no change in the level of risk exposure in any of the principal risks since the prior year as, although the risk environment has changed, the Group's dynamic response to risk management means we have taken appropriate mitigating action to reduce the exposure to an acceptable level.

Principal risks and uncertainties

Risk	Impact before mitigation	Mitigation	Evaluation
Type: Strategic			
1 Economic environment **The demand for our products and services could be affected by a downturn in economic activity in the countries the Group operates in. Economic activity in the territories we operate in could be adversely affected by the UK's decision to leave the EU.**	The high level of operational gearing in our business model means that changes in demand can lead to higher variability in profits. An adverse change in macro-economic conditions could also increase the risk of customer failure and therefore incidences of bad debts.	Flexibility is ingrained in the Group's business model and allows any vehicles returned to be placed with different customers. Alternatively, the Group can generate cash and reduce debt by reducing purchases and increasing vehicle disposals. The Group is not materially exposed to any single customer sector and no individual customer contributes more than 5% of total revenue generated. The Group's current hedging arrangements protect it from material foreign exchange risks on retranslation of results. Transactional FX exposure is minimised though sourcing supplies in the same currency as revenue is generated. The impact of the UK's decision to leave the EU is still uncertain. However, there have been no material impacts on the Group to date.	^
2 Market risk **The markets the Group operates in are fragmented, with low barriers to entry meaning price competition is high.** **There is a risk that the Group could fail to attract and retain customers based on pricing. This could either be because of uncompetitive pricing or failing to communicate the inherent value of our offering successfully.** **There is also a risk that demand for our products could materially diminish due to other structural or technological changes in the market that are not responded to.**	If our pricing is perceived to be higher than our competitors for the same level of service, then we will lose market share or be forced to reduce prices to remain competitive. Without any adjustment to the cost base, this will result in lower returns.	Our pricing is based on target levels of return, with discount authority levels allowing flexibility to ensure we remain competitive on pricing. Focus on margins will continue into the subsequent year, to ensure returns are not eroded in the long term. We have continued to invest in marketing to ensure we communicate the value proposition underpinning pricing. Northgate continues to expand its service offering to maintain its competitive advantage in the market.	=
Type: Operational			
3 Vehicle holding costs **The Group's profitability depends 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 or other operational efficiencies, would adversely affect profitability, shareholder returns and cash generation.	Pricing is negotiated with manufacturers annually in advance of purchases being made. We manage the number and mix of suppliers and model variants, to optimise buying terms. We review the holding period of vehicles continuously, to ensure we make disposals at the optimal time in a vehicle's life cycle, so ensuring we recycle capital in the most efficient way. While the Group is exposed to fluctuations in the used vehicle market, we aim to optimise the sales route for each vehicle. Should the market experience a short term decline in residual values, we can age our existing fleet until the market improves.	=

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

Increased | Decreased | =

Read more on our performance
See pages 4 to 11

Read more on our business model
See pages 14 and 15

Read more on our strategy
See pages 16 to 25

Risk	Impact before mitigation	Mitigation	Evaluation
Type: Operational			
4 The employee environment **Inadequate maintenance of a working environment where individuals do not receive appropriate training and support, could harm relationships with stakeholders.** **Failure to attract, develop and retain individuals with the appropriate skills will inhibit the successful achievement of our strategy.**	Failure to invest in our workforce, and high levels of staff turnover, will affect both customer service and achieving the Group's strategic objectives.	We compare salaries to the market and provide a range of incentives to attract and retain staff. We conduct personal development plans and tailored training for all employees. Succession plans are in place for senior positions. Regular communication and engagement with everyone across the business is vital to our success.	=
5 Legal compliance **Failure to comply with laws and regulations would put the reputation of the business at risk, both in attracting fines and penalties, and in maintaining good customer and supplier relationships.**	If our systems to monitor compliance are not adequate then the Group could be exposed to material fines and penalties	Complying with laws and regulations is ultimately the responsibility of the Board. Management of compliance is delegated appropriately to the relevant business unit leaders. Group Internal Audit monitors and reports any non-compliance to the Board.	=
6 IT systems **IT systems are integral to the Group's operations. Failure to invest in the Group's systems appropriately, and in the security and continuity of those systems, could result in a loss of commercial agility, loss or theft of sensitive data, and an inability to carry out the Group's business activities effectively.**	Failure of existing systems, or a lack of investment in new systems, could inhibit the commercial agility of the business and the efficient continuity of our operations. Incorrectly handling sensitive data, or unsuccessfully defending against malicious cyber-attacks, would cause significant reputational harm and affect relationships with all stakeholders negatively.	The UK business is currently undertaking a material systems change, and has implemented an appropriate governance structure to ensure the project is completed successfully. The Group has an appropriate business continuity plan in the event of disruption arising from an IT systems failure. We make the appropriate level of investment in ensuring sensitive data is held securely and is adequately protected from cyber-attacks or other breaches.	=
Type: Financial			
7 Access to capital **The Group operates a capital-intensive business model and needs sufficient access to capital to maintain and grow the fleet.** **As such, an inefficient capital cycle, or failure to access credit, represents a significant risk to achieving the strategy, and continuation of the business.**	Failure to maintain or extend access to credit facilities could affect the Group's ability to achieve its strategic objectives or continue as a going concern.	The Group's main facilities mature in 2021 and 2022, and the Group believes these facilities provide adequate resources for present requirements. The Group reports on covenants twice a year and monitors cash flow forecasts continually, to ensure it complies with covenants and there is headroom in the facilities. The impact of access to capital on the Group's viability is considered in the viability statement on page 32.	=

Viability statement

Assessment of prospects

The Group's business model and strategy together with its market position are integral to an understanding of its prospects, details of which can be found on pages 4-11. The nature of the Group's activities is long term and the business model is adaptable through economic cycles.

The Group continues to adapt its service offering to widen its customer base to include all types of vehicle use models. Furthermore, the Group maintains its position as a market leader in its core market of flexible vehicle hire and has distinct competitive advantages in the minimum term rental and used vehicle sales markets, which are discussed on pages 12 and 13.

Within the wider market context the Group has focused on four key strategic opportunities, namely:

- defending and increasing our share of the flexible rental market;
- gaining market share in minimum term markets;
- diversifying our rental operation; and
- minimising holding costs through optimisation of vehicle disposal channels.

The Group's prospects are assessed through its strategic planning process. This process includes an annual review of the ongoing strategic plan, led by the CEO, together with the involvement of all relevant business functions in all territories. The Board participates fully in the process through an annual strategy day and regular Board meetings. Part of the Board's role is to challenge the plan to ensure it is robust and makes due consideration of the appropriate external environment.

The latest updates to the strategic plan were finalised in May 2019. As a result of this process, detailed financial forecasts were prepared for the three year period to 30 April 2022. The first year of the financial forecast forms the Group's operating budget and is subject to reforecast at regular intervals. Subsequent years are forecast from the first year, based on historical experience and expected measures within the overall strategic plan.

The key assumptions in the financial forecasts include:

- successful execution of the strategic plan; and
- successful refinancing of existing borrowing facilities.

Assessment of viability

The Directors have assessed the viability of the Group over a three year period to 30 April 2022, 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 Group will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2022.

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

The strategy and associated principal risks underpin the Group's three year strategic planning process (the Plan), which is updated annually. This process considers the current and prospective macro-economic 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 and the expectation of similar facilities under any refinancing agreement. 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 2019 was £165m as detailed on page 36. The facilities have maturity dates between November 2019 and August 2022, which exceeds the period under review and provides sufficient headroom to fund the capital expenditure and working capital requirements during the planned period.

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

In making this statement, the Directors have considered the resilience of the Group, considering its current position and the principal risks facing the business. The Plan was stress tested for severe but reasonable scenarios and the effectiveness of any mitigating actions that would reasonably be taken. The Plan was specifically stress tested for reasonable downturns in vehicles on hire, hire rates, and residual values of vehicles. It was also stress tested for increases in vehicle acquisition costs, operating expenses and adverse movements in exchange rates. Combined scenarios including all of the stress tests were also assessed. 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.

Financial review

Our focus is on delivering sustainable profitable growth and driving long-term value

Philip Vincent
Chief Financial Officer

Highlights

- Group revenue growth of 6.2%.
- Underlying operating profit increase of 11.5%.
- Underlying EPS growth of 11.2% to 38.7p.
- Progressive dividend policy maintained with a 3.4% increase to 18.3p.
- Underlying free cash flow up £34.6m to £63.1m.

Want to know more about our previous financial performance?

visit: www.northgateplc.com/investor-relations/results-reports-and-presentations

Group summary

A summary of the Group's financial performance is as follows:

Year ended 30 April	2019 £m	2018 £m	Change £m	Change %
Revenue	**745.5**	701.7	43.8	6.2%
Operating profit	**75.5**	64.1	11.4	17.8%
Profit before tax	**60.4**	52.7	7.7	14.5%
EPS	**38.6**	32.4	6.2	19.1%
Underlying operating profit	**76.2**	68.3	7.9	11.5%
Underlying profit before tax	**61.1**	57.0	4.1	7.2%
Underlying EPS	**38.7p**	34.8 p	3.9p	11.2%
Dividend per share	**18.3p**	17.7 p	0.6p	3.4%
Underlying free cash flow	**63.1**	29.1	34.0	116.9%

Revenue

Group revenue increased by 6.2% to £745.5m, 6.4% at constant exchange rates.

Group revenue comprised:

Year ended 30 April	2019 £m	2018 £m	Change £m	Change %
Vehicle hire	**517.6**	471.2	46.4	9.9%
Vehicle sales	**227.8**	230.5	(2.7)	(1.1%)

Vehicle hire revenue grew to £517.6m from £471.2m in 2018, mainly driven by the 11.1% increase in Group average VOH.

Group vehicle sales revenue declined by 1.1% reflecting vehicle ageing due to the fleet optimisation strategy and slowing of the disposals cycle. This decline was partly offset by group-wide sales channel optimisation in particular by improved retail penetration in UK & Ireland resulting in higher average proceeds per vehicle.

Underlying operating profit

Underlying Group operating profit increased 11.5% (11.7% at constant exchange rates) to £76.2m and is stated before certain intangible amortisation (£0.7m).

Underlying Group operating profit comprised:

Year ended 30 April	2019 £m	2018 £m	Change £m	Change %
Rental profit	**64.3**	52.5	11.8	22.6%
Disposals profit	**17.1**	19.6	(2.5)	(12.6%)
Corporate costs	**(5.3)**	(3.7)	(1.6)	(41.6%)
Total	**76.2**	68.3	7.9	11.5%

Group vehicle rental profit increased £11.8m including the impact of depreciation rate changes and reflecting strong VOH growth in UK & Ireland and Spain.

The reduction in Group disposals profit resulted primarily from fewer vehicle sales (-£1.0m) and the impact of previous changes to depreciation rates (-£4.9m). This was partially offset by other impacts including sales channel optimisation and the impact of vehicle ageing (+£3.4m)

Underlying corporate costs increased to £5.3m (2018: £3.7m) with 2018 benefitting from certain one-off reversals in costs.

Depreciation rate changes

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

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. Where differences arising are within an acceptable range these are adjusted against depreciation. Where these differences are outside of the range Northgate changes the depreciation rate estimate to better reflect the pattern of usage of the vehicle. The impact of previous rate changes on 2019 operating profit, and the estimated impact on future years of the previous changes, is set out in the table at the bottom of the page.

Interest

Net underlying finance charges for the year increased by 33.0% to £15.1m (2018: £11.3m) as a result of higher net debt. The net cash interest charge for the year was £14.1m (2018: £10.7m) as a result of higher borrowings. Non-cash interest was £1.0m (2018: £0.6m).

Underlying profit before tax

Underlying profit before tax was £61.1m (£61.3m at constant exchange rates), £4.1m higher than in 2018 (2018: £57.0m).

Taxation

The Group's underlying tax charge was £9.5m (2018: £10.7m) and the underlying effective tax rate was 16% (2018: 19%). The statutory effective tax rate was 15% (2018: 18%).

Earnings per share

Underlying EPS was 38.7p compared to 34.8p in the prior year. Statutory earnings per share was 38.6p compared to 32.4p in the prior year.

Underlying earnings for the purpose of calculating EPS were £51.6m (2018: £46.4m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the prior year.

Exceptional items

During the year there were no exceptional costs incurred (2018: £2.5m).

Dividend and capital allocation

The Group's dividend policy is to ensure that the underlying basic earnings per share will cover the total annual dividend within a range of 2.0× to 3.0×.

Subject to approval, the final dividend proposed of 12.1p per share (2018: 11.6p) will be paid on 27 September 2019 to shareholders on the register as at close of business on 16 August 2019.

Including the interim dividend paid of 6.2p (2018: 6.1p), the total dividend relating to the year would be 18.3p (2018: 17.7p). The dividend is covered 2.1× by underlying earnings, in line with stated policy.

The Group's objective is to build shareholder value by generating returns above the cost of capital. Capital will be allocated within the business in accordance with the framework outlined below, with the first priority being to allocate capital to support the Group's growth ambitions:

1. Core business: maximise profitability and capital efficiency, organic Growth opportunities.
2. Dividend: maintain progressive dividend policy.
3. Growth: core bolt-ons, capital light opportunities, diversification into service solutions.

The Group plans to maintain a balance sheet within a target leverage range of 1.5× to 2.5× net debt to EBITDA, and during periods of significant growth net debt would be expected to be towards the higher end of this range. This is consistent with the Group's objective of maintaining a balance sheet that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Depreciation rate changes	Cumulative impact	Year on year impact		
Year:	Group £m	Group £m	UK & Ireland £m	Spain £m
30 April 2013	**5.3**	5.3	5.3	–
30 April 2014	**4.3**	(1.0)	(1.0)	–
30 April 2015	**15.7**	11.4	8.4	3.0
30 April 2016	**12.0**	(3.7)	(5.9)	2.2
30 April 2017	**6.3**	(5.7)	(4.1)	(1.6)
30 April 2018	**2.1**	(4.2)	(2.7)	(1.5)
30 April 2019	**17.4**	15.3	4.1	11.2
30 April 2020*	**12.0**	(5.4)	(1.4)	(4.0)
30 April 2021*	**6.6**	(5.4)	(1.4)	(4.0)
30 April 2022*	**1.2**	(5.4)	(1.4)	(4.0)
30 April 2023*	**–**	(1.2)	–	(1.2)

* These are management estimates based on indicative fleet size and assuming an equalised level of defleeting in each year.

Financial review continued

Cash flow

A summary of the Group's cash is as follows:

Year ended 30 April	2019 £m	2018 £m
Underlying operational cash generation	**283.2**	240.5
Net capital expenditure	**(243.9)**	(311.0)
Net taxation and interest payments	**(15.7)**	(22.2)
Share purchases and refinancing costs	**(3.2)**	(3.3)
Free cash flow	**20.4**	(96.0)
Dividends	**(23.4)**	(23.4)
Net cash consumed	**(3.0)**	(119.4)

A total of £403.5m was invested in new vehicles compared to £486.9m in the prior year. The Group's new vehicle capital expenditure was partially funded by £174.5m generated from the sale of used vehicles (2018: £186.9m). Other net capital expenditure amounted to £14.9m (2018: £11.0m).

All vehicles required for the Group's operations are paid for in cash upfront. 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 VOH 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:

Year ended 30 April	2019 £m	2018 £m
Free cash flow	**20.4**	(96.0)
Add back: Growth capex	**42.6**	125.2
Underlying free cash flow	**63.1**	29.2

Net debt reconciles as follows:

Year ended 30 April	2019 £m	2018 £m
Opening net debt	**439.3**	309.9
Net cash consumed	**3.0**	119.4
Other non-cash items	**0.6**	(0.8)
Exchange differences	**(6.0)**	10.8
Closing net debt	**436.9**	439.3

Free cash inflow was £20.4m (2018: £96.0m outflow) after net capital expenditure of £243.9m (2018 £311.0m). If the impact of growth capex in the year is removed from net capital expenditure in each year, the underlying free cash flow of the Group was £63.1m (2018: £29.2m).

Net cash consumption was £3.0m (2018: £119.4m). After an adverse exchange rate impact of £6.0m (2018: £10.8m favourable), closing net debt was £436.9m (2018: £439.3m).

Borrowing facilities

As at 30 April 2019 the Group had £439m drawn against total committed facilities of £604m, giving headroom of £165m, as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing Cost
UK bank facility	504	343	161	Jul 2021	2.6%
Loan notes	86	86	–	Aug 2022	2.4%
Other loans	14	10	4	Nov 2019	1.0%
	604	**439**	**165**		**2.5%**

The overall cost of borrowings at 30 April 2019 is 2.5% (2018: 2.3%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.5% to a maximum of 3%. The net debt to EBITDA ratio at 30 April 2019 corresponds to a margin of 2% (2018: 2.25%).

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 2.6% (2018: 2.4%) giving an overall cost of borrowings (gross of cash balances) at 30 April 2019 of 2.6% (2018: 2.3%). During the year UK bank facilities were increased by £50m.

The other loans consist of £13.5m of local borrowings in Spain and £0.5m of preference shares.

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

	2019 £m	2018 £m
Euro	**297**	328
Sterling	**143**	128
Borrowings before unamortised arrangement fees	**440**	456
Unamortised arrangement fees	**(2)**	(3)
Borrowings (excluding cash and overdrafts)	**438**	453

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

	Threshold	April 2019	Headroom	April 2018
Interest cover	3×	5.34x	£33m (EBIT)	6.22×
Loan to value	70%	43%	£284m (Net debt)	43%
Debt leverage	2.75×	1.64×	£108m (EBITDA)	1.76×

Balance sheet

Net tangible assets at 30 April 2019 were £548.5m (2018: £530.3m), equivalent to a net tangible asset value of 412p per share (2018: 398p per share).

Gearing at 30 April 2019 was 79.6% (2018: 82.8%).

Return on capital employed was 7.7% (2018: 7.5%).

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 Group 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. Group credit exposure for material deposits 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 bank borrowings at any time. The proportion of gross borrowings hedged into fixed rates was 68% at 30 April 2019 (2018: 73%).

Foreign exchange risk

The Group's reporting currency is, and 65% of its revenue is generated in, Sterling (2018: 59%). 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:

	2019 £:€	2018 £:€
Average	**1.14**	1.13
Year end	**1.16**	1.14

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries whose functional currency is in Euros 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 2019 62% of Euro net assets were hedged against Euro borrowings (2018: 71%).

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.

Philip Vincent
Chief Financial Officer

24 June 2019

Financial review continued

GAAP Reconciliation

About our non-GAAP measures and why we use them

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

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

Exceptional items are explained in the Notes to the accounts.

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

	Group 2019 £000	Group 2018 £000
Operating Profit	**75,491**	64,077
Add back:		
Restructuring costs	**–**	2,499
Certain intangible amortisation	**709**	1,767
Underlying operating profit	**76,200**	68,343
Profit before tax	**60,406**	52,738
Add back:		
Restructuring costs	**–**	2,499
Certain intangible amortisation	**709**	1,767
Underlying profit before tax	**61,115**	57,004
Profit for the year	**51,418**	43,232
Add back:		
Restructuring costs	**–**	2,499
Certain intangible amortisation	**709**	1,767
Tax on exceptional items and certain intangible amortisation	**(545)**	(1,145)
Underlying profit for the year	**51,582**	46,353
Weighted average number of Ordinary shares	**133,232,518**	133,232,518
Underlying basic earnings per share	**38.7p**	34.8p
Operating profit	**75,491**	64,077
Add back:		
Fleet depreciation	**185,794**	176,600
Other depreciation	**5,522**	5,585
Net impairment	**–**	(380)
Loss on disposal of assets	**274**	415
Intangible amortisation	**1,366**	2,171
EBITDA	**268,447**	248,468
Net replacement capex	**(201,304)**	(185,886)
Steady state cash generation	**67,143**	62,582

	UK&I 2019 £000	Spain 2019 £000	Corporate 2019 £000	Group 2019 £000
Underlying operating profit (loss)	**35,396**	**46,086**	**(5,282)**	**76,200**
Exclude:				
Adjustments to depreciation charge in relation to vehicles sold in the period	**(10,762)**	**(6,374)**	**–**	**(17,136)**
Corporate costs	**–**	**–**	**5,282**	**5,282**
Rental profit	**24,634**	**39,712**	**–**	**64,346**
Divided by: Revenue: hire of vehicles	**315,559**	**202,065**	**–**	**517,624**
Rental margin	**7.8%**	**19.7%**	**–**	**12.4%**

	UK&I 2018 £000	Spain 2018 £000	Corporate 2018 £000	Group 2018 £000
Underlying operating profit (loss)	33,114	38,960	(3,731)	68,343
Exclude:				
Adjustments to depreciation charge in relation to vehicles sold in the period	(9,608)	(10,002)	–	(19,610)
Corporate costs	–	–	3,731	3,731
Rental profit	23,506	28,958	–	52,464
Divided by: Revenue: hire of vehicles	283,543	187,644	–	471,187
Rental margin	8.3%	15.4%	–	11.1%

	Group 2019 £000	Group 2018 £000
Net decrease in cash and cash equivalents	**(13,616)**	(5,507)
Add back:		
Receipt of bank loans and other borrowings	**–**	(113,902)
Repayments of bank loans and other borrowings	**10,651**	–
Net cash consumed	**(2,965)**	(119,409)
Add back: Dividends paid	**23,431**	23,365
Free cash flow	**20,466**	(96,044)
Add back: Growth capex	**42,641**	125,145
Underlying free cash flow	**63,107**	29,101

Responsible business

Building a sustainable business that delivers for all of our stakeholders

Northgate is a responsible business focussed on working for the success of all our stakeholders. By understanding and meeting their needs, we can realise our vision.

Our purpose

To provide **expert, easy** and **responsible** vehicle rental.

Expert: We have some of the best and most experienced people in our industry working across the Group.

Easy: Our customers need us to be easy to work with.

Responsible: we are trustworthy and take our community responsibilities seriously.

Our vision

We will transform business vehicle rental, so customers choose to rent not own.

Our values

- We are one team.
- We are here for our customers.
- We work with passion commitment and pace.
- We expect excellence.
- We keep our promises.

Our customers

Our aim is for our customers to appreciate the full value of their relationship with Northgate. We want to be the first choice for their vehicle needs, and we want them to stay with us for the long term. We encourage this through our industry leading levels of service, and the unmatched flexibility of our service offering.

Currently we support approximately 14,900 customers, with 93,200 vehicles on hire across both markets.

14,900

Customers

93,200

Vehicles on hire

Our people

Our people are integral to the success of our strategy. We want to help them grow and develop with the business, so they can continue to create value for our customers. On joining Northgate, all our people receive an induction that equips them with the knowledge and skills to maximise performance and progress their careers.

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

	2019			2018		
	Male	Female	Total	Male	Female	Total
UK & Ireland	**1,361**	**625**	**1,986**	1,371	506	1,877
Spain	**778**	**410**	**1,188**	735	388	1,123
Total	**2,139**	**1,035**	**3,174**	2,106	894	3,000

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

	2019		2018	
	Male	Female	Male	Female
Directors	**4**	**2**	5	2
Senior managers	**15**	**4**	21	5

Health, safety and working environment

Our approach to health and safety is simple: to ensure no harm comes to anyone working with Northgate and those who may be affected by our business activities. As employers we believe we should mitigate health, safety and environment risks within our control to an acceptable level whilst working closely with our employees so they understand and embrace requirements.

Our 'Safe and sound' programme creates an environment of openness and awareness, where all colleagues feel able to raise concerns about working practices and conditions. We provide regular training to employees, most of which our Health, Safety & Environment team carries out.

This year, we held a health, safety and environmental awareness week across the Group and this platform was used to further promote HSE engagement and cultures across all functions and levels of the business. The campaign was a tremendous success and we believe it will assist in our goal of raising awareness and continuous improvement.

The Health, Safety & Environment team reviewed the performance of health, safety and environment management systems at all locations across the Group during the year, and where necessary identified improvements, or monitored compliance with Group policy.

We measure health and safety performance across the business using an Accident Frequency Rate (AFR). This is calculated as the number of lost time incidents, multiplied by 100,000, divided by the number of hours worked. These figures were as follows:

	2019	2018	2017
UK & Ireland	**0.7**	0.9	0.8
Spain	**1.6**	1.9	1.9
Group	**1.0**	1.2	1.2

We aim to have as low an AFR as possible. However, due to the nature of our business, it is difficult to find a suitable comparison we can use to create a meaningful target for AFRs. Therefore we simply aim to minimise the number. We also monitor AFRs using previous performance. If there were to be a significant decline in performance, then we would perform a root cause analysis, on top of the continuous monitoring already in place.

Internal communications

The Group mixes face-to-face, digital and traditional communication channels to maximise the impact of internal communications.

Training

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

Equality and human rights

Northgate is committed to equality and considers applicants without prejudice, judging applications for employment on merit with no bias based on race, nationality, gender, age, disability, sexual orientation or politics.

We communicate our ethical standards to employees through the Group's Code of Business Conduct. This 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 means every employee can have a voice and a way of drawing concerns to our attention.

Information on equality, including our statement of compliance with the Modern Slavery Act, is contained on our website.

Workforce Advisory Panel

This year the Northgate Board were keen to understand more about how the employees of the Group feel about our strategy and whether Northgate is a great place to work. As a result, we set up a Workforce Advisory Panel consisting of panel members voted for by their colleagues to represent them.

The panel is one of a number of ways in which the Board aims to improve engagement at Northgate and is headed by non-executive Director, Claire Miles. It aims to meet regularly throughout the year and will provide invaluable feedback and insight from employees, on which we can take action.

Responsible business continued

Our investors

Our investors provide us with the capital investment we need. We are listed on the London Stock Exchange and provide investors with regular updates so they can make informed investment decisions. We encourage two-way communication with financial analysts, shareholders and lenders, to ensure we are allocated capital efficiently at a rate which enables us to provide returns to our shareholders.

Our investor relations team engages directly with investors through a mixture of communication channels, to ensure we communicate the vision, values and results of the Group promptly and effectively.

Our suppliers

We recognise that our relationships with suppliers are integral to the success of our strategy, and we work effectively with them to ensure we can meet their needs.

Our strong and open relationships with our suppliers enable us to execute our strategy efficiently, while helping our suppliers manage their cash flow and production. We negotiate vehicle pricing annually and we maintain a dialogue with suppliers throughout the year. These relationships contribute to our competitive advantage, and help us generate sustainable long term value for our shareholders.

Our communities and the environment

We value the communities we operate in, and our aim is for our business activities to have a positive impact on them.

As well as supporting local businesses with their fleets, we employ over 3,000 people at our locations. In addition, we continue to promote green technology and initiatives to protect our environment.

Communities

As well as being a contributor to the economies we operate in, we encourage our colleagues to support charities that are close to their hearts. We promote all charitable activity through ongoing internal communications.

UK & Ireland

This year, our employees in the UK & Ireland worked with Macmillian Cancer Support to organise 'Go Mad, Go Green' events. They also supported Mengo Children's Foundation, contributing to the 'Pens for Kids' initiative, sending school supplies to children in Uganda.

Spain

Our Spanish business worked with a number of community and charity initiatives over the year. This included working with the Coach Project that promotes employment opportunities among young people and working with the University of Nebrija to support the faculty of Languages and Education.

Environment

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

Greenhouse gas emissions

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

Reporting and baseline year

We have aligned our reporting and fiscal years, so the information presented covers the period from 1 May 2018 to 30 April 2019, with the year ended 30 April 2014 forming the baseline data for subsequent periods.

Consolidation approach and organisational boundary

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

Methodology

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

Greenhouse gas emissions source	Tonnes of CO_2e 2019	Tonnes of CO_2e 2018	Tonnes of CO_2e 2014
Scope 1 – Combustion of fuel and operation of facilities	**6,793**	7,210	5,980
Scope 2 – Electricity, heat, steam and cooling	**3,094**	3,581	4,348
Intensity ratio: Tonnes of CO_2e per £m of revenue	**19.1**	22.9	23.4

An independent, UCAS-accredited, third-party assessor has verified the above data.

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

Non-financial Reporting Disclosures

The content on pages 40 to 43 constitutes Northgate's non-financial information statement covering requirements in respect of the environment, employees, social and community issues, human rights, anti bribery and anti corruption. The following information, found elsewhere in this Strategic Report is incorporated into this statement by cross-reference:

1 A description of the business model Page 14

2 Principal risks and uncertainties Page 30

3 Non- financial key performance indicators Page 27

The Strategic Report was approved by the Board on 24 June 2019 and signed on its behalf by:

Kevin Bradshaw
Chief Executive Officer

24 June 2019

Chairman's introduction to governance

Bill Spencer
Interim Chairman and Senior Independent Director

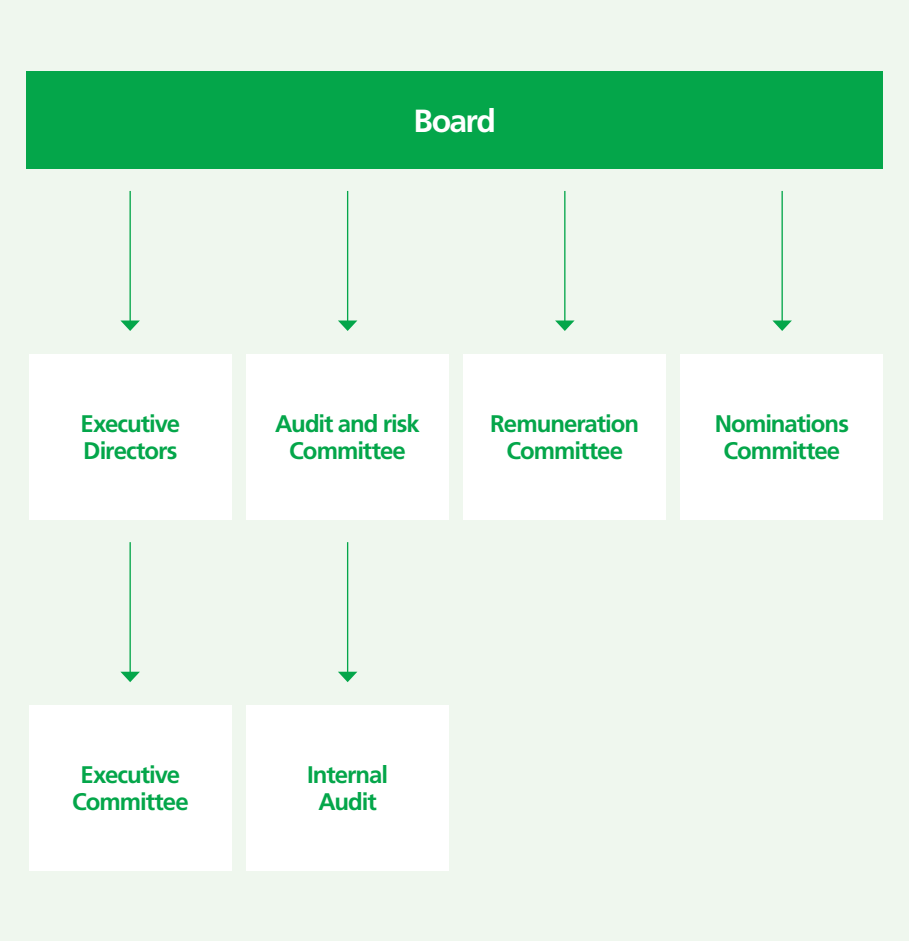
2019 key activities

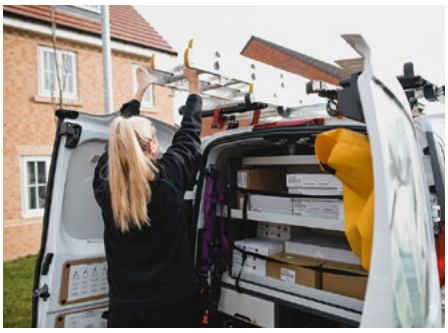
- Appointment of a new Chief Financial Officer.
- Appointment of new Non-executive Director.
- Commenced the search for a new permanent Chairman.
- Formation of a workforce advisory panel.

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

Our rigorous systems of risk management and internal control ensure that our businesses operate within the Board approved risk appetite levels set out in the Managing Risk report on page 28.

Governance issues tackled during the year included changes to the Board and further acting upon the recommendations from the previous external and internal Board evaluations. The Board has continued its focus on the monitoring of the Group's renewed strategy and improving employee engagement.





Board changes

Philip Vincent was appointed Chief Financial Officer on 16 July 2018. I am pleased to have welcomed Philip Vincent to the Board of Northgate. He brings a wealth of relevant financial and commercial experience gained in a wide range of senior roles, in the UK and internationally, which have enabled him to make a significant contribution to the Northgate Board in the year.

Andrew Allner stepped down as a Non-executive Director on 31 December 2018 following 11 years with the Group during which time it has benefited greatly from his wise counsel and wealth of experience.

I am delighted to welcome John Pattullo who joined the Board on 1 January 2019 bringing with him a broad breadth of experience across publicly listed and private equity companies which will be of great benefit to Northgate.

Following the resignation of Andrew Page on 28 March 2018 I am entrusted with guiding the Group as interim Chairman while the search for a replacement is ongoing. On behalf of the Board I would like to thank Andrew for his four years' service to the Group, during which time he was instrumental in strengthening both the Board and the executive management team and in overseeing the implementation of a revitalised strategy.

Board evaluation

An internal Board evaluation was conducted in the year and the Board has concentrated on further implementation of recommendations from previous reports.

The Board has reviewed and considered upcoming changes to the Corporate Governance code ('the Code') and has taken steps to form a Workforce advisory panel of 6 members. Claire Miles has been designated as the board representative.

As a Board we are accountable for the Group's success and dealing with the challenges it faces. We review the results, risks and opportunities facing the Group monthly and our Audit and Risk committee play a key part in monitoring and evaluating the Group's processes and internal controls providing a crucial layer of independent oversight over our key activities.

As outlined above the changes to our Board in the year have been facilitated by the work of our Nominations committee, which has ensured that the board maintains the right mix of skills and experience.

Following the voting results at our September 2018 AGM, the Remuneration Committee has continued to engage with shareholders to review how our remuneration policy can more closely align with best practice and is committed to ensuring our remuneration policy is transparent, well understood by our stakeholders and closely aligned to the strategic objectives of the Group.

Compliance with the Code

The Company has complied with provision B.1.2 throughout the year as applicable to smaller companies. The Company is committed to good governance and acknowledges that the 2018 Code ("new code") requires at least half the Board to comprise independent members, noting that the Northgate Board comprises the requisite independence level for larger companies.

There have been no significant changes to the UK Corporate Governance Code (2016 version) during the year and the Board considers that it has complied with the provisions of the Code throughout the year, other than as described above. The Board has assessed and taken action to prepare for the forthcoming UK Corporate Governance Code (2018 Version) which will be in effect for the FY 2020 report.

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

Bill Spencer
Interim Chairman

24 June 2019

Introduction to governance

Responsibilities of Individuals charged with governance

Individual	Role
Chairman	Oversees Board responsibilities
CEO	Oversees executive director responsibilities
Senior Independent Director	Senior non-executive Director
Non-executive director	Carry out Board responsibilities
Company secretary	Facilitate effective operation of Board and Committees

Board and Committee Responsibilities

Board	Key focus
The Board has overall responsibility for: – Monitoring progress against strategy 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 Group's internal control systems (both financial and operational) are fit for purpose and operating as they should be; – Reporting to and maintaining relationships with stakeholders; – 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.	Ensuring execution of Group strategy by executive team. Monitoring progress against strategic objectives. Overseeing developments of IT systems and management of cyber risk. Overseeing service delivery and market developments. Focus on embedding new vision and values throughout the group. Development and operation of a new workforce advisory panel.
Executive Directors	**Key focus**
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 – implementing the system of internal control.	**Enabling delivery of strategic plan.** Following the appointment of Philip Vincent as CFO the executive directors have focussed on continued delivery of the strategic plan.

Board and Committee Responsibilities	
Executive Committee	**Key focus**
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.	**Delivery of the strategic plan** The Executive Committee are focused on the operational delivery of the strategic plan, implementing the strategy and developing strategic opportunities to enhance the business.
Audit and Risk Committee	**Key focus**
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: – Monitoring quality of the audit process and resultant findings; – Recommending appointments to the Board; – Monitoring independence and objectivity, including monitoring auditor rotation and developing policy on non-audit services provided; – Approving auditor remuneration and terms of engagement; and – Overseeing the audit tender process, if applicable.	**Risk management** Implemented the recommendations from the latest review and made further improvements to the end to end processes of identifying and reporting risks.
Remuneration Committee	**Key focus**
The Remuneration Committee is responsible for: – Assessing, reviewing and agreeing with the Board the remuneration policy for the Board and senior management excluding the non-executive Directors; – Assessing and reviewing the remuneration policy and benefit structure for Group employees; and – Monitoring the share incentive plans including participation and exceptional circumstances and amending the design of the plans in line with best practice.	**Remuneration policy** Implemented changes in remuneration of CEO and aligned management incentive plans with long term value creation objectives of the Group. Recommended and approved the remuneration arrangements for the newly appointed CFO. Updated remuneration policy for approval at 2019 AGM.
Nominations Committee	**Key focus**
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.	**Board changes** During the year the Nominations Committee completed the process of appointing a permanent CFO effective from 16 July 2018 and appointed a new Non-executive Director, John Pattullo, to the Board on 1 January 2019.

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

Board of Directors

Ensuring good governance across the Group

Bill Spencer
Interim Chairman and Senior Independent Director

Joined Board
June 2016

Committee membership
- Audit and Risk Committee Chairman
- Nomination Committee Interim Chairman
- Remuneration Committee

Skills and experience
- International business
- Former CFO of a FTSE 100 company
- Wide multi-industry experience

Key external appointments
Ricardo Plc
Non-Executive Director and Audit Committee Chairman

Kevin Bradshaw
Chief Executive Officer

Joined Board
January 2017

Committee membership
N/A

Skills and experience
- Experienced CEO
- Strategy development
- Business transformation

Key external appointments
N/A

Philip Vincent
Chief Financial Officer

Joined Board
July 2018

Committee membership
N/A

Skills and experience
- Chartered accountant
- Commercial finance
- International business

Key external appointments
N/A

Jill Caseberry
Non Executive Director

Joined Board
December 2012

Committee membership
- Remuneration Committee Chairman
- Audit and Risk Committee
- Nomination Committee

Skills and experience
- Sales
- Marketing
- General management

Key external appointments
Bellway Plc
Non-Executive Director and Remuneration Chair

St Austell Brewery Co Ltd
(Private company)
Non-Executive Director

C & C Group Plc
Non-Executive Director

Halfords Group Plc
Non-Executive Director and Remuneration Committee Chair

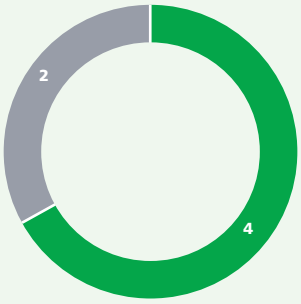
Claire Miles
Non Executive Director

John Pattullo OBE
Non Executive Director

Katie Tasker-Wood
Company Secretary

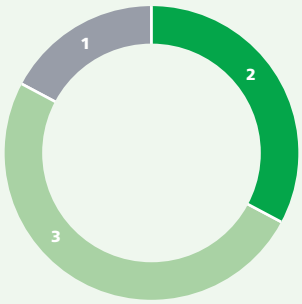
Claire Miles	John Pattullo OBE	Katie Tasker-Wood
Joined Board November 2015	**Joined Board** January 2019	**Appointed as Company Secretary** June 2016
Committee membership – Audit and Risk committee – Remuneration Committee – Nomination Committee	**Committee membership** – Audit and Risk Committee – Remuneration Committee – Nomination Committee	**Committee membership** – Audit and Risk Secretary to the Committee – Remuneration Secretary to the Committee – Nomination Secretary to the Committee
Skills and experience – Commercial strategy – Multi-channel customer operations – Business transformation	**Skills and experience** – Supply chain and logisitcs – Experienced CEO – International business	**Skills and experience** – Qualified solicitor – International business – Risk management
Key external appointments **Centrica Hive Limited** Managing Director	**Key external appointments** **V Group Ltd** Chairman **Electrocomponents Plc** Senior Independent Director	**Key external appointments** N/A

Board diversity by gender



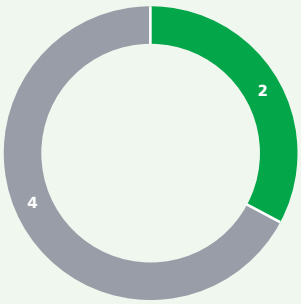
Male	67%
Female	33%

Tenure



0–2 years	33%
2–5 years	50%
5+ years	17%

Executive/Non-executive



Executive	33%
Non-Executive	67%

Corporate Governance

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

UK listed companies are required by the FCA (the designated UK Listing Authority), to include a statement in their annual accounts on compliance with the principles of good corporate governance and code of best practice set out in the Code. The provisions of the Code applicable to listed companies are divided into five parts, as set out below:

1 Leadership

The business is managed by the Board of Directors, currently comprising two executive and five Non-executive Directors, details of whom are shown on pages 48 and 49.

The offices of the Chairman and CEO are separate. An overview of the leadership of the Group, including the responsibilities and activities of each component is outlined on pages 46 and 47.

2 Effectiveness

Information supplied

The Chairman ensures that all Directors are appropriately briefed to enable them to discharge their duties. Management accounts are prepared and submitted to the Board monthly. Before each Board meeting appropriate documentation on all items to be discussed is circulated. The Company Secretary is available to the Non-executive Directors and can facilitate Board training events where required.

Andrew Allner completed ten years' service as a Non-executive Director of the Company in September 2017 and therefore is no longer regarded as independent in terms of the Code or by the ABI.

The Company has complied with provision B.1.2 throughout the year as applicable to smaller companies. The Company is committed to good governance and acknowledges that the 2018 Code ("new code") requires at least half the Board to comprise independent members, noting that the Northgate Board comprises the requisite independence level for larger companies.

The Non-executive Directors meet without the executive directors present and the Senior Independent Director leads the evaluation of the Chairman.

Board review

The internal evaluation established that the Board had built on the evaluation from the previous year. With the appointment of Philip Vincent in July 2018 the group has gained surety over the ongoing financial governance of the Group. Furthermore, the appointment of John Pattullo has added a broad breadth of experience which will be of great benefit to Northgate.

Board meetings have been held in different locations and territories during the year, which has had a positive impact on employee engagement and enhanced the Board's first-hand experience of the Company's operations; this will continue throughout FY 2020.

In 2018, Northgate engaged Lintstock to undertake an evaluation of the performance of the Board. Lintstock is an advisory firm that specialises in Board performance reviews, and has no other connection with the company.

The first stage of the review involved Lintstock engaging with the Chairman and Company Secretary to set the context for the evaluation, and to tailor survey content to the specific circumstances of Northgate. All Board members were then requested to complete an online survey on the performance of the Board, its Committees, and the Chairman.

As a part of this process, Directors had the opportunity to schedule a follow-up discussion with Lintstock if they wished to expand upon their responses to the survey in confidence. The anonymity of the respondents was ensured throughout the process in order to promote an open and frank exchange of views.

As well as addressing core aspects of Board and Committee performance, the exercise had a particular focus on the following areas:

Attendance

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

No. of meetings	Board 14	Audit and Risk 4	Remuneration 9	Nominations 6
Andrew Allner[1,6]	5 of 6	2 (by invitation)	3 (by invitation)	2 (by invitation)
K Bradshaw	14 of 14	4 (by invitation)	4 (by invitation)	6 (by invitation)
J Caseberry[6]	14 of 14	4 of 4	9 of 9	5 of 6
C Miles[6]	13 of 14	4 of 4	7 of 9	6 of 6
A Page[2]	8 of 8	3 (by invitation)	7 of 7	4 of 4
J Pattullo[3,7]	7 of 8	1 (by invitation)	4 of 5	2 of 2
B Spencer[7]	13 of 14	4 of 4	9 of 9	6 of 6
D Tilston[4]	2 (by invitation)	1 (by invitation)	–	–
Philip Vincent[5]	12 of 12	3 (by invitation)	1 (by invitation)	4 (by invitation)

1. Left the Board on 31 December 2018.
2. Left the board on 27 March 2019
3. Appointed to the Board 1 January 2019.
4. Not a statutory Director of the Company.
5. Appointed as CFO on 16 July 2018.
6. Absence due to prior commitments, and short meeting notice.
7. Absence due to hospital appointment. All Directors in office at that time were present at the AGM held on 19 September 2018. The external auditor and the Head of Group Internal Audit attended all Audit and Risk Committee meetings.

- The Board's engagement with investors and other key stakeholders such as employees and customers, including its understanding of the Northgate Culture Review Programme and the Workforce Advisory Panel.
- The overall effectiveness of the Board Strategy Day held in October 2018, including the allocation of time between topics and the priorities for improving such events.
- The level of ambition expressed in Northgate's strategic plan, the alignment of Northgate's KPIs with the strategy, and the top strategic issues facing the business over the next 3 – 5 years.
- The management of Board meetings, the quality of Board papers and management presentations, and the effectiveness with which the Board reviews past decisions.
- The key changes that should be made to the Board's composition over the longer term, and any lessons that might be drawn from recent management recruitment processes.
- The Board's oversight of succession plans for management, and the Group's processes for managing and developing talent.

The Board has agreed a follow-up review of the evaluation results with the new Chair of Board after their appointment

Diversity

The Board has considered the recommendations of the Davies Review and the Hampton-Alexander 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 has also considered the findings of the Parker Review on ethnic diversity on boards and promotes diversity throughout the business and talent pipeline.

The Board recognises the benefits of diversity at all levels of the business and to reinforce its Board's commitment to equality, the Board has endorsed an Equal Opportunities Policy, which may be found on our website at: www.northgateplc.com

While the overriding criteria for Board appointments will always be based on merit, 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 that 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.

At 30 April 2019 33% of Board members, 21% of the senior management team and 33% of all employees were female.

Conflicts of interest

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

3 Accountability

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

Internal control

Confirmation that the Board has performed an assessment of the risk management and internal control systems of the Group, as required by the Code provision C.2.3, is contained in the Managing Risk report on pages 28 to 31.

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 Group Internal Audit as appropriate.

Information and communication

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

Planning

Each reporting segment prepares a three year business plan on an annual basis. This is presented to and approved by the Board. Performance against these plans is reviewed monthly. The Directors outline their assessment of the Group's viability on page 32.

Assurance

A description of the work of the Audit and Risk Committee is given on pages 53 to 55. Both the external auditor and Head of Internal Audit report directly to the Committee.

4 Remuneration

Details of the Company's remuneration policy and the remuneration of each Director are given on pages 58 to 72.

5 Relations with shareholders

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

The Company's major institutional shareholders have been advised by the CEO 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.

During the year the board responded to the following key issues

- The Remuneration Report at the 2018 AGM was rejected by 58% of the shareholders the Board listened to concerns of shareholders and the Chair of the Remuneration Committee has attended a series of meetings with investors to understand their concerns more fully. In response to shareholder views, the Committee has refined the measurement of executive management performance targets and has set performance targets which the Board considers to be challenging.
- The Board dedicated significant resources towards engaging with an active shareholder who had requisitioned a general meeting. After coming to an accord this meeting was cancelled and the resolutions withdrawn.

All shareholders are given the opportunity to raise matters for discussion at the AGM, for which more than the recommended minimum 21 working days' notice is given.

Details of proxies lodged in respect of the AGM will be published on the Company's website as soon as is practicable following the meeting. Significant interests in shares are detailed on page 73.

Compliance with the Code

The Company has complied with provision B.1.2 throughout the year as applicable to smaller companies.

Katie Tasker-Wood
Company Secretary

24 June 2019

Report of the Nominations Committee

Committee focus for FY2019

Bill Spencer
Committee chairman

Dear shareholder,
I am pleased to present the Nominations Committee's report for the year ended 30 April 2019.

Committee membership

- Bill Spencer
- Jill Caseberry
- Claire Miles
- John Pattullo (from 1 January 2019)
- Andrew Page (until 27 March 2019)

During the year, the Nominations Committee (the Committee) completed the recruitment process of a new CFO, appointing Philip Vincent on 16 July 2018. The committee also appointed John Pattullo to the Board as a Non-executive Director and announced that, on the appointment of a new General Manager in Spain, Fernando Cogollos Ubeda is expected to join the Northgate plc board as a non-independent Non-executive Director.

The Committee have also begun the process of replacing the Chairman of the Board, following Andrew Page's resignation on 27 March 2019.

"The committee considers that the appointments and succession planning undertaken have contributed to a further strengthening of the Northgate board."

Committee membership

The members of the Committee are shown in the table below. Details of their experience and qualifications are shown on pages 48 and 49.

	Nominations
No. of meetings	**6**
J Caseberry[1]	5 of 6
C Miles	6 of 6
A Page[2]	4 of 4
J Pattullo[3]	2 of 2
B Spencer	6 of 6

1. Absence due to prior commitments and short notice of meeting.
2. Attended all meetings until resignation on 27 March 2019.
3. Attended all meetings since appointment on 1 January 2019.

Committee purpose

The main purpose of the Committee is to monitor the balance of skills, knowledge, experience and diversity on the Board and the succession plans for the executive Directors.

Board succession planning

The Committee recognises that maintaining the right mix of skills and experience on the Board is crucial for the ongoing success of the Group and a key function of the Committee is to ensure that there is an effective succession process in place to effectively manage changes to the Board.

There have been a number of changes to our Board during the year: Philip Vincent was appointed as Group CFO. Philip brings a wealth of relevant financial and commercial experience gained in a wide range of senior roles, in the UK and internationally, which will enable him to make a significant contribution to Northgate's future success.

Andrew Allner stepped down as a Non-executive Director on 31 December 2018, following 11 years with the Group and John Pattullo was appointed as a Non-executive Director on 1 January 2019. John is also a Non-executive Director and Senior Independent Director of Electrocomponents plc and Chairman of V Group Ltd. John brings a broad breadth of experience across publicly listed and private equity companies which will be of great benefit to Northgate.

Fernando Cogollos Ubeda is expected to join the board as a Non-executive Director following the commencement of his replacement as General Manager of Northgate Spain, thus ensuring that the Group will continue to benefit from his knowledge and understanding of the vehicle rental industry.

Andrew Page resigned from the Board on 27 March 2019 and a search for his replacement remains ongoing.

The committee considers that the appointments and succession planning undertaken have contributed to a further strengthening of the Northgate Board and that the appointments made in the year ensure that the Board maintains the right level of skills and expertise to ensure the good governance of the group.

Diversity

The Board recognises the benefits of diversity and having a diverse and inclusive executive leadership team, which provides a range of perspectives, insights and the challenge needed to support good decision making. As at the date of this report, 33% of the Board are female. The Board remains committed to ensuring diversity pervades not only the Board, but the entire Group.

FY 2019 priorities

In FY 2019 the Committee will review succession plans for the Board to ensure that the Board can continue to operate effectively and add value to the group.

Bill Spencer
Interim Chairman

24 June 2019

Report of the Audit and Risk Committee

Ensuring Integrity of financial reporting

Bill Spencer
Committee chairman

Committee membership

- Bill Spencer
- Jill Caseberry
- Claire Miles
- John Pattullo (from 1 January 2019)

Dear shareholder,
I am pleased to present to you my third report as Chairman of the Audit and Risk Committee since joining the Board in June 2016.

Committee membership

Members of the Audit and Risk Committee (the Committee) are shown below.

	Audit and Risk
No. of meetings	**4**
C Miles	4 of 4
J Caseberry	4 of 4
B Spencer	4 of 4
John Pattullo[1]	2 of 2

1. Attended all meetings since appointment on 1 January 2019.

The Committee has continued to follow a detailed programme of work. We have been provided with good quality material to allow proper consideration to be given to the Committee's responsibilities.

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

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

One of the key accounting issues considered during the year continued to be determining appropriate depreciation rates for our vehicles. This is an area where significant judgement is required and the Committee is satisfied with the rigour applied to this issue. After due consideration the Committee accepted management's recommendation to change rates of depreciation on vehicles from 1 May 2018 and will continue to monitor how management assess the appropriateness of these rates going forward. The Committee also reviewed managements assessment of the impact of new accounting standards applied in the year (IFRS 9 and IFRS 15) and to be applied from 1 May 2019 (IFRS 16). The Committee noted that the implementation of IFRS 9 and IFRS 15 have no material impact on the financial statements of the Group and is satisfied that responses to all new accounting standards have been considered fully. The exoected impact of IFRS 16 is outlined in the notes to the accounts.

The Committee has also focussed on improving risk management within the Group. The Board's risk appetite and approach towards risk is outlined in the Managing Risk report on pages 28 to 31. The Committee has reviewed and recommended that the Board approve the Group's published tax strategy (available on our website) and believes this demonstrates the Group's commitment to tax transparency and its stated desire to pay the right amount of tax. Based on our ongoing review of the work of Group Internal Audit, we have concluded that this key function has the necessary resources allocated and continues to operate effectively.

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

Bill Spencer
Chairman of Audit and Risk Committee

24 June 2019

Report of the Audit and Risk Committee continued

Role

The role of the Audit and Risk Committee is set out on page 47.

Membership

The members of the Committee are shown in the table on page 53. Details of their experience and qualifications are shown on pages 48 and 49.

The Code requires that at least one member of the Committee should have recent and relevant financial experience: currently, the Chairman of the Committee fulfils this requirement. All members of the Committee are expected to be financially literate. Relevant information on the skills and experience of our Board members is outlined on pages 48 and 49.

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 2019 are given on page 50.

Due to the cyclical nature of its agenda, which is linked to events in the Group's financial calendar, the Committee generally meets 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 2018, the Committee has:

- Reviewed the financial statements for the years ended 30 April 2018 and 2019 and the half yearly report issued in December 2018. As part of this review process, the Committee received reports from PwC;
- Reviewed and agreed the scope of the audit work to be undertaken by PwC and agreed their fees;
- Reviewed the effectiveness of the Group's system of internal controls;
- Received regular reports from the Group Head of Internal Audit;
- Reviewed the progress made by management in implementing the control improvements recommended by Group Internal Audit;
- Reviewed the effectiveness of external audit;
- Reviewed and confirmed endorsement of the Group's non-audit fee policy and noted that the level of non-audit work undertaken by PwC in the year was within the policy;
- Reviewed a management paper on the implementation of IFRS 9;
- Reviewed a management paper on the implementation of IFRS 15;
- Reviewed a management paper on the implementation of IFRS 16;
- Reviewed the Group's depreciation policy and depreciation rates adopted within this policy;
- Reviewed the Group's corporate taxation arrangements;
- Reviewed a management paper on the group's response to cyber security risks;
- Reviewed a management paper on GDPR compliance; and
- Reviewed its own effectiveness and terms of reference.

Risk management

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

The Committee monitored and reviewed the activities of the Group Internal Audit function including agreeing the scope of work to be performed with reference to the principal risks facing the Group.

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 issues were in relation to the financial statements and how these would be addressed:

- **Determining appropriate depreciation rates for vehicles available for hire** – as Board members, the Committee reviews adjustments to depreciation on a regular basis. In addition, 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, benchmarking of the Group's depreciation policy, and recommendations for changes in depreciation rate accounting estimates. After due challenge and debate the Committee was content with the assumptions and judgements made and accepted management's recommendations to change rates from 1 May 2018 (as reported in the prior year) and to maintain depreciation rates at current levels from 1 May 2019.
- **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 influenced the level of provision held in the balance sheet and was satisfied with the judgements made; and
- **Financial statements** – the Committee considered the presentation of the Annual Report and Accounts, including analysis between underlying and statutory disclosures. We were satisfied with management's presentation.

External auditor

The Committee reviews and makes recommendations regarding the appointment of the external auditor. In making this recommendation, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact upon the external auditor's reappointment. PwC was first appointed in September 2015.

The Committee believes that non-audit work may only be undertaken by the external auditor in limited circumstances. Non-audit services provided by our external auditor are subject to a three year cumulative cap commencing in the year ended 30 April 2018. All non-audit services are subject to the committee's prior approval.

Non-audit fees for services provided by PwC for the year amounted to £21,000 (6% of the audit fee). Further details are included in Note 5 to the Financial Statements. The cumulative amount of non-audit services provided by PwC in the two years ended 30 April 2019 is 15% of the average audit fee charged in that period.

The Committee reviewed the effectiveness and independence of the external auditor, considering input from management, responses to questions from the Committee and the audit findings reported to the Committee. The Committee also conducted one to one meetings with the audit partner without management being present. Based on this information, the Committee concluded that the audit process was operating effectively. Consequently, the Committee has recommended the reappointment of PwC as external auditor at the AGM in September 2019.

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 Group Internal Audit department;
- Ensured that the Group Head of Internal Audit has direct access to the Chairman of the Board and to all members of the Committee;
- Conducted a one-to-one meeting with the Group Head of Internal Audit without management present; and
- Approved the Group Internal Audit programme and reviewed quarterly reports by the Head of Group Internal Audit.

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

Bill Spencer
Chairman of Audit and Risk Committee

24 June 2019

Remuneration report

Chairman's introduction

Jill Caseberry
Committee chairman

Committee membership

- Jill Caseberry
- Bill Spencer
- Claire Miles
- John Pattullo (from 1 January 2019)
- Andrew Page (until 27 March 2019)

Dear shareholder,

Following a year of extensive shareholder consultation, the Committee has enhanced the Remuneration Policy in line with best practice and on behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 30 April 2019.

At our 2018 AGM a majority of shareholders voted against the resolution to approve our remuneration report. During the year we have consulted extensively with shareholders.

The focus of our consultation with shareholders during the year has been to ensure that they are comfortable with:

(i) the reinstatement of the original target for the 2016 and 2017 EPSP awards;

(ii) the performance metrics and targets set for the 2018 EPSP awards; and

(iii) the new three year policy we are proposing.

Due to the resolution to approve our remuneration report being defeated, we must bring our Directors' Remuneration Policy to shareholders for approval at this year's AGM, a year before the normal triennial vote.

Our policy received 99% approval when it was brought to shareholders at our 2017 AGM and during consultation it has been clear that shareholders remain supportive of the policy. The policy that we are now bringing to shareholders for approval includes:

(i) changes recommended in the new UK Corporate Governance Code;

(ii) improvements in alignment of executives to shareholders; and

(iii) simplification of the current policy.

There are no proposals to increase Directors' salaries, aside from an annual increase the same as the workforce increase.

I very much hope that the changes set out in this report and summarised in my Statement will ensure a positive outcome at the 2019 AGM on our remuneration based resolutions.

Performance of the Group and remuneration outcomes for FY 2019

The Group delivered financial results for FY 2019 in line with previous guidance. Good progress has been made during the year in the delivery of strategic initiatives and the Group has entered FY 2020 with good momentum to continue the delivery of improved performance for the benefit of all our shareholders.

- Underlying profit before tax of £61.1m grew 7.2% over the prior year;
- Underlying basic earnings per share grew 11.4% to 38.7p;
- Underlying free cash flow generation grew 116.9% to £63.1m;
- 3.4% increase in proposed full year dividend per share to 18.3p (FY2018: 17.7p).

Base salary

As I explained in my Annual Statement last year, our CEO was awarded a salary increase of 10.3% in May 2018 to acknowledge his criticality to Northgate's continuing development and growth and reflecting his performance since appointment. This increase was indicated at the time of his recruitment subject to performance. The Committee understand investors' concerns with increases to executive remuneration and in particular fixed pay. Salary increases for this new policy period are expected to be no more than those awarded to the workforce.

Annual bonus

The annual bonus for 30 April 2019 has been determined by profit before tax (75% of maximum opportunity) and key strategic targets (25% of maximum opportunity) with a ROCE underpin and profit before tax threshold. Our business performance, as mentioned above, has been strong and the executive Directors have made good progress against their strategic objectives resulting in a bonus for Kevin Bradshaw of 72% of maximum and for Philip Vincent of 72% of maximum. Philip Vincent will defer half of his bonus into shares for 3 years' time and Kevin Bradshaw will defer half of his bonus up to 100% of salary and all of his bonus in excess of 100% of salary resulting in deferral of 54% of the total bonus payable for FY 2019.

Further details including the targets and performance against them are set out in the main body of this report. Given the underlying performance of the business the Committee considers that the level of bonus payment is appropriate and that there are no circumstances that require the exercise of discretion to adjust the formulaic outcome.

Executive Performance Share Plan (EPSP)

Our CEO was granted an EPSP award on joining the Company in FY 2017 which has a performance period ending on 30 April 2019. Neither the TSR nor EPS targets for this award have been met and it will therefore lapse.

EPSP awards were made to the executive Directors in 2018 over 150% of salary although the award to Philip Vincent was pro-rated to reflect his appointment part way through the year.

Following extensive consultation with our largest shareholders, the Committee has determined that the 2018 EPSP awards would be subject to EPS, ROCE measured in FY 2021 on a monthly basis and relative TSR compared to the FTSE 250 (excluding investment trusts) all weighted equally. The targets which again have been subject to consultation are set out in the main body of this report. In setting

the EPS and ROCE targets the Committee has taken account of analysts' forecasts, our internal business plans and weighted average cost of capital.

Our EPS targets are no longer linked to CPI and we are simplifying the way EPS will be calculated by not making depreciation adjustments in the final year of the 3-year performance period. We are conscious that in the past this has made comparison with both reported EPS and analysts' forecasts very difficult and opaque. We are seeking approval at the AGM for the renewal of the EPSP scheme rules substantially in their current form.

Appointment of our new CFO

Our new CFO, Philip Vincent, joined the Board on 16 July 2018 and his remuneration paid during the year is included in this year's report. This is fully in line with our policy.

Remuneration policy

As mentioned above, the changes to our policy are aimed at adopting changes required by the updated Corporate Governance Code improving alignment of executives to shareholders and simplification.

Corporate Governance Code related changes

- New executive Directors will receive pension allowances capped at the level received by the majority of the workforce.
- Claw back and malus provisions, which are already comprehensive, will be enhanced to include corporate failure.
- The Committee will have the discretion to scale back bonus and EPSP vesting where the formulaic outturn is not in line with underlying performance of the Company or investor experience.
- Non-executive Director fees for additional responsibilities will cover not only Committee Chair roles but other designated Non-executive Director roles such as for workforce engagement.

Improving alignment between executives and shareholders

- Post-employment shareholding requirements will be introduced for 2 years from ceasing to be an executive Director. The holding requirement will be the full in-service level (200% of salary) or the actual level on ceasing employment if lower.
- Dividend equivalents awarded on unvested shares will normally be made in shares and not cash.

Simplification of the deferred bonus plan

- Our current annual bonus deferral mechanism is complicated using market priced share options granted under an HMRC tax favoured plan. Going forward the executive Directors will be paid their bonus in cash and will be required to invest that part that would have been deferred, into Northgate shares directly which will be held in trust for 3 years before they can be sold. We will wait until after the AGM to operate the new deferal mechanisim for FY 2019.
- This new mechanism allows us to enforce the post-employment shareholding guidelines and the enhanced recovery provisions and creates immediate shareholdings, because the current deferral mechanism is replaced by a holding mechanism.

Flexibility

- The threshold level of vesting for the annual bonus and EPSP will be changed from 25% to "no more than 25%" to enable the Committee to reduce the vesting percentage in the future if it sees fit.

Operation of policy for FY 2020

Base salary

The CEO and CFO's salaries are increased by 2% effective from 1 May 2019, which is aligned to the workforce increase.

Annual bonus

The annual bonus maximum opportunity for FY 2020 remains unchanged at 150% of salary for the CEO and 100% of salary for the CFO.

The measures used in the annual bonus plan remain the same. The bonus will therefore be determined as to 75% Profit Before Tax and 25% a range of strategic and operational objectives with a ROCE and PBT underpin. The Committee will have the discretion under the new policy to adjust the bonus outcome if it is not deemed appropriate for example in terms of the underlying performance of the Company.

As with previous years, due to the commercial sensitivity of targets the performance targets and performance against them will be disclosed retrospectively in next year's report.

Executive Performance Share Plan (EPSP)

EPSP awards will be granted to the CEO and CFO over shares worth 150% of salary after the AGM under the new policy.

The measures and weightings used for the 2018 EPSP awards are retained for the 2019 awards and the targets are set out in the main body of this report.

Focus for the year ahead and Corporate Governance Code changes

Our new policy embraces many of the recommendations of the new Corporate Governance Code and the Committee's terms of reference have been amended to include its wider remit as set out in the Code. During the course of FY 2020 the Committee will continue with stakeholder engagement and will also continue to review the alignment of the executive Directors' remuneration policy with the wider employee population.

Conclusion

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

We value the feedback that shareholders have provided as we have prepared our new policy and carefully considered operation of policy for FY2019 and the year ahead. Northgate is committed to a transparent and open dialogue with shareholders and I very much hope that you are supportive of our remuneration based resolutions at our AGM in September.

Jill Caseberry
Chairman of the Remuneration Committee

24 June 2019

Remuneration report continued

Remuneration policy report

This part of the Directors' remuneration report sets out the remuneration policy for the Company and has been prepared in accordance with the Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code and the UK Listing Rules. Our Directors' remuneration policy was last approved by shareholders at our AGM on 19 September 2017 and became effective from that date.

At our 2018 AGM a majority of shareholders voted against the resolution to approve our remuneration report. As a result, of the 2018 vote we must seek shareholder approval for a new remuneration policy at this year's AGM. We have consulted extensively with shareholders regarding the reasons for the vote against our remuneration report which were principally due to the Committee's proposal to make changes to the performance targets for our 2016 and 2017 long-term incentive awards.

The Committee believes that the current Directors' remuneration policy remains appropriate, is aligned to the business strategy and that investors are supportive of it. No fundamental changes are therefore proposed to the policy although some changes are being made to take into account the recent changes to the UK Corporate Governance Code, proxy advisors and investor guidance, simplify its operation and further align executives to shareholders.

This Directors' remuneration policy is put forward for a binding shareholder vote at the 2019 AGM and will take effect from the date of the AGM. The changes we have made to the new remuneration policy compared to the 2017 policy are summarised as follows.

The following changes are proposed to the current policy and how it will be operated:

- New appointments will receive a pension contribution not exceeding that applicable to the workforce in the country in which they are based which will be between 5% and 15% of salary. Our current CEO and CFO will continue to receive their current contribution of 18% of salary although the Committee will monitor market practice in this area.
- In line with simplification across the wider management population, the current annual bonus deferral structure will be changed so that executives will be immediately taxed and then have to purchase and retain shares in the Company, rather than receive a deferred share award on which tax would have been deferred. These shares must be retained for a 3-year holding period and potentially post cessation of employment for two years. Recovery provisions will apply during the holding period.
- Providing a post cessation shareholding requirement for two years in respect of the lower of those shares held on cessation and the in-service requirement of 200% of salary.
- Include discretion for Committee adjustment of incentive awards where it considers the formulaic outcome is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience.
- Increasing the circumstance in which withholding and recovery apply in line with the new Code to include serious reputational damage and corporate failure.
- Enabling longer notice periods for the non-executive Directors if required, for the Chairman of up to six months and for other non-executive Directors up to three months.
- Enabling additional fees to be paid to the non-executive Directors for new roles and / or additional responsibilities.
- Enabling the Committee to amend the shareholder approved policy to take account of changes to legislation, taxation and other supplemental and administrative matters without the necessity to seek shareholder approval for those changes.
- Some changes to wording to improve clarity but which do not make changes to the substance of the policy.

How the views of shareholders are taken into account

The Committee takes seriously the views of its shareholders.

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

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

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

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

Consideration of employment conditions elsewhere in the Group

When setting remuneration policy for the executive Directors, the Committee takes into account the overall approach to reward and the pay and employment conditions of other employees in the Group and salary increases will ordinarily, in percentage terms, be in line with those of the wider workforce in the UK. The Committee is also provided with periodic updates on employee remuneration practices and trends across the Group which inform the Committee's discussions on executive remuneration. As part of the Committee's broader remit under the Code the Committee will review and provide input and challenge in respect of the Group's wider remuneration policies and practices with the objective of ensuring an appropriate cascade of policy for executive Directors to the rest of the business. The Company does not currently formally consult with employees on the Directors' remuneration policy but is working with the business taking into account the wider engagement requirement under the Code to determine the most effective form of engagement to explain the alignment of the Directors' remuneration policy with the wider business.

The remuneration policy for Directors

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

The Committee's policy is to apply greater weighting to the variable elements of executive remuneration and by incentivising the longer term performance of the Company, to provide greater alignment with the interests of shareholders.

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

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

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

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

Remuneration policy report continued

Purpose and link to strategy	Operation	Maximum opportunity
Base salary To recruit and reward executives of a suitable calibre for the role and duties required.	Reviewed annually by the Committee, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader UK population. Reference is also made to remuneration levels within relevant FTSE and industry comparator companies. The Committee considers the impact of any basic salary increase on the total remuneration package.	Salary increases for executive Directors will not normally exceed the general increase for the broader UK employee population but on occasions may need to recognise, for example, changes in the scale, scope, complexity or responsibility of the role, and/or specific retention issues, and to allow the base salary of newly appointed executives to increase in line with their experience and contribution. Details of the outcome of the most recent salary review are provided in the annual remuneration report.
Benefits To provide market competitive benefits to ensure the wellbeing of executives.	The Company typically provides: – A car or cash allowance in lieu; – Medical insurance; – Death in service benefits; – Critical illness insurance; and – Other ancillary benefits, including relocation expenses (as required). Executive Directors are also entitled to 30 days' leave per annum. Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role including tax thereon where a business expense is deemed taxable by HMRC.	The value of benefits is based on the cost to the Company and is not predetermined. It is a relatively small part of the overall value of the total remuneration package.
Pension To provide market competitive retirement benefits.	A Company contribution to a Group personal pension plan or provision of cash allowance in lieu at the request of the individual.	Up to 18% of salary for the current executive Directors. New appointments will receive a Company contribution not exceeding that applicable to the workforce in the country in which they are based which is currently between 5% and 15% of salary.
Annual bonus To encourage and reward delivery of the Company's operational objectives and to provide alignment with shareholders through the deferred share element.	The annual bonus is based on performance against one or more financial targets. A proportion (not exceeding 25%) may also be based on non-financial strategic KPIs. Details of the performance measures, weightings and targets (where these are not considered commercially sensitive) set for the year under review is provided in the annual report on remuneration. Up to 100% of salary, half of any bonus earned and all of any bonus earned in excess of 100% of salary net of taxes will be used by the executive Directors to purchase shares which will be subject to a three year holding period and cannot be sold during that time. The shares will be subject to recovery provisions. For unvested deferred share awards (granted under the previous remuneration policy) the Committee has the discretion to permit the payment of dividend equivalents arising over the period between grant and the vesting date. These would be paid in shares and only exceptionally in cash. The Committee has the discretion to adjust the formulaic outcome of the bonus where it considers it is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience. Recovery and withholding provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the Committee determines.	Maximum: 150% of salary for CEO; 100% of salary for other executives. Target: No greater than 50% of maximum. Threshold: No greater than 25% of maximum. For performance below threshold, no bonus is payable.

Purpose and link to strategy	Operation	Maximum opportunity
Long term incentives To encourage and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares.	Annual awards of performance shares (or nil cost options) to executive Directors. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years. The Committee will select the performance measures for awards that it considers best support the Company's medium to long term objectives. If the Committee considers that the changes it is making in selecting alterative measures or weightings for a new award are substantive it will consult with the Company's major shareholders prior to making any changes. Awards will vest, subject to performance, on the third anniversary of grant and will be subject to an additional two year holding period post vesting, during which time awarded shares may not be sold (other than to meet tax or social security obligations. The terms of the EPSP rules provide the Committee with the discretion to grant and/or settle all or part of an EPSP award in cash. In practice this discretion would only be used in exceptional circumstances for executive Directors or to enable the Company to settle any tax or social security withholding which may apply. The Committee has the discretion to permit the payment of dividend equivalents arising over the period between grant and the vesting date. These would be paid in shares and only in exceptional circumstances cash. The Committee has the discretion to adjust the formulaic outcome of the bonus where it considers it is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience. Recovery and withholding provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the Committee determines.	The maximum grant limit in the plan rules is 150% of salary (face value of shares at grant) although exceptionally 250% may be used, e.g. in recruitment. The normal grant policy is 150% of salary for each executive Director. No greater than 25% of the grant vests for threshold performance increasing progressively to 100% for maximum performance. If performance is below threshold for a measure, then the proportion of the award subject to that measure will lapse.
All employee share scheme All UK employees including executive Directors are encouraged to become shareholders through the operation of an all employee HMRC approved SIP. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders.	The SIP has standard terms under which all UK employees can participate. The rules for this plan were last approved by the shareholders at the 2011 AGM.	Employees can elect to contribute up to a maximum amount determined by the Company and within the statutory limits for SIPs per month from pre-tax salary which is used to buy shares in the Company. The Company may in addition make an award of free Matching Shares at a ratio not exceeding the statutory limit for SIPs. The Company may also make awards of free shares to all employees including executive Directors, on an equal basis. The maximum award would not exceed the maximum limit for SIPs.
Non-executive director fees To attract and retain a high calibre Chairman and non-executive Directors by offering a market competitive fee level.	The Chairman is paid a single fee for all his/her responsibilities. The non-executive Directors are paid a basic fee. The chairmen of the main Board Committees and the senior independent Director are paid an additional fee to reflect their extra responsibilities. Additional fees may be paid for new roles and / or additional responsibilities. The level of these fees is reviewed periodically by the Committee and CEO for the Chairman and by the Chairman and executive Directors for the non-executive Directors within the overall limit set by the Articles of Association and with reference to market levels in comparably sized FTSE companies, time commitment and responsibilities of the non-executive Directors. Fees are paid in cash. Reimbursement of all reasonable expenses including costs associated with reasonable expenses, such as tax payable on expenses which HMRC deem to be taxable, incurred for the proper performance of the role.	The maximum aggregate amount is currently £700,000 as provided in the Articles of Association. Details of the outcome of the most recent fee review are provided in the annual report on remuneration.

Remuneration policy report continued

Choice of performance measures and approach to target setting

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

Awards under the EPSP will be based on performance against one or more financial measures. The Committee selects measures that reflect the Board's priorities and closely align to the long-term strategy and key performance indicators of the business. The Committee will review the choice of performance measures and set appropriately challenging targets prior to each award being made based on market conditions and the Company's long term priorities and business plan at that time. The measures and targets for outstanding awards are set out in the annual report on remuneration.

Annual bonus plan and share plan policy

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

- How to determine the size of an award, a payment, or when and how much of an award should vest;
- How to deal with a change of control or restructuring of the Group;
- Other than in the case of stated good leaver reasons, whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant;
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the EPSP if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose provided that they are not in all the circumstances considered by the Committee to be materially less difficult to satisfy. All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding remain eligible to vest based on their original award terms.

Amendments to Policy

The Committee may amend this shareholder approved policy to take account of changes to legislation, taxation and other supplemental and administrative matters without the necessity to seek shareholder approval for those changes.

Share ownership requirements

The executive Directors are required to accumulate, over a period of five years from the date of appointment, a holding of Ordinary shares of the Company equivalent in value to 200% of their basic annual salary, measured annually. It is intended that this should be achieved primarily through shares acquired on the exercise of share incentive awards and from annual bonus and that Directors are not required to go into the market to purchase shares, although this is encouraged and any shares so acquired would count towards meeting the guidelines. Executive Directors are required to retain all shares which they are required to acquire with annual bonus payments, all vested DABP and EPSP awards on vesting, subject to sales to meet tax obligations, and the Committee's discretion in exceptional circumstances until the ownership requirement is met.

Other than in exceptional circumstances as determined by the Committee, the executive Directors are required to hold the lower of (1) Ordinary shares held on cessation and (2) Ordinary shares equivalent in value to 200% of salary at the time of cessation, for a period of two years from the date they cease to be an executive Director.

Differences in remuneration policy for executive Directors compared to other employees

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

External non-executive Director positions

Subject to Board approval, executive Directors will normally be permitted to take on one non-executive position with another company and will normally be permitted to retain their fees in respect of such positions.

Approach to recruitment and promotions

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

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

The Committee may buy-out incentive pay, which would be forfeited by reason of leaving the previous employer, in order to secure an appointment, when it considers this to be in the best interests of the Company and its shareholders. Any buy-out will take into account and replicate as far as possible, the form (cash or shares), delivery mechanism, performance measures, timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as the Committee considers relevant. Other benefits or remuneration may also need to be "bought out" and the Committee will use its judgement as to the most appropriate way to structure this.

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

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

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

Service contracts and payments for loss of office

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

Service contracts normally continue until the Director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination. In line with best practice equal notice periods will apply to the executive Directors and the Company and that these will normally be six months, although in exceptional circumstances a notice period may be agreed of up to a maximum of 12 months.

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

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

In summary, the proposed contractual provisions are as follows:

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

Remuneration policy report continued

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

On a takeover, awards will vest subject to a performance assessment at that time and usually be scaled back for the actual period of service although the Committee has the discretion to not scale back if it considers this is appropriate.

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

All non-executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual reappointment at the AGM. This policy provides for a notice period for the Chairman of up to six months and for other non-executive Directors up to three months.

The appointment letters for the current non-executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

Legacy arrangements

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

Reward scenarios

The Company's policy results in a significant portion of remuneration received by executive Directors being dependent on Company performance. The chart below illustrates how the total pay opportunities for the executive Directors vary under three different performance scenarios: maximum, on-target and fixed pay only. These charts are indicative as share price movement and dividend accrual have been excluded except for a 50% increase in the EPSP award under the maximum scenario to reflect share price growth.

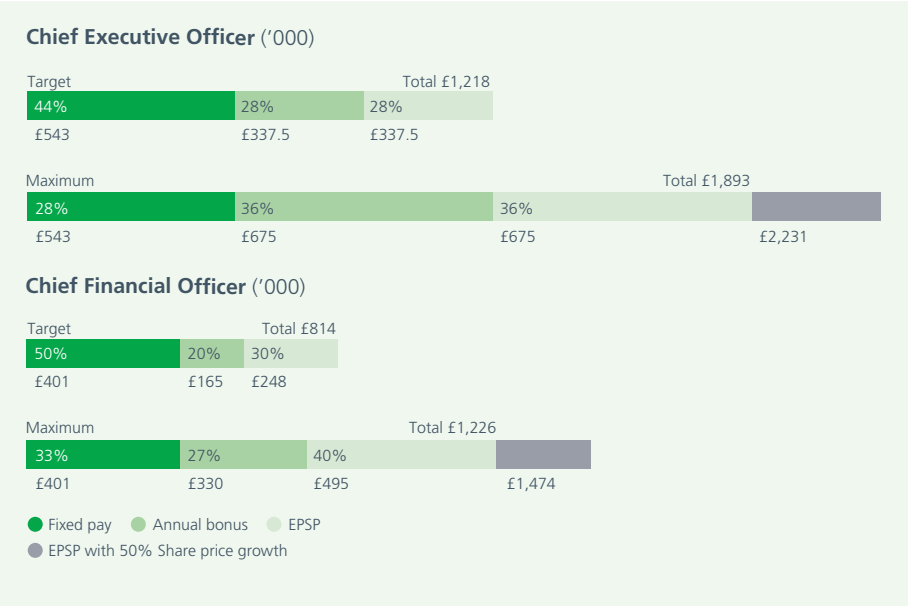
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 May 2019. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 30 April 2019.

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

Executive Director total remuneration at different levels of performance

Assumptions:

Fixed pay =	salary + benefits + pension
On target =	Fixed plus 50% vesting of the EPSP awards and 50% of the annual bonus opportunity
Maximum =	Fixed plus 100% of the annual bonus opportunity and 100% of the EPSP awards and additionally showing a 50% increase in the EPSP award to represent share price growth.



Annual report on remuneration

The Remuneration Committee

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

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

	Number of meetings attended out of potential maximum
J Caseberry (Chairman)	9 out of 9
A Page[1]	7 out of 7
B Spencer	9 out of 9
C Miles[2]	7 out of 9
J Pattullo[3]	5 out of 5

1. A Page was a Committee member until his resignation from on 27 March 2019.
2. C Miles was absent at one meeting due to its late arrangement and prior personal commitments. C Miles was absent at a second meeting due to attendence being required at another Board meeting but had a call with the Chairman prior to the meeting to discuss the content and provide her views.
3. J Pattullo has been a Committee member since his appointment to the Board on 1 January 2019.

The CEO attends meetings by invitation and assists the Committee in its deliberations, except when issues relating to his remuneration are discussed. No Directors are involved in deciding their own remuneration. The Company Secretary acts as Secretary to the Committee.

The Committee was advised by NBS (part of Aon plc), until November 2018. Following a tender process the Committee appointed Korn Ferry as its new advisers from 9 November 2018.

The total fees paid to NBS in respect of its services to the Committee during the year were £41,609 (2018 – £42,720) and total fees paid to Korn Ferry were £38,651.

The fees are predominantly charged on a time spent basis.

NBS and Korn Ferry are signatories to the Remuneration Consultants' Code of Conduct. Neither NBS nor Aon plc provided any other services to the Company. Korn Ferry provides advice on talent and reward matters to the Group through a separate team. 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 and under the new Code the most senior executives below Board level in the UK, Spain and Ireland. The Committee also reviews remuneration policies and practices generally throughout the Group.

Remuneration report continued

Remuneration for the year ended 30 April 2019 (audited)

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2019 (and for long-term incentive awards' performance periods ending in the year) and in the year ended 30 April 2018.

£000		Salary and fees	Taxable benefits[2]	Annual bonus	Long term incentive[3]	Pension[4]	Other	Loss of office	Total
Executive Directors									
K Bradshaw	2019	450	12	489	–	81	–	–	1,032
	2018	408	9	–	–	73	–	–	490
P Vincent[1]	2019	262	12	189	–	47	–	–	510
	2018	–	–	–	–	–	–	–	–
Chairman									
A Page[1]	2019	150	–	–	–	–	–	–	150
	2018	163	–	–	–	–	–	–	163
Non-executive Directors									
AJ Allner[1]	2019	37	–	–	–	–	–	–	37
	2018	55	–	–	–	–	–	–	55
B Spencer[1]	2019	84	–	–	–	–	–	–	84
	2018	75	–	–	–	–	–	–	75
J Caseberry	2019	65	–	–	–	–	–	–	65
	2018	65	–	–	–	–	–	–	65
C Miles	2019	55	–	–	–	–	–	–	55
	2018	55	–	–	–	–	–	–	55
J Pattullo[1]	2019	18	–	–	–	–	–	–	18
	2018	–	–	–	–	–	–	–	–

1 Philip Vincent was appointed to the Board on 16 July 2018 and his remuneration is for the period from appointment. Andrew Page stepped down from the Board on 27 March 2019, Andrew Allner on 31 December 2018, and John Pattullo joined the Board on 1 January 2019, Bill Spencer became Interim Chairman on 27 March 2019. Whilst acting as Interim Chairman Bill Spencer receives a fee of £166,464pa inclusive of all responsibilities.
2. Taxable benefits:

	K Bradshaw £000	P Vincent £000
Car	11	11
Medical insurance	1	1

3. No awards are eligible for vesting under the EPSP.
4. 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.

Philip Vincent was appointed to the Board as CFO on 16 July 2018 on a basic salary of £330,000 per annum, effective from 16 July 2018. His annual pension entitlement is 18% of his base salary. Philip's maximum annual bonus opportunity is 100% of base salary and EPSP award 150% of base salary. There was no buyout of incentive arrangements from his previous employer. Annual bonus and the EPSP award granted were prorated for FY2019 being the first year of employment.

Annual bonus for the year ended 30 April 2019 (audited)

Total Opportunity

The maximum bonus opportunity for the CEO is 150% of salary and for the CFO 100% of salary prorated to reflect his appointment date of 16 July 2018 and therefore 79% of salary. The bonus for the executive Directors was based 75% on Group PBT and 25% on strategic objectives, with a ROCE underpin of 6.6% below which no bonus would be payable, and a minimum PBT threshold of £57m. The targets, performance against them and resulting payment are set out in the tables below. Both executive Directors defer half of the annual bonus paid up to 100% of salary and, additionally, the CEO defers all bonus paid in excess of 100% of salary. The Committee will wait until after the AGM to operate the new bonus deferal mechanisim in line with the new policy.

Total bonus payable	PBT element % maximum	Strategic objective element % maximum	Total bonus % maximum	Total bonus % salary	Bonus payable £000
K Bradshaw	75	25	100	150	225 cash 450 deferred in shares
P Vincent	75	25	100	100	165 cash 165 deferred in shares

Total Award

PBT performance	Threshold performance 25% max.	Target performance 50% max.	Maximum performance	Actual PBT performance
PBT 75% of total bonus	£57.0m	£60.7m	£64.4m	£62.1m
K Bradshaw	28.13% salary	56.25% salary	112.50% salary	77% salary 68% Max.
P Vincent[1]	18.75% salary	37.50% salary	75.00% salary	51% salary 68% Max.

1. Percentage to be applied to pro rated salary.

PBT for bonus calculation purposes, reconciles to PBT on page 83 with £0.9m adjustment for constant foreign exchange rates and refinancing, such that performance is calculated on the same basis on which the targets were set.

The annual bonus opportunity for Philip Vincent is 79% of the full year reflecting his date of appointment of 16 July 2018.

K Bradshaw

Strategic objectives and weighting 25% of total bonus 37.5% of salary	Performance/ achievement	Max Scoring %
Recruited CFO and provided overall stewardship to the transformation programme.	Partially met	6.25
Developed and implemented a companywide Northgate Culture programme.	Partially met	6.25
Developed and implemented an Investor relations strategy.	Partially met	6.25
Developed and implemented cost saving initiatives to support margin improvement from FY20.	Fully met	6.25
Total	21.25	% out of 25%

P Vincent

Strategic objectives and weighting 25% of total bonus 25% of prorated salary	Performance/ achievement	Max Scoring %
Drove increased performance from the finance function group wide.	Fully met	13.75
Established a strong reputation with the investor community through effective interaction.	Partially met	6.25
Assumed financial stewardship of the transformation programme to ensure business case financial benefits are delivered.	Partially met	5
Total	21.25	% out of 25%

Remuneration report continued

EPSP awards with performance periods ending in the year ended 30 April 2019

The award granted to Kevin Bradshaw in January 2017 failed to meet the minimum levels of financial performance required (EPS and TSR) over the three financial years to 30 April 2019 for it to vest.

	Type of award	Number of shares over which award was granted	Estimated value on vesting (£)	Increase in value as a result of share price movement between grant and vesting (£)
K Bradshaw	Nil cost option	36,107	0	n/a

EPSP awards made during the year (audited)

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

	Type of award	Basis of award granted	Share price at date of award[1]	Number of shares over which award was granted	Face value of award (£)	% of face value that would vest on threshold performance	Vesting determined by performance over
K Bradshaw	Nil cost option	150% of salary of £450,000	411p	164,233	675,000	25%	Three financial years to 30 April 2021
P Vincent	Nil cost option	150% of salary of £330,000 proated to 118.8% salary	411p	95,360	391,930	25%	As above

The award to Philip Vincent is prorated to reflect his date of appointment of 16 July 2018.

These awards are subject to the following performance targets which were set following consultation with investors.

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (33.3% of award)	42p	49p	Final year of the performance period
ROCE (33.3% of award)	7.5%	11.5%	Final year of the performance period
TSR (33.3% of award): Relative to FTSE 250 excl. investment trusts	Median	Upper quartile	Over the performance period

Percentage change in remuneration levels

	2018	**2019**	% change
CEO (£000)			
– salary	408	450	10.3%
– benefits	9	11	22.2%
– bonus	–	489	–
Average per UK employee (£)			
– salary	26,504	27,233	2.7%
– benefits	892	1,711	91.8%
– bonus	2,563	3,571	39.3%

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.

CEO to employee pay ratio

The Company is required to comply with the new pay ratio regulations for FY 2020 and is making this disclosure for FY 2019 before it is required to do so.

The table below sets out the ratio of the CEO's single figure of total remuneration to the total remuneration to the 25th percentile, median (50th percentile), and 75th percentile remuneration of our UK employees.

Option A has been used to calculate the ratio as it was considered to provide the most accurate basis of calculation. Full-time equivalent remuneration for all UK employees has been used.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	47:1	38:1	26:1

Salary and total remuneration details for the relevant individuals are set out as follows:

	CEO	25th percentile	Median pay ratio	75th percentile
Salary	£450,000	£19,000	£22,000	£28,635
Total remuneration[1]	£1,032,000	£21,847	£27,514	£39,450

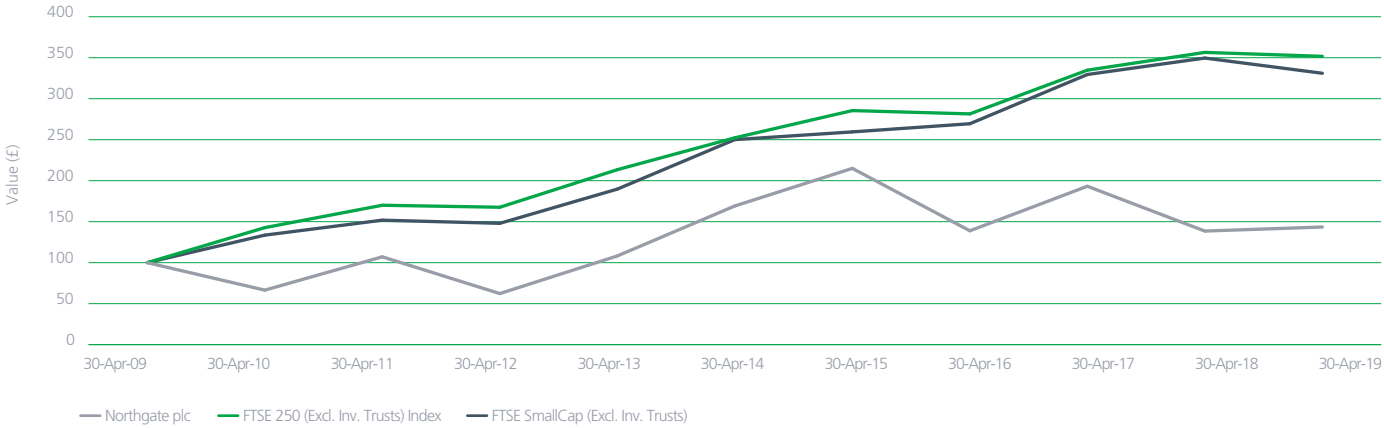
1. Total remuneration for CEO includes bonus award in the year, for all other staff total remuneration includes bonus paid in the year.

The Committee has responsibility for setting the remuneration of the Executive Directors and other senior management and reviews the wider policies and practices for our workforce. The Committee is satisfied that the median pay ratio is consistent with the Group's pay, reward and progression policies.

Performance graph measured by TSR

The graph below illustrates the performance of Northgate plc measured by Total Shareholder Return (share price growth plus dividends reinvested in shares) against a 'broad equity market index' over the last ten years from 30 April 2009 to 30 April 2019. As the Company has been a constituent of the FTSE SmallCap index for the majority of that time, that index (excluding investment companies) is considered to be the most appropriate benchmark. Consistent with the approach adopted in previous years we show performance against both the FTSE SmallCap and FTSE 250. The mid-market price of the Company's Ordinary shares at 30 April 2019 was 368p (30 April 2018 – 371p). The range during the year was 446p to 360p.

Total shareholder return



The graph shows the value, at 30 April 2019, of £100 invested in Northgate plc on 30 April 2009, compared with the value of £100 invested in the FTSE 250 (excl. investment trusts) and FTSE SmallCap (excl. investment trusts) Indices on the same date. The other points plotted are the values at intervening financial year ends.

Total remuneration for CEO

Year ended 30 April	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration £'000	831	821	1,115	859	628	1,138	1,214	821	490	**1,032**
Annual bonus (% of maximum)	70%	100%	100%	0%	43.6%	90.3%	34.1%	0%	0%	**72.4%**
Long term incentive (EPSP) vesting (% of maximum)	0%	0%	100%	33.3%	0%	47.9%	79.2%	61.8%	0%	**0%**

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.

Remuneration report continued

Relative importance of spend on pay

	2018	2019	% (decrease) increase
Staff costs £'000	95,558	**104,656**	9.5%
Dividends £'000	23,365	**23,431**	0.3%

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

Outstanding share awards

The table below sets out details of executive Directors' outstanding share awards.

K Bradshaw

Scheme	Grant date	Exercise price (p)	Number of shares granted	Number of shares granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2019	End of performance period	Vesting date	Exercise period
EPSP[1]	27.06.18	Nil	–	164,233	–	–	–	164,233	30.04.21	27.06.21	27.06.21 – 27.06.28
EPSP[2]	06.07.17	Nil	134,772	–	–	–	–	134,772	30.04.20	06.07.20	06.07.20 – 06.07.27
EPSP[2]	26.01.17	Nil	36,107	–	–	–	–	36,107	30.04.19	26.01.20	26.01.20 – 26.01.27

P Vincent

Scheme	Grant date	Exercise price (p)	Number of shares granted	Number of shares granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2019	End of performance period	Vesting date	Exercise period
EPSP[1]	27.07.18	Nil	–	95,360[3]	–	–	–	95,360	30.04.21	27.06.21	27.06.21 – 27.06.28

1. Performance targets set out above.
2. 40% of award subject to relative TSR with 25% of the award vesting at median to full vesting at upper quartile. Straight line vesting between points. 60% of the award subject to EPS growth with 25% of the award vesting for CPI + 3% pa to full vesting for CPI + 11% pa over three years.
3. Philip Vincent's award is prorated to reflect his date of appointment of 16 July 2018.

SIP

The SIP, which is an approved HMRC share plan 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.

Employees make regular monthly savings (on which tax relief is obtained), 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 tax incentives to continue holding the shares.

The eighteenth annual cycle ended in December 2018 and resulted in 468 employees acquiring 116,534 Partnership shares at 379.8p each and being allocated the same number of Matching shares. The nineteenth annual cycle started in January 2019 and currently 509 employees are making contributions to the scheme at an annualised rate of £82.

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

Sourcing of shares

A combination of newly issued and market purchase shares (using a Guernsey employee benefit trust) are used to satisfy the requirements of the Group's existing share schemes.

Overall plan limits and clawback

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

a. 10% of the issued Ordinary share capital under all the share plans; and

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

The dilution position as at 30 April 2019 was 1.7% under the EPSP, MPSP and DABP and 2.0% under all schemes.

In line with current best practice guidelines, the Committee has introduced recovery and withholding provisions into the rules of all discretionary schemes, which can be invoked in the event of a number of situations including error, financial misstatement, gross misconduct, reputational damage, failure of risk management and corporate failure with the last three events applying to awards granted from 2019 only.

Directors' shareholding and share interests

The executive Directors are required to build up a shareholding equivalent to 200% of salary, to be achieved primarily through the retention, after tax, of shares acquired on exercise of options granted under the long term incentive share plan and shares acquired through bonus deferral, until such time as their share ownership requirement has been met. Directors are not required to go into the market to purchase shares, although market purchases are encouraged and any shares so acquired would count towards meeting the guidelines.

The Chairman and non-executive Directors do not have a shareholding guideline although the holding of shares in the business is encouraged. Details of the Directors' interests in shares are shown in the table below:

Share interests (audited)

	Beneficially owned at 30 April 2019	Vested but not exercised EPSP	Not vested EPSP	Vested but not exercised DABP	Not vested DABP	**% shareholding guideline achieved at 30 April 2019**
K Bradshaw	**–**	–	335,112	–	–	**–**
P Vincent	**–**	–	95,360	–	–	**–**
A Page	**40,000**	–	–	–	–	**N/A**
AJ Allner	**13,090**	–	–	–	–	**N/A**
J Caseberry	**5,000**	–	–	–	–	**N/A**
C Miles	**5,000**	–	–	–	–	**N/A**
B Spencer	**8,000**	–	–	–	–	**N/A**
J Pattullo	**10,000**	–	–	–	–	**N/A**

Kevin Bradshaw and Philip Vincent were appointed on 11 January 2017 and 16 July 2018 respectively and have not yet met the shareholding guideline given their recent appointments and that there have been no variable pay awards vesting. The Committee expect the guideline to be achieved within 5 years of appointment.

Mr Page and Mr Allner's shareholdings are at the date they stepped down from the Board.

No changes in the above interests have occurred between 30 April 2019 and the date of this report.

Operation of policy for FY2020

The executive Directors' salaries have been reviewed with increases effective from 1 May 2019 as detailed below which are in line with workforce increases:

	Salary as at 1 May 2018	**Salary as at 1 May 2019**	Increase
K Bradshaw	£450,000	**£459,000**	2%
P Vincent	£330,000[1]	**£336,600**	2%

1. Philip Vincent joined the business on 16 July 2018 on a salary of £330,000.

Annual bonus

For FY2020 the annual bonus maximum opportunity remains 150% of salary for the CEO and 100% of salary for the CFO.

The bonus will be determined as to:

75% Profit Before Tax.

25% a range of strategic and operational objectives.

The Committee will also set an underpin of a minimum level of ROCE and Profit Before Tax that have to be achieved.

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

The Committee will have the discretion under the new policy to adjust the bonus outcome if it is not deemed appropriate for example in terms of the underlying performance of the Company.

Remuneration report continued

EPSP awards to be granted in 2019

Award levels for 2019 will remain at 150% of salary for the CEO and CFO and be made after the AGM.

Vesting of the EPSP awards will be determined by the following measures and targets:

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (33.3% of award)	43p	50p	Final year of the performance period
ROCE (33.3% of award)	7.7%	11.5%	Final year of the performance period
TSR (33.3% of award): Relative to FTSE 250 excl. investment trusts	Median	Upper quartile	Over the performance period

Fees for the Chairman and non-executive Directors

The fees for the non-executive Directors have been reviewed with effect from 1 May 2019 and are as set out below.

	Salary as at 1 May 2018	**Salary as at 1 May 2019**	Increase
Chairman	£166,464	**£166,464**	0%
Base fee	£55,000	**£55,000**	0%
Senior Independent Director	£10,000	**£10,000**	0%
Designated NED	–	**£10,000**	–
Audit Committee Chairman	£10,000	**£10,000**	0%
Remuneration Committee Chairman	£10,000	**£10,000**	0%

Statement of shareholder voting and shareholder feedback

The following tables set out the votes received from shareholders for the Directors' remuneration report at the 2018 AGM and the Directors' remuneration policy at the 2017 AGM:

Directors' remuneration report (2018)	**Total number of votes**	**Approve the report on remuneration % of votes cast**
For	49,105,198	42.03%
Against	67,719,898	57.96%
Total votes cast (excluding votes withheld)	116,825,096	99.99%
Votes withheld	14,708	
Total votes cast (including votes withheld)	116,839,804	
Directors' remuneration policy report (2017)	**Total number of votes**	**Approve the report on remuneration % of votes cast**
For	114,075,112	99.49%
Against	579,857	0.51%
Total votes cast (excluding votes withheld)	114,654,969	100%
Votes withheld	1,783	
Total votes cast (including votes withheld)	114,656,752	

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

Approval

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

Signed on behalf of the Board of Directors.

Jill Caseberry

Chairman of the Remuneration Committee

24 June 2019

Report of the Directors

The Directors present their report and the audited consolidated accounts for the year ended 30 April 2019.

Results

Details on financial performance and dividends can be found in the Strategic Report from pages 4 to 43.

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 YBS 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 2019	%
Artemis Investment Management LLP	6,992,622	5.25
JO Hambro Capital Management Ltd	13,248,208	9.94
Dimensional Fund Advisors LP	6,667,068	5.00

Since 30 April 2019 Crystal Amber Fund Limited have advised the Company that their holding is 9,332,642 equalling 7.00% of the increased share capital.

Directors

Details of the present Directors are listed on pages 48 and 49.

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

Termination provisions in respect of executive Directors' contracts can be found in the Remuneration policy, starting on page 58.

Directors' indemnities

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

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

Employee consultation

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

Disabled employees

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

The Group's equal opportunity policy is available on the Company's website: www.northgateplc.com.

Political donations

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

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations are included in the CSR section of the Strategic Report on pages 40 to 43.

Remuneration report

The Directors' Remuneration report contains:

- A statement by Jill Caseberry, Chairman of the Company's Remuneration Committee;
- The Directors' remuneration policy; and
- The Annual report on remuneration, which sets out payments made in the financial year ended 30 April 2019.

The statement by the Chairman and Annual report on remuneration will be put to an advisory shareholder vote by ordinary resolution.

Following the result of the vote on the Remuneration report at the AGM in September 2018, the remuneration policy will be put to shareholders for a binding vote at the AGM in September 2019.

The Directors' remuneration report can be found on pages 58 to 72.

Report of the Directors continued

Power to allot shares

The present authority of the Directors to allot shares was granted at the AGM held in September 2018 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 2020 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 14); 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 61.

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 3 to the Notice of AGM on page 116 for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

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

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

Authority for the Company to purchase its own shares

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

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

Financial instruments

Details of the Group's use of financial instruments are given in the Financial review on pages 110 to 114 and in Note 29 to the accounts.

Auditor

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

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

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

A resolution for the appointment of PwC as auditor of the Company will be proposed at the forthcoming AGM. This proposal is supported by the Audit and Risk Committee.

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

By order of the Board

Katie Tasker-Wood
Company Secretary

24 June 2019

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent 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 Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed in the Annual Report and Accounts confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent Company's auditors are aware of that information.

By order of the Board

Kevin Bradshaw
Chief Executive Officer

24 June 2019

Independent auditors' report to the members of Northgate plc

Report on the audit of the financial statements

Opinion

- In our opinion, Northgate plc's group financial statements and company financial statements (the "financial statements"):
- give a true and fair view of the state of the group's and of the company's affairs as at 30 April 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the group and company balance sheets as at 30 April 2019; the consolidated income statement and the group and company statements of comprehensive income, the group and company cash flow statements, and the group and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 May 2018 to 30 April 2019.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing rules, pension legislation, UK tax regulation and equivalent laws and regulations applicable to significant component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Overall group materiality: £3.0m (2018: £2.7m), based on 5% of profit before tax.
- Overall company materiality: £2.8m (2018: £2.7m), based on 1% of total assets, limited to less than group materiality.

- In aggregate, full scope audits of the UK, Spain and Ireland components provided us with the evidence required to form an opinion on the financial statements. Collectively the scope of our work covered 99% of revenue, 99% of total assets and 99% of profit before tax.

- Determining appropriate depreciation rates for vehicles available for hire.
- Provisions for uncertain tax positions.

- Discussions with management, internal audit and legal, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisions for uncertain tax positions and the determination of depreciation rates for vehicles for hire (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Determining appropriate depreciation rates for vehicles available for hire The net book value of vehicle assets for hire at 30 April 2019 is £900.3m (2018: £897.3m) with a depreciation charge for the year of £185.8m (2018: £176.6m), being the largest expense for the group. The group adopts an accounting policy that uses depreciation rates and estimated useful lives to ensure that the net book value of these vehicle assets approximates to their market value at the time of disposal. This policy seeks to minimise any significant gains or losses upon disposal of the vehicle assets. This policy requires management to make an estimate of what the residual value and sale proceeds will be at the time of disposal. Determining likely sales proceeds for future vehicle disposals is judgemental and requires a number of judgments and 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. The complexity of these judgments makes this area a key audit matter for our audit. Further explanation is included in the group's critical accounting judgements and key sources of estimation uncertainty in note 3 and the Audit Committee report on page 53.	We examined management's assumptions of expected future market values of hire vehicles used in the calculation of future Profits per Unit (PPU) by comparison to external third party industry data for expected future market prices. We performed detailed testing of the calculations supporting the estimates and judgements taken by management, including comparison to recent actual market prices achieved on disposal of similar vehicles, assessing the remaining impact of previous rate changes, and verifying the average age of a vehicle before it is sold onwards. Based on the procedures we have performed above, we were able to obtain sufficient audit evidence in respect of the judgements and estimates applied by management in determining the depreciation rates used.

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
Provisions for uncertain tax positions The group carries out tax planning and has made judgements in respect of tax relief and deductions that have been taken in preparation of its tax computations. In preparation of the financial statements management have made further judgements in respect of the likelihood of future challenge by tax authorities. 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. This requires significant audit attention as there is judgement involved in assessing those uncertain tax positions that require provision or not and the related tax items are significant. Uncertain tax provisions at the year-end totalled £14.3m (2018: £17.1m). Further explanation is included in the groups critical accounting judgements and key sources of estimation uncertainty in note 3 and the Audit Committee report on page 53.	We tested the actual deductions taken by the company to examine that they exist and were a valid exposure for management to apply judgement against with respect to challenge. We evaluated and challenged management's rationale for the level of provisions held, including assessing the judgements that management have taken and validating to corroborating evidence. We considered the status of recent and current tax audits and enquiries, inspected correspondence with relevant tax authorities, the outturn of previous claims and the tax environment in each territory in which the group operated. We also considered any penalty regimes that could apply should any of the group's tax positions be challenged successfully. We used a tax specialist to assist us in assessing the appropriateness of the provisions in light of the current tax environment. Based on the procedures we performed above the provisions for uncertain tax positions were supported by the evidence we obtained during our audit.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

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

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

The subsidiary businesses in the UK and Spain were financially significant components for the group audit, and full scope audits were performed. The UK business is comprised of two separate divisions, Vehicle Hire and Vehicle Sales, and each are treated as separate components subject to a full scope audit. Whilst Ireland was not a financially significant component the statutory audit was completed at the time of the group audit.

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

We ensured that appropriate further audit work was undertaken for Northgate plc as the parent company as well as the corporate function. This included audit work on, for example, centrally held tax provisions, accounting for financial hedging instruments, the consolidation of the group's results, the preparation of the financial statements and work on certain disclosures within the Directors' remuneration report.

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£3m (2018: £2.7m).	£2.8m (2018: £2.7m).
How we determined it	5% of profit before tax.	1% of total assets, limited to less than group materiality.
Rationale for benchmark applied	We believe a standard benchmark of 5% of profit before tax is an appropriate quantitative indicator of materiality, although of course an item could also be material for qualitative reasons. We selected profit before tax as it is a primary indicator of performance of the group and is a generally accepted auditing benchmark.	We believe a standard benchmark of 1% of total assets is an appropriate quantitative indicator of materiality due to the company being a holding company, although of course an item could also be material for qualitative reasons.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £0.6m and £2.8m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £150,000 (Group audit) (2018: £130,000) and £150,000 (Company audit) (2018: £130,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent auditor's report continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 April 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 29 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 32 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 75, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 53 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 75, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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.

Other required reporting

Companies Act 2006 exception reporting

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 17 June 2015 to audit the financial statements for the year ended 30 April 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 30 April 2016 to 30 April 2019.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
24 June 2019

Financial Statements

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

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Consolidated income statement

For the year ended 30 April 2019

	Notes	Underlying 2019 £000	Statutory 2019 £000	Underlying 2018 £000	Statutory 2018 £000
Revenue: hire of vehicles	4	**517,624**	**517,624**	471,187	471,187
Revenue: sale of vehicles	4	**227,846**	**227,846**	230,485	230,485
Total revenue	4	**745,470**	**745,470**	701,672	701,672
Cost of sales		**(592,598)**	**(592,598)**	(563,232)	(563,232)
Gross profit		**152,872**	**152,872**	138,440	138,440
Administrative expenses (excluding exceptional items and certain intangible amortisation)		**(76,672)**	**(76,672)**	(70,097)	(70,097)
Exceptional administrative expenses	26	**–**	**–**	–	(2,499)
Certain intangible amortisation	13	**–**	**(709)**	–	(1,767)
Total administrative expenses		**(76,672)**	**(77,381)**	(70,097)	(74,363)
Operating profit	4, 5	**76,200**	**75,491**	68,343	64,077
Interest income		**39**	**39**	1	1
Finance costs	7	**(15,124)**	**(15,124)**	(11,340)	(11,340)
Profit before taxation		**61,115**	**60,406**	57,004	52,738
Taxation	8	**(9,533)**	**(8,988)**	(10,651)	(9,506)
Profit for the year		**51,582**	**51,418**	46,353	43,232

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

Underlying profit excludes exceptional items as set out in Note 26, as well as certain intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share					
Basic	10	**38.7p**	**38.6p**	34.8p	32.4p
Diluted	10	**38.0p**	**37.8p**	34.3p	32.0p

Statements of comprehensive income

For the year ended 30 April 2019

		Group		Company	
	Notes	2019 £000	2018 £000	2019 £000	2018 £000
Amounts attributable to the owners of the Parent Company					
Profit attributable to the owners		**51,418**	43,232	**34,117**	60,911
Other comprehensive (expense) income					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings		**(9,366)**	15,488	**–**	–
Net foreign exchange differences on long term borrowings held as hedges		**5,687**	(11,393)	**–**	–
Foreign exchange difference on revaluation reserve	25	**(23)**	46	**–**	–
Net fair value gains on cash flow hedges		**398**	1,105	**398**	1,105
Deferred tax charge recognised directly in equity relating to cash flow hedges		**(76)**	(210)	**(76)**	(210)
Total other comprehensive (expense) income		**(3,380)**	5,036	**322**	895
Total comprehensive income for the year		**48,038**	48,268	**34,439**	61,806

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

Balance sheets

As at 30 April 2019

	Notes	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Non-current assets					
Goodwill	12	**3,589**	3,589	**–**	–
Other intangible assets	13	**11,495**	5,205	**49**	12
Property, plant and equipment: vehicles for hire	14	**900,335**	897,323	**–**	–
Other property, plant and equipment	15	**68,843**	67,979	**–**	–
Total property, plant and equipment		**969,178**	965,302	**–**	–
Deferred tax assets	22	**6,620**	10,791	**1,347**	1,245
Investments	16	**–**	–	**120,893**	120,893
Total non-current assets		**990,882**	984,887	**122,289**	122,150
Current assets					
Inventories	17	**29,826**	31,828	**–**	–
Trade and other receivables	18	**71,802**	76,091	**915,265**	986,780
Current tax assets		**116**	4,745	**–**	–
Cash and bank balances		**35,742**	21,382	**1,744**	7,211
Total current assets		**137,486**	134,046	**917,009**	993,991
Total assets		**1,128,368**	1,118,933	**1,039,298**	1,116,141
Current liabilities					
Trade and other payables	19	**72,487**	97,671	**240,556**	348,084
Derivative financial instrument liabilities	21	**77**	112	**77**	112
Current tax liabilities		**13,425**	15,246	**–**	–
Short term borrowings	20	**44,190**	17,952	**33,098**	–
Total current liabilities		**130,179**	130,981	**273,731**	348,196
Net current assets		**7,307**	3,065	**643,278**	645,795
Non-current liabilities					
Derivative financial instrument liabilities	21	**914**	1,277	**914**	1,277
Long term borrowings	20	**428,409**	442,751	**428,409**	442,751
Deferred tax liabilities	22	**5,250**	4,796	**–**	–
Total non-current liabilities		**434,573**	448,824	**429,323**	444,028
Total liabilities		**564,752**	579,805	**703,054**	792,224
Net assets		**563,616**	539,128	**336,244**	323,917
Equity					
Share capital	23	**66,616**	66,616	**66,616**	66,616
Share premium account	24	**113,508**	113,508	**113,508**	113,508
Own shares reserve	25	**(3,359)**	(3,238)	**–**	–
Hedging reserve	25	**(803)**	(1,125)	**(803)**	(1,125)
Translation reserve	25	**(4,825)**	(1,146)	**–**	–
Other reserves	25	**68,637**	68,660	**64,570**	64,570
Retained earnings					
At 1 May		**295,853**	276,799	**80,348**	41,937
Profit for the financial year		**51,418**	43,232	**34,117**	60,911
Other changes in retained earnings		**(23,429)**	(24,178)	**(22,112)**	(22,500)
At 30 April		**323,842**	295,853	**92,353**	80,348
Total equity		**563,616**	539,128	**336,244**	323,917

Total equity is wholly attributable to the owners of the Parent Company (Company number 00053171). The financial statements on pages 92 to 131 were approved by the Board of Directors and authorised for issue on 24 June 2019.

They were signed on its behalf by:

Philip Vincent
Chief Financial Officer

Cash flow statements

For the year ended 30 April 2019

	Notes	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Net cash generated from (used in) operations	(a)	**38,528**	(81,797)	**(14,557)**	(11,178)
Investing activities					
Interest received		**39**	1	**–**	1
Dividends received from subsidiary undertakings		**–**	–	**53,126**	–
Loans to subsidiary undertakings		**–**	–	**(41,768)**	(51,298)
Proceeds from disposals of other property, plant and equipment		**1,128**	2,374	**–**	2,141
Purchases of other property, plant and equipment		**(8,370)**	(9,292)	**–**	–
Purchases of intangible assets		**(7,684)**	(4,073)	**(47)**	(12)
Net cash (used in) generated from investing activities		**(14,887)**	(10,990)	**11,311**	(49,168)
Financing activities					
Dividends paid		**(23,431)**	(23,365)	**(23,431)**	(23,365)
Receipt of bank loans and other borrowings		**–**	113,902	**–**	114,931
Repayments of bank loans and other borrowings		**(10,651)**	–	**(8,999)**	–
Debt issue costs paid		**(1,737)**	–	**(1,737)**	–
Net payments to acquire own shares for share schemes		**(1,438)**	(3,257)	**(1,438)**	(3,257)
Net cash (used in) generated from financing activities		**(37,257)**	87,280	**(35,605)**	88,309
Net (decrease) increase in cash and cash equivalents		**(13,616)**	(5,507)	**(38,851)**	27,963
Cash and cash equivalents at 1 May		**14,127**	19,637	**7,211**	(19,492)
Effect of foreign exchange movements		**294**	(3)	**286**	(1,260)
Cash and cash equivalents at 30 April	(b)	**805**	14,127	**(31,354)**	7,211

Notes to the cash flow statements

For the year ended 30 April 2019

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

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Operating profit	**75,491**	64,077	**142**	96
Adjustments for:				
Depreciation of property, plant and equipment	**191,316**	182,185	**–**	–
Net impairment of property, plant and equipment	**–**	(380)	**–**	–
Amortisation of intangible assets	**1,366**	2,171	**10**	–
Loss on disposal of property, plant and equipment	**272**	390	**–**	–
Loss on disposal of intangible assets	**2**	25	**–**	–
Share options fair value charge	**1,249**	865	**1,249**	865
Operating cash flows before movements in working capital	**269,696**	249,333	**1,401**	961
Decrease (increase) in non-vehicle inventories	**841**	(1,190)	**–**	–
Decrease (increase) in receivables	**7,037**	(14,641)	**1,507**	3,277
Increase (decrease) in payables	**5,722**	6,899	**108**	(687)
Cash generated from operations	**283,296**	240,401	**3,016**	3,551
Income taxes paid, net	**(1,586)**	(11,451)	**–**	(1,603)
Interest paid	**(14,163)**	(10,707)	**(17,573)**	(13,126)
Net cash generated from (used in) operations	**267,547**	218,243	**(14,557)**	(11,178)
Purchases of vehicles	**(403,487)**	(486,943)	**–**	–
Proceeds from disposals of vehicles	**174,468**	186,903	**–**	–
Net cash generated from (used in) operations	**38,528**	(81,797)	**(14,557)**	(11,178)

(b) Cash and cash equivalents

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Cash and cash equivalents comprise:				
Cash and bank balances	**35,742**	21,382	**1,744**	7,211
Bank overdrafts	**(34,937)**	(7,255)	**(33,098)**	–
Cash and cash equivalents	**805**	14,127	**(31,354)**	7,211

Statements of changes in equity

For the year ended 30 April 2019

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 2017	180,124	(1,659)	(2,020)	(5,241)	68,614	276,799	516,617
Share options fair value charge	–	–	–	–	–	865	865
Share options exercised	–	–	–	–	–	(1,678)	(1,678)
Profit attributable to owners of the Parent Company	–	–	–	–	–	43,232	43,232
Dividends paid	–	–	–	–	–	(23,365)	(23,365)
Net purchase of own shares	–	(3,257)	–	–	–	–	(3,257)
Transfer of shares on vesting of share options	–	1,678	–	–	–	–	1,678
Other comprehensive income	–	–	895	4,095	46	–	5,036
Total equity at 1 May 2018	180,124	(3,238)	(1,125)	(1,146)	68,660	295,853	539,128
Share options fair value charge	–	–	–	–	–	1,249	1,249
Share options exercised	–	–	–	–	–	(1,317)	(1,317)
Profit attributable to owners of the Parent Company	–	–	–	–	–	51,418	51,418
Dividends paid	–	–	–	–	–	(23,431)	(23,431)
Net purchase of own shares	–	(1,438)	–	–	–	–	(1,438)
Transfer of shares on vesting of share options	–	1,317	–	–	–	–	1,317
Deferred tax on share based payments recognised in equity	–	–	–	–	–	70	70
Other comprehensive income (expense)	–	–	322	(3,679)	(23)	–	(3,380)
Total equity at 30 April 2019	**180,124**	**(3,359)**	**(803)**	**(4,825)**	**68,637**	**323,842**	**563,616**

Company	Share capital and share premium £000	Hedging reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2017	180,124	(2,020)	64,570	41,937	284,611
Share options fair value charge	–	–	–	865	865
Profit attributable to owners of the Parent Company	–	–	–	60,911	60,911
Dividends paid	–	–	–	(23,365)	(23,365)
Other comprehensive income	–	895	–	–	895
Total equity at 1 May 2018	180,124	(1,125)	64,570	80,348	323,917
Share options fair value charge	–	–	–	1,249	1,249
Profit attributable to owners of the Parent Company	–	–	–	34,117	34,117
Dividends paid	–	–	–	(23,431)	(23,431)
Deferred tax on share based payments recognised in equity	–	–	–	70	70
Other comprehensive income	–	322	–	–	322
Total equity at 30 April 2019	**180,124**	**(803)**	**64,570**	**92,353**	**336,244**

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

Notes to the accounts

1 General information

Northgate plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the inside back cover of this report. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 8 to 45.

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 (IFRS), Interpretations Committee (IFRS-IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. With the exception of new accounting standards outlined below all other accounting policies have been applied consistently.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 34 the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Changes in accounting policy

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. (IAS8(28)(a),(b),(d))

The adoption of IFRS 9 Financial Instruments from 1 May 2018 resulted in a change in accounting policy; however, it did not result in any changes of classification of financial instruments. The new accounting policies are set out in the notes below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. The total impact on the Group's retained earnings as at 1 May 2018 is immaterial.

The Group has one type of financial assets that is subject to IFRS 9's new expected credit loss model: trade receivables resulting from hire of vehicles and sale of used vehicles.

The company has one type of financial asset that is subject to IFRS 9's new expected credit loss model: amounts due from subsidiary undertakings.

The Group and the company were required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group and companies retained earnings and equity was considered immaterial. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The effect of application of this approach was immaterial on the value of the expected loss allowance.

Amounts due from subsidiary undertakings

The company applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all amounts due from subsidiary undertakings. The effect of application of this approach was immaterial on the value of the expected loss allowance.

IFRS 15 Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 May 2018. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules based on the cumulative effect method and has not restated comparatives for the 2018 financial year. The total impact on the Group's retained earnings as at 1 May 2018 is immaterial.

Improvements to IFRS 2015-2017 cycle contain amendments to IFRS 3 (business combinations), IFRS 11 (Joint Arrangements), IAS 12 (income taxes) and IAS 23 (Borrowing Costs) which had no material impact on the Group's results.

Standards not yet in force – IFRS 16 Leases

The Group will adopt IFRS 16 Leases for the reporting period ended 30 April 2020, using the modified retrospective approach as permitted under the specific transition provisions in the standard. On adoption of IFRS 16, the Group will recognise lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 May 2019.

Adoption of this new standard is expected to result in increased interest costs of c.£2m and an increased operating profit of c.£1m. Fixed assets and net debt are expected to increase by c.£48m on transition. Impacts on the cash flow statement are presentational only, with cash flows previously presented as operating cash flows classified as cash flow from financing activity.

IFRIC 23 clarifies the accounting for uncertainties in income taxes and becomes effective for the reporting year ended 30 April 2020. This does not have a material impact on the Group as the group policy on uncertain tax treatments is already compliant with the interpretation.

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 2018 and 30 April 2019.

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.

Notes to the accounts continued

2 Principal accounting policies continued

Revenue recognition

Revenue from the hire of vehicles is recognised under IAS 17 leases and as such is recognised evenly over the hire period.

Other group revenue is measured in accordance with IFRS 15 at the fair value of consideration received or receivable from contracts with customers in respect of 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 the sale of used vehicles is derived from the resale of vehicles purchased by Northgate and is recognised at the point in time when the risks and rewards of ownership are transferred. Revenues from the supply of related goods and services are recognised at the point which they are provided. Where cash is received in advance of customers collecting or taking delivery of vehicles, revenue is deferred until such point that the performance obligation within the contract is met.

Goodwill

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

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

Intangible assets – arising on business combinations

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

Customer relationships	5 to 13 years

Intangible assets – other

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Software assets are amortised on a straight-line basis over their estimated useful lives, which range from three to ten years.

Intangible assets in the course of construction are stated at cost. Development costs are capitalised after the technical and commercial feasibility of the asset has been established. Amortisation is not charged on assets in the course of construction. Amortisation commences when the asset is brought into use.

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. 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. Freehold land is not depreciated.

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

Investments in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment.

Impairment

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

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

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

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

Inventories

Used vehicles held for resale are valued at the lower of cost and 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 and 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.

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 impairment. A provision for impairment of trade receivables is recognised using a lifetime expected credit loss model which in principal uses objective evidence to justify that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts written off are credited against operating expenses in the income statement.

Trade payables are non-interest bearing and are stated initially at their fair value and subsequently at amortised cost.

Amounts due from subsidiaries are initially stated at their fair value and subsequently at amortised cost less any appropriate provision for impairment.

A provision for impairment of amounts due from subsidiaries is recognised using a lifetime expected credit loss model which in principal uses objective evidence to justify that the Company will not be able to collect all amounts due according to the original terms of the amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When an amount due from a subsidiary is uncollectable, it is written off against the appropriate allowance account. Subsequent recoveries of amounts written off are credited against operating expenses in the income statement.

The Group uses derivative financial instruments to hedge its exposure to interest and foreign exchange rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold nor issue derivative financial instruments for trading purposes.

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

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

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and the ineffective portion is recognised in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

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

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

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

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

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

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

As Lessee:

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

As Lessor:

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

Retirement benefit costs

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

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

Employee share schemes and share based payments

The Group issues equity settled payments to certain employees.

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

The fair value of equity settled payments is measured at the date of grant and charged to the income statement over the period during which performance or service conditions are required to be met or immediately where no performance or service criteria exist. The fair value of equity settled payments granted is measured using the Black–Scholes or the Monte Carlo model. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to the original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

Interest income and finance costs

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

Exceptional items

Items are classified as exceptional gains or losses where they are considered 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. Restructuring and exceptional costs are considered on a case by case basis as to whether they meet the exceptional criteria. The presentation is consistent with the way financial performance is measured by management and reported to the Board.

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 judgements that have the most significant effect on the amounts recognised in the accounts that will have an impact on the next 12 months.

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.

The Directors apply judgement in determining the appropriate method of depreciation (straight-line) and are required to estimate the future residual value of vehicles with due consideration of variables including age, mileage and condition.

The impact of changes made to depreciation rates on 1 May 2018 is outlined in the Financial Review.

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. Certain judgements have been made with respect to uncertain tax positions, including the likelihood of future outflows as a result future events that may affect the Group's right to certain tax reliefs. These judgements primarily relate to tax relief taken in the current and previous years in respect of the vehicle fleet and the Group financing structure, including whether the vehicles held will be retained for an appropriate period of time in accordance with tax legislation in the related jurisdictions or whether there will be early defleets resulting in a reversal of the previous tax relief taken. As at 30 April 2019 these uncertainties amount to £14.3m (2018: £17.8m).

Key sources of estimation uncertainty include the timing or quantum of future outflows related to these tax positions.

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. As announced in the prior year, the Group now identifies two reportable segments, namely the UK & Ireland and Spain (formerly three, namely; UK, Spain and Ireland). The Group is managed and reports internally on a basis consistent with its two main operating divisions and is satisfied that the IFRS 8 aggregation criteria have been met. The change in segment reporting has no impact on the net profit or loss of the Group. To enable comparisons with prior period performance, historical segment information for the prior year has been restated. The principal activities of these divisions are set out in the Strategic Report.

Revenue: hire of vehicles is recognised over time and revenue: sale of vehicles is recognised at a point in time

	UK&I 2019 £000	Spain 2019 £000	Corporate 2019 £000	Total 2019 £000
Revenue: hire of vehicles	315,559	202,065	–	517,624
Revenue: sale of vehicles	166,488	61,358	–	227,846
Total revenue	482,047	263,423	–	745,470
Underlying operating profit (loss)*	35,396	46,086	(5,282)	76,200
Certain intangible amortisation				(709)
Operating profit				75,491
Interest income				39
Finance costs				(15,124)
Profit before taxation				60,406
Other information				
Capital expenditure	229,410	161,620	–	391,030
Depreciation	115,647	75,669	–	191,316
Reportable segment assets	661,305	460,327	–	1,121,632
Income tax assets				6,736
Total assets				1,128,368
Reportable segment liabilities	324,718	220,368	–	545,086
Derivative financial instrument liabilities				991
Income tax liabilities				18,675
Total liabilities				564,752

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

Notes to the accounts continued

4 Segmental reporting continued

	UK&I 2018 £000	Spain 2018 £000	Corporate 2018 £000	Total 2018 £000
Revenue: hire of vehicles	283,543	187,644	–	471,187
Revenue: sale of vehicles	156,937	73,548	–	230,485
Total revenue	440,480	261,192	–	701,672
Underlying operating profit (loss)*	33,114	38,960	(3,731)	68,343
Exceptional items				(2,499)
Certain intangible amortisation				(1,767)
Operating profit				64,077
Interest income				1
Finance costs				(11,340)
Profit before taxation				52,738
Other information				
Capital expenditure	309,526	214,364	–	523,890
Depreciation	105,510	76,675	–	182,185
Reportable segment assets	661,615	441,782	–	1,103,397
Income tax assets				15,536
Total assets				1,118,933
Reportable segment liabilities	351,937	206,437	–	558,374
Derivative financial instrument liabilities				1,389
Income tax liabilities				20,042
Total liabilities				579,805

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

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.

Geographical information

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

	Revenue 2019 £000	**Non-current assets 2019 £000**	Revenue 2018 £000	Non-current assets 2018 £000
United Kingdom and Ireland	**482,047**	**549,405**	440,480	561,979
Spain	**263,423**	**434,857**	261,192	412,117
	745,470	**984,262**	701,672	974,096

	UK&I 2019 £000	**Spain 2019 £000**	**Total 2019 £000**
Revenue from contracts with customers	**166,488**	**61,358**	**227,846**
Revenue from other sources	**315,559**	**202,065**	**517,624**
	482,047	**263,423**	**745,470**

	UK&I 2018 £000	Spain 2018 £000	Total 2018 £000
Revenue From contracts with customers	156,937	73,548	230,485
Revenue From other sources	283,543	187,644	471,187
	440,480	261,192	701,672

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

5 Operating profit

	2019 £000	2018 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 14 and 15)	**191,316**	182,185
Amortisation of intangible assets (Note 13)	**1,366**	2,171
Staff costs (Note 6)	**104,656**	95,558
Cost of inventories recognised as an expense	**263,331**	264,408
Net impairment of trade receivables (Note 29)	**13,218**	6,955
Operating lease rentals (Note 27)	**8,961**	8,147
Exceptional costs (Note 26)	**–**	2,499
Auditors' remuneration for audit services (below)	**361**	362
Auditors' remuneration for non-audit services (below)	**21**	34

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

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**237**	218
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	**124**	144
Total audit fees	**361**	362
Other services pursuant to legislation	**21**	21
Other services	**–**	13
Total non-audit fees	**21**	34

Fees payable to PwC and its 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 56 to 58 and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditors.

6 Staff costs

	2019 Number	2018 Number
The average number of persons employed by the Group:		
United Kingdom:		
Direct operations	**1,303**	1,256
Administration	**495**	453
	1,798	1,709
Spain:		
Direct operations	**999**	924
Administration	**173**	162
	1,172	1,086
Republic of Ireland:		
Direct operations	**104**	87
Administration	**17**	18
	121	105
	3,091	2,900

Notes to the accounts continued

6 Staff costs continued

	2019 £000	2018 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	**89,417**	81,466
Social security costs	**12,555**	11,926
Other pension costs – defined contribution plans	**2,684**	2,166
	104,656	95,558

Wages and salaries include £1,111,000 (2018: £1,801,000) 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 58 to 74.

7 Finance costs

	2019 £000	2018 £000
Interest on bank overdrafts and loans	**14,137**	10,581
Amortisation of arrangement fees	**951**	636
Preference share dividends	**25**	25
Other interest	**11**	98
Finance costs	**15,124**	11,340

8 Taxation

	2019 £000	2018 £000
Current tax:		
UK corporation tax	**5,981**	3,119
Adjustment in respect of prior years	**(997)**	(2,845)
Foreign tax	**(487)**	2,586
	4,497	2,860
Deferred tax:		
Origination and reversal of timing differences	**3,688**	3,119
Adjustment in respect of prior years	**803**	3,527
	4,491	6,646
Total tax charge	**8,988**	9,506

UK corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

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

	2019 £000	%	2018 £000	%
Profit before taxation	**60,406**		52,738	
Tax at the UK corporation tax rate of 19% (2018: 19%)	**11,477**	**19.0**	10,020	19.0
Tax effect of expenses that are not deductible in determining taxable profit	**1,914**	**3.2**	656	1.2
Tax effect of income not taxable in determining taxable profit	**(3,798)**	**(6.3)**	(1,003)	(1.9)
Difference in taxation in overseas subsidiary undertakings	**(466)**	**(0.8)**	(543)	(1.0)
Adjustment to tax charge in respect of prior years	**(139)**	**(0.2)**	376	0.7
Tax charge and effective tax rate for the year	**8,988**	**14.9**	9,506	18.0

In addition to the amount charged to the income statement, a net deferred tax amount of £6,000 has been debited (2018: £210,000) directly to equity (Note 22).

The underlying tax charge of £9,533,000 (2019: £10,561,000) excludes exceptional tax credits of £nil (2018: £471,000) as set out in Note 26, and tax credits on brand royalty charges and certain intangible amortisation of £545,000 (2018: £674,000). There has been no recognition of deferred tax assets previously de-recognised.

In March 2017 it was announced that for the fiscal year starting 1 April 2020 the UK rate would reduce to 17%. This change has not been substantively enacted at the balance sheet date and deferred tax balances have therefore not been revalued to this rate. Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 19% in the UK and 25% in Spain.

9 Dividends

An interim dividend of 6.2p per Ordinary share was paid in January 2019 (2018: 6.1p). The Directors propose a final dividend for the year ended 30 April 2019 of 12.1p per Ordinary share (2018: 11.6p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2019. No dividends have been paid between 30 April 2019 and the date of signing the Accounts.

10 Earnings per share

	Underlying 2019 £000	Statutory 2019 £000	Underlying 2018 £000	Statutory 2018 £000
Basic and diluted earnings per share				
The calculation of basic and diluted earnings per share is based on the following data:				
Earnings				
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to the owners of the Parent Company	**51,582**	**51,418**	46,353	43,232
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**133,232,518**	**133,232,518**	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares:				
– share options	**2,660,697**	**2,660,697**	2,077,803	2,077,803
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	**135,893,215**	**135,893,215**	135,310,321	135,310,321
Basic earnings per share	**38.7p**	**38.6p**	34.8p	32.4p
Diluted earnings per share	**38.0p**	**37.8p**	34.3p	32.0p

11 Result of the Parent Company

A profit of £34,117,000 (2018: £60,911,000) 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 2017, 1 May 2018 and 30 April 2019	**3,589**

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

The goodwill balance all relates to the UK. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth rates forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

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

The impairment assessment was based on risk-adjusted cash flow forecasts derived from a business plan approved by the Directors in May 2019, using a pre-tax discount rate of 9.8% for the UK&I CGU, 10.1% for the Spain CGU. It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged for the UK CGU, Spain CGU and Ireland CGU.

In the prior year, the impairment assessment was based on risk-adjusted cash flow forecasts derived from a business plan approved by the Directors in March 2018 using growth rates of 1% over a ten year period, including terminal values, using a pre tax discount rate of 9.5% for the UK CGU, 9.5% for the Spain CGU and 9.2% for the Ireland 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 the UK CGU, Spain CGU and Ireland 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&I CGU and Spain CGU. Based on this sensitivity analysis, no reasonably possible changes to the assumptions used for either the UK&I CGU or Spain CGU resulted in an additional impairment charge being required.

Notes to the accounts continued

13 Other intangible assets

	Group			Company
	Customer relationships £000	Other software £000	Total £000	Other software £000
Cost:				
At 1 May 2017	15,394	17,113	32,507	90
Additions	–	4,073	4,073	12
Disposals	–	(2,536)	(2,536)	–
Exchange differences	(109)	75	(34)	–
At 1 May 2018	15,285	18,725	34,010	102
Additions	–	7,684	7,684	47
Disposals	–	(1,650)	(1,650)	–
Exchange differences	(90)	(62)	(152)	–
At 30 April 2019	**15,195**	**24,697**	**39,892**	**149**
Amortisation:				
At 1 May 2017	14,032	15,166	29,198	90
Charge for the year	775	1,396	2,171	–
Disposal	–	(2,511)	(2,511)	–
Exchange differences	(109)	56	(53)	–
At 1 May 2018	14,698	14,107	28,805	90
Charge for the year	581	785	1,366	10
Disposals	–	(1,648)	(1,648)	–
Exchange differences	(90)	(36)	(126)	–
At 30 April 2019	**15,189**	**13,208**	**28,397**	**100**
Carrying amount:				
At 30 April 2019	**6**	**11,489**	**11,495**	**49**
At 30 April 2018	587	4,618	5,205	12

	2019 £000	2018 £000
Intangible amortisation:		
Included within underlying operating profit as administrative expenses	**657**	404
Excluded from underlying operating profit*	**709**	1,767
	1,366	2,171

Other software includes assets in the course of development with a net book value of £9,428,106 (2018: £2,520,393). No amortisation has been charged on these assets. Amortisation will be charged when the assets become available for use.

At 30 April 2019, the Group had entered into contractual commitments for the acquisition of software assets amounting to £666,000 (2018: £1,029,000).

* Amortisation of intangible assets excluded from underlying operating profit relates to intangible assets recognised on previous business combinations and other non-recurring items.

14 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2017	1,034,248
Additions	510,525
Exchange differences	19,122
Transfer from motor vehicles	236
Transfer to inventories	(342,408)
At 1 May 2018	1,221,723
Additions	374,976
Exchange differences	(11,956)
Transfer to motor vehicles	(191)
Transfer to inventories	(343,590)
At 30 April 2019	**1,240,962**
Depreciation:	
At 1 May 2017	302,591
Charge for the year	176,600
Exchange differences	5,950
Transfer from motor vehicles	242
Transfer to inventories	(160,983)
At 1 May 2018	324,400
Charge for the year	185,794
Exchange differences	(3,295)
Transfer from motor vehicles	9
Transfer to inventories	(166,281)
At 30 April 2019	**340,627**
Carrying amount:	
At 30 April 2019	**900,335**
At 30 April 2018	897,323

At 30 April 2019, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £35,816,000 (2018: £28,368,000).

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 2017	81,392	25,016	3,761	110,169
Additions	4,211	4,341	740	9,292
Exchange differences	1,603	547	–	2,150
Transfer to vehicles for hire	–	–	(236)	(236)
Disposals	(3,610)	(1,193)	(508)	(5,311)
At 1 May 2018	83,596	28,711	3,757	116,064
Additions	1,848	5,786	736	8,370
Exchange differences	(835)	(392)	–	(1,227)
Transfer from vehicles for hire	–	–	191	191
Disposals	(733)	(2,413)	(1,357)	(4,503)
At 30 April 2019	**83,876**	**31,692**	**3,327**	**118,895**
Depreciation:				
At 1 May 2017	25,273	18,495	1,139	44,907
Charge for the year	2,178	2,672	735	5,585
Net impairment	(380)	–	–	(380)
Exchange differences	386	376	–	762
Transfer to vehicles for hire	–	–	(242)	(242)
Disposals	(1,441)	(831)	(275)	(2,547)
At 1 May 2018	26,016	20,712	1,357	48,085
Charge for the year	2,130	2,746	646	5,522
Exchange differences	(213)	(230)	–	(443)
Transfer to vehicles for hire	–	–	(9)	(9)
Disposals	(104)	(2,176)	(823)	(3,103)
At 30 April 2019	**27,829**	**21,052**	**1,171**	**50,052**
Carrying amount:				
At 30 April 2019	**56,047**	**10,640**	**2,156**	**68,843**
At 30 April 2018	57,580	7,999	2,400	67,979

	2019 £000	2018 £000
Land and buildings by category:		
Freehold and long leasehold	**49,086**	51,128
Short leasehold	**6,961**	6,452
	56,047	57,580

At 30 April 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £168,000 (2018: £72,000).

Land and buildings in the Group include £nil (2018: £593,000) of assets held for sale. The carrying value of these assets equates to the estimated sale value net of attributable costs to sell.

Company	Land & buildings £000
Cost:	
At 1 May 2017	3,388
Disposals	(3,388)
At 1 May 2018 and at 30 April 2019	–
Depreciation:	
At 1 May 2017	1,247
Disposals	(1,247)
At 1 May 2018 and at 30 April 2019	**–**
Carrying amount:	
At 30 April 2018 and at 30 April 2019	**–**

16 Investments

Company	Shares in subsidiary undertakings £000	Loans in subsidiary undertakings £000	Total £000
Cost:			
At 1 May 2017	76,328	47,000	123,328
Disposals	(2,435)	–	(2,435)
At 1 May 2018 and 30 April 2019	**73,893**	**47,000**	**120,893**
Accumulated provisions:			
At 1 May 2017	2,435	–	2,435
Disposals	(2,435)	–	(2,435)
At 1 May 2018 and 30 April 2019	**–**	**–**	**–**
Carrying amount:			
At 1 May 2018 and 30 April 2019	**73,893**	**47,000**	**120,893**

At 30 April 2019, a full list of subsidiaries of the Group, for all of which the ordinary shares were wholly owned, was as follows:

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

* Interest held indirectly by the Company.

Notes to the accounts continued

17 Inventories

Group	2019 £000	2018 £000
Vehicles held for resale	**24,514**	25,622
Spare parts and consumables	**5,312**	6,206
	29,826	31,828

Replacement cost is considered to be materially equal to carrying value.

18 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	**60,738**	59,043	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**915,124**	986,570
Other taxes	**–**	6,322	**50**	110
Other receivables and prepayments	**11,064**	10,726	**91**	100
	71,802	76,091	**915,265**	986,780

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.

Amounts due from subsidiary undertakings are non interest bearing and repayable on demand.

19 Trade and other payables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade payables	**40,667**	65,056	**64**	168
Amounts due to subsidiary undertakings	**–**	–	**238,505**	344,803
Social security and other taxes	**10,181**	2,054	**175**	202
Accruals and deferred income	**21,639**	30,561	**1,812**	2,911
	72,487	97,671	**240,556**	348,084

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

Amounts due to subsidiary undertakings are non interest bearing and repayable on demand (£106,205,000) (2018: £191,642,000) and a term loan repayable in June 2020 which bears interest at 2.25% above Libor (£132,300,000) (2018: £153,161,000 which bears interest at 2.00% above Libor).

20 Borrowings

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank loans and overdrafts	**385,545**	372,005	**374,813**	354,361
Loan notes	**86,194**	87,890	**86,194**	87,890
Cumulative Preference shares	**500**	500	**500**	500
Confirming facilities	**360**	308	**–**	–
	472,599	460,703	**461,507**	442,751

The borrowings are repayable as follows:

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	**43,830**	17,644	**33,098**	–
Confirming facilities	**360**	308	**–**	–
	44,190	17,952	**33,098**	–
In the third to fifth years				
Bank loans	**343,889**	357,076	**343,889**	357,076
Loan notes	**86,248**	87,960	**86,248**	87,960
	430,137	445,036	**430,137**	445,036
Due after more than five years				
Cumulative Preference shares	**500**	500	**500**	500
	500	500	**500**	500
Unamortised finance fees relating to the bank loans and loan notes	**(2,228)**	(2,785)	**(2,228)**	(2,785)
Total borrowings	**472,599**	460,703	**461,507**	442,751
Less: Amounts due for settlement within one year (shown within current liabilities)	**44,190**	17,952	**33,098**	–
Amounts due for settlement after more than one year	**428,409**	442,751	**428,409**	442,751

The UK bank loans, totalling £343,889,000 (gross of unamortised fees) at 30 April 2019, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £86,248,000 (gross of unamortised fees) at 30 April 2019, 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 3.00% (2018: 0.70% to 2.00%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

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

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

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2018: 1,300,000), of which 1,000,000 (2018: 1,000,000) were allotted and fully paid at the balance sheet date.

Confirming facilities
Spanish confirming facilities of £360,000 (2018: £308,000) 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:

	2019 £000	2018 £000
Less than one year	**4,044**	11,733
In one year to five years	**159,982**	92,793
	164,026	104,526

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.

Notes to the accounts continued

20 Borrowings continued

Analysis of consolidated net debt

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

	At 1 May 2018 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	**At 30 April 2019 £000**
Bank loans	364,750	(10,651)	541	(4,032)	**350,608**
Bank overdrafts	7,255	27,771	–	(89)	**34,937**
Loan notes	87,890	–	16	(1,712)	**86,194**
Cumulative Preference shares	500	–	–	–	**500**
Confirming facilities	308	–	60	(8)	**360**
	460,703	17,120	617	(5,841)	**472,599**
Cash at bank and in hand	(21,382)	(14,155)	–	(205)	**(35,742)**
Consolidated net debt	439,321	2,965	617	(6,046)	**436,857**

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 2019, the gearing of the Group amounted to 79.6% (2018: 82.8%) where net borrowings are £436,857,000 (2018: £439,321,000) and shareholders' funds less goodwill and the net book value of intangible assets are £548,532,000 (2018: £530,334,000).

Financial instruments (see also Note 29)

Financial assets

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

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

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

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

Treasury policies and the management of risk

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

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

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 for material deposits 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 2019 68.5% (2018 – 74.9%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £50,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £360,000 of confirming facilities (30 April 2018 – interest rate swaps of £75,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £308,000 of confirming facilities).

Foreign currency exchange risk

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

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

Group	Sterling £000	Euro £000	Total £000
At 30 April 2019			
Bank loans	**141,915**	**208,693**	**350,608**
Bank overdrafts	**33,098**	**1,839**	**34,937**
Cumulative Preference shares	**500**	**–**	**500**
Confirming facilities	**–**	**360**	**360**
Loan notes	**–**	**86,194**	**86,194**
	175,513	**297,086**	**472,599**

Group	Sterling £000	Euro £000	Total £000
At 30 April 2018			
Bank loans	126,702	238,048	364,750
Bank overdrafts	7,255	–	7,255
Cumulative Preference shares	500	–	500
Confirming facilities	–	308	308
Loan notes	–	87,890	87,890
	134,457	326,246	460,703

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	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Interest rate derivatives	**(991)**	(1,389)	**(991)**	(1,389)
They are represented in the balance sheet as follows:				
Current derivative financial instrument liabilities	**(77)**	(112)	**(77)**	(112)
Non-current derivative financial instrument liabilities	**(914)**	(1,277)	**(914)**	(1,277)
	(991)	(1,389)	**(991)**	(1,389)

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 2019 are summarised below:

Group	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
At 30 April 2019			
Sterling interest rate swaps	**£50,000,000**	**1.17%**	**0.8 years**
Euro interest rate swaps	**€190,000,000**	**0.06%**	**1.2 years**
At 30 April 2018			
Sterling interest rate swaps	£75,000,000	1.17%	1.4 years
Euro interest rate swaps	€190,000,000	0.06%	2.2 years

All the Group's interest rate swaps are designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, has been deferred in equity. There was no hedge ineffectiveness during the year (2018 – £Nil).

Notes to the accounts continued

21 Derivative financial instruments continued

Net investment hedges

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

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

22 Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payments £000	Intangible assets £000	Losses £000	Other temporary differences £000	Total £000
At 1 May 2017	(3,909)	1,137	(706)	236	(5,598)	(3,470)	(12,310)
Charge (credit) to income	1,639	(25)	(161)	(147)	1,338	475	3,119
Charge to equity	–	–	–	–	–	210	210
Exchange differences	(214)	14	–	–	(238)	(103)	(541)
Charge to income in respect of adjustment to prior year	3,261	–	–	–	–	266	3,527
At 1 May 2018	777	1,126	(867)	89	(4,498)	(2,622)	(5,995)
Charge (credit) to income	1,836	(21)	(131)	(111)	2,041	74	3,688
Charge to income in respect of adjustment to prior year	566	–	–	–	–	237	803
Charge to equity	–	–	–	–	–	6	6
Exchange differences	51	(7)	–	–	45	39	128
At 30 April 2019	**3,230**	**1,098**	**(998)**	**(22)**	**(2,412)**	**(2,266)**	**(1,370)**

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 2019	
Deferred tax assets	**(6,620)**
Deferred tax liabilities	**5,250**
Net deferred tax assets	**(1,370)**
At 30 April 2018	
Deferred tax assets	(10,791)
Deferred tax liabilities	4,796
Net deferred tax assets	(5,995)

In the current year, the net charge to equity of £6,000 (2018: £210,000) 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. Net deferred tax assets classified as other temporary differences are £2,266,000 (2018: £2,622,000). 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 2017	(706)	(600)	(1,306)
Charge to income	(161)	12	(149)
Charge to equity	–	210	210
At 1 May 2018	(867)	(378)	(1,245)
(Credit) charge to income	(131)	23	(108)
(Credit) Charge to equity	(70)	76	6
At 30 April 2019	**(1,068)**	**(279)**	**(1,347)**

23 Share capital

Group and Company	2019 £000	2018 £000
Alloted and fully paid:		
133,232,518 (2018 : 133,232,518) Ordinary shares of 50p each	**66,616**	66,616

24 Share premium account

Group and Company	£000
At 1 May 2017, 1 May 2018 and 30 April 2019	**113,508**

25 Other reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2017	40	1,111	67,463
Foreign exchange differences	–	46	–
At 1 May 2018	40	1,157	67,463
Foreign exchange differences	–	(23)	–
At 30 April 2019	**40**	**1,134**	**67,463**

Company	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2017 1 May 2018 and 30 April 2019	**40**	**1,371**	**63,159**

The above shows the movements on the reserves classified as 'Other reserves' on the Group's statement of changes in equity. Movements on the own shares reserve, hedging reserve and translation reserve are shown in the Statements of changes in equity, which can be seen on page 90.

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 2019 the Guernsey Trust held 1,365,087 (2018: 1,220,521) 50p Ordinary shares and the YBS Trust held 18,936 (2018: 22,474) 50p Ordinary shares. The total number of shares held by these employee trusts represents 1.0% (2018: 0.9%) 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.

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

Notes to the accounts continued

26 Exceptional items

	2019 £000	2018 £000
Restructuring costs	–	2,499
Exceptional administrative expenses	–	2,499
Total pre-tax exceptional items	–	2,499
Tax credits relating to exceptional items	–	(471)

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

Restructuring costs
The Group incurred total exceptional restructuring costs of £nil (2018: £2,499,000 all of which arose in the UK & Ireland).

27 Operating lease arrangements

As lessee

Group	2019 £000	2018 £000
Lease payments under operating leases recognised in the income statement for the year	**8,961**	8,147

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	2019 £000	2018 £000
Within one year	**8,208**	7,683
In the second to fifth years inclusive	**24,510**	23,882
After five years	**27,849**	25,986
	60,567	57,551

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 12 years (2018: 12 years) and rentals are fixed for an average term of 11 years (2018: 11 years).

As lessor

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

28 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration report on pages 58 to 74.

The Group and Company recognised total expenses of £1,249,000 (2018: £865,000) related to equity settled share based payment transactions in the year.

All options granted under the DABP, MPSP and EPSP are nil cost options.

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

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

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

Details regarding the plans in the year ended 30 April 2019 are outlined below:

	DABP Number of share options	MPSP Number of share options	EPSP Number of share options	AESS Number of matching shares	Free shares Number of free shares
At 1 May 2018	220,804	67,389	1,297,131	275,694	216,785
Granted/allocated during the year	28,467	–	1,112,983	116,534	–
Exercised/vested during the year	(78,944)	(35,801)	(20,286)	(75,979)	(62,195)
Forfeited/lapsed during the year	(6,695)	–	(326,281)	(42,969)	(25,940)
At 30 April 2019	**163,632**	**31,588**	**2,063,547**	**273,280**	**128,650**
Exercisable at the end of the year	50,625	31,588	–	–	–

	DABP 2019	MPSP 2019	EPSP 2019	AESS 2019	Free Shares 2019
Weighted average remaining contractual life at the end of the year	**7.3 years**	**3.3 years**	**8.6 years**	**1.9 years**	**0.3 years**
Weighted average share price at the date of exercise of options in the year	**£3.97**	**£3.97**	**£3.97**	**£3.86**	**£4.30**
Date options granted/allocated during the year	**June 2018**	**–**	**May 2019***	**January 2019**	**–**
Aggregate estimated fair value of options at the date of grant		**–**			**–**
The inputs into the Black–Scholes/ Monte Carlo model were as follows:					
Weighted average share price	**£4.07**	**–**	**£3.37**	**£3.86**	**–**
Weighted average exercise price	**£nil**	**–**	**£nil**	**£nil**	**–**
Expected volatility	**51.6%**	**–**	**53.3%**	**53.1%**	**–**
Expected life	**3 years**	**–**	**2 years**	**3 years**	**–**
Risk free rate	**0.97%**	**–**	**0.78%**	**0.97%**	**–**
Expected dividends	**4.4%**	**–**	**4.8%**	**4.8%**	**–**

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

* This award was communicated to employees in June 2018. In May 2019 the Remuneration Committee agreed the performance conditions meaning that this has been recognised as the grant date in accordance with the requirements of IFRS 2.

Notes to the accounts continued

28 Share based payments continued

Details regarding the plans in the year ended 30 April 2018 are outlined below:

	DABP Number of share options	MPSP Number of share options	EPSP Number of share options	AESS Number of matching shares	Free shares Number of free shares
At 1 May 2017	221,984	98,676	877,910	239,577	346,600
Granted/allocated during the year	66,398	–	966,606	128,786	–
Exercised/vested during the year	(33,456)	(25,151)	(103,534)	(67,635)	(97,420)
Forfeited/lapsed during the year	(34,122)	(6,136)	(443,851)	(25,034)	(32,395)
At 30 April 2018	220,804	67,389	1,297,131	275,694	216,785
Exercisable at the end of the year	37,031	67,389	–	–	–

	DABP 2018	MPSP 2018	EPSP 2018	AESS 2018	Free Shares 2018
Weighted average remaining contractual life at the end of the year	7.6 years	4.2 years	8.7 years	1.9 years	1.0 years
Weighted average share price at the date of exercise of options in the year	£4.10	£4.10	£4.10	£4.17	£4.32
Date options granted/allocated during the year	July 2017	–	July 2017/ January 2018	January 2018	–
Aggregate estimated fair value of options at the date of grant	£207,000	–	£2,636,000	£478,000	–
The inputs into the Black–Scholes/Monte Carlo model were as follows:					
Weighted average share price	£4.35	–	£4.36	£4.17	–
Weighted average exercise price	£nil	–	£nil	£nil	–
Expected volatility	49.6%	–	49.7%	48.3%	–
Expected life	3 years	–	3 years	3 years	–
Risk free rate	0.53%	–	0.67%	0.88%	–
Expected dividends	3.7%	–	3.7%	4.0%	–

29 Financial instruments

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

Capital risk management

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

Foreign currency risk management

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

Foreign currency sensitivity analysis

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

The following tables detail the Group's sensitivity to a €0.20 (2018: €0.20) increase and decrease in the Euro/Sterling exchange rate.

A €0.20 (2018 – €0.20) movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates in the near term. The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.20 (2018 – €0.20) change in foreign currency rates.

2019	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
Profit before taxation	**60,406**	**54,497**	**68,843**
Total equity	**563,616**	**536,257**	**602,378**

2018	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
Profit before taxation	52,738	47,681	59,968
Total equity	539,128	517,661	567,757

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

A 1.0% (2018 – 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.

2019	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
Profit before taxation	**60,406**	**58,708**	**62,104**
Total equity	**563,616**	**562,239**	**564,993**

2018	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
Profit before taxation	52,738	52,158	53,318
Total equity	539,128	538,659	539,599

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

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

	Average contract fixed interest rate		Notional principal amount		Fair value	
Outstanding receive floating pay fixed contracts	2019 %	2018 %	2019 000	2018 000	2019 £000	2018 £000
Sterling						
Within one year	**1.17**	1.17	**£25,000**	£25,000	**(77)**	(112)
In the second to fifth years inclusive	**1.17**	1.17	**£25,000**	£50,000	**(77)**	(223)
Euro						
In the second to fifth years inclusive	**0.06**	0.06	**€190,000**	€190,000	**(837)**	(1,054)

Notes to the accounts continued

29 Financial instruments continued

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and 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.

2019	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%	75,964	–	–	–	75,964
Fixed interest rate instruments	2.40%	2,078	2,078	88,895	500	93,551
Variable interest rate instruments	2.06%	16,200	7,228	345,632	–	369,060
		94,242	9,306	434,527	500	538,575

2018	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%	72,619	–	–	–	72,619
Fixed interest rate instruments	2.40%	2,118	2,118	92,751	500	97,487
Variable interest rate instruments	1.91%	17,466	6,943	365,706	–	390,115
		92,203	9,061	458,457	500	560,221

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

2019	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	863	135	–	998

2018	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	1,128	967	147	2,242

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

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

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 using the simplified model applicable to trade receivables as per IFRS 9.

	2019 £000	2018 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	**80,033**	74,854
Allowance for doubtful receivables	**(19,295)**	(15,811)
	60,738	59,043
Ageing of trade receivables not impaired		
Not overdue	**21,811**	21,202
Past due not more than two months	**9,777**	9,503
Past due more than two months but not more than four months	**12,667**	12,314
Past due more than four months but not more than six months	**16,483**	16,024
Total	**60,738**	59,043

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, £2,965,000 (2018 – £646,000) 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&I and Spain.

	2019 £000	2018 £000
Movement in the allowance for doubtful receivables		
At 1 May	**15,811**	13,948
Impairment losses recognised	**13,732**	8,911
Amounts written off as uncollectible	**(9,492)**	(5,519)
Impaired losses reversed	**(514)**	(1,956)
Exchange differences	**(242)**	427
At 30 April	**19,295**	15,811

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.

Notes to the accounts continued

29 Financial instruments continued

Included in the allowance for doubtful receivables are trade receivables with customers which have been placed under liquidation of £1,578,000 (2018: £983,000).

	2019 £000	2018 £000
Ageing of impaired trade receivables		
Not overdue	**1,971**	1,615
Past due not more than two months	**1,551**	1,271
Past due more than two months but not more than four months	**2,364**	1,937
Past due more than four months but not more than six months	**3,312**	2,714
Past due more than six months but not more than one year	**10,097**	8,274
	19,295	15,811

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The Company has no trade receivables and no intercompany receivables past due date.

30 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £4,322,028 (2018: £3,295,000) interest payable and £6,775,000 (2018: £6,292,000) royalty charges receivable.

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

Transactions with other related parties

In the year ended 30 April 2019, the Group transacted with Hexameter Services Limited for the provision of professional services. Hexameter Services Limited was a related party of the Group as one of the members of the key management personnel of the Group was also a director of Hexameter Services Limited. The total value of transactions is £141,000 (2018: £282,000), of which £nil (2018: £31,000) is a creditor balance in the Group accounts. The director of Hexameter Services is no longer a member of key managment personnel of the Group.

In the year ended 30 April 2018, the Group transacted with Moloney Search Limited for the provision of recruitment services The group did not transact with Moloney Search Limited in the year ended 30 April 2019. Moloney Search Limited was a related party of the Group as one of the directors of Moloney Search Limited is a close family member of the Group CEO. The total value of transactions in the year ended 30 April 2019 is £nil (2018: £217,000), of which £nil (2018: £29,000) is a creditor balance in the Group accounts.

The transactions were conducted on an arm's length basis on commercial terms and no balances are secured.

No written or verbal guarantees in relation to the transactions have been given or received.

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. In addition, the Interim CFO who was not a Director of the Company was also considered to be key management personnel of the Group in the current year, until his departure from the group on 16 July 2018. 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 58 to 74. The Interim CFO was contracted through a professional services company (Hexameter Services Limited) as disclosed above.

The fair value charged to the income statement in respect of equity-settled share based payment transactions with the Directors is £243,000 (2018 – £25,000). 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 of Annual General Meeting

Notice is hereby given that the one hundred and twenty-first Annual General Meeting of Northgate plc ('the Company') will be held at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HT at 11.30 am on 23 September 2019 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 13 and 18 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 2019 ("2019 Annual Reports and Accounts").
2. To declare a final dividend of 12.1p per Ordinary share recommended by the Directors.
3. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy referred to in Resolution 4 below) in the form set out on pages 58 to 74 of the 2019 Annual Report and Accounts.
4. To approve the Directors' Remuneration Policy in the form set out on pages 58 to 74 of the Directors' Remuneration Report in the 2019 Annual Report and Accounts.
5. To appoint PricewaterhouseCoopers LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting.
6. To authorise the Audit and Risk Committee, for and on behalf of the Board, to determine the remuneration of the auditor.
7. To elect Mr J Pattullo as a director.
8. To re-elect Mr B Spencer as a director.
9. To re-elect Miss J Caseberry as a director.
10. To re-elect Mrs C Miles as a director.
11. To re-elect Mr K Bradshaw as a director.
12. To re-elect Mr P Vincent 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 (representing approximately 33% of the issued share capital) 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 (representing approximately 5% of the issued share capital), 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 23 December 2020) 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.
15. That subject to the passing of Resolution 13, the Board be authorised in addition to any authority granted under Resolution 16 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 "(representing approximately 5% of the issued share capital)"; 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 23 December 2020) 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

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 25 June 2019;
    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.
18. That the Executive Performance Share Plan (the "EPSP"), the principal terms of which are summarised in the explanatory note to this resolution and as shown in the rules of the EPSP submitted to the Meeting marked "A" and signed by the Chairman of the meeting for the purposes of identification, be renewed and hereby approved and that the directors be and are hereby authorised to do all such acts and things that they may consider appropriate to implement the EPSP, including the making of any amendments to the rules and any establishment of any sub-plans for the benefit of employees outside the UK (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction).

By Order of the Board
Katie Tasker-Wood (Company Secretary)
24 June 2019

Registered Office:
Northgate Centre,
Lingfield Way,
Darlington,
DL1 4PZ

Notes

1. A member entitled to attend and vote at the Annual General Meeting ('the Meeting') may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. Proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours, excluding non-business days, before the time of the Meeting.
4. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act ('a Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
5. To be entitled to attend and vote, whether in person or by proxy, at the Meeting, members must be registered in the register of members of the Company at close of business on Thursday 19 September 2019 or, in the case of an adjourned meeting, at close of business on the day which is two days before the meeting (excluding days which are not working days). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
6. Shareholders wishing to appoint a proxy online should visit www.signalshares.com and follow the instructions on screen. If you have not already registered for the Signal Shares shareholder portal you will need your personal Investor Code which you can find on your share certificate or a dividend confirmation. To be valid your proxy appointment(s) and instructions should reach Capita Registrars no later than 48 hours, excluding non-business days, before the time set for the Meeting.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members and those members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
9. Members satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.
10. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it would interfere unduly with the preparation for the Meeting or if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. As at 25 June 2019 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consists of 133,232,518 Ordinary shares of 50 pence each, carrying one vote each and 1,000,000 preference shares of 50 pence each, which do not carry any rights to vote on the above resolutions. Therefore, the total voting rights in the Company are 133,232,518.
12. The contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights that members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.northgateplc.com/investors.php.
13. The following documents will be available for inspection during normal business hours until the close of the AGM meeting on 23 September 2019 at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y:
    - copies of the executive directors' service contracts;
    - copies of the letters of appointment of the non executive directors; and
    - the terms of the EPSP.
14. 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.
15. 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 9 August 2019, 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.
16. Explanatory note to Resolution 18 see overleaf:

Notice of annual general meeting continued

SUMMARY OF NORTHGATE PLC EXECUTIVE PERFORMANCE SHARE PLAN

Northgate plc (the Company) is seeking approval to renew its existing Executive Performance Share Plan for a further ten years (EPSP). The EPSP provides for grants of awards over the fully paid ordinary shares in the capital of the Company (the Shares) in the form of options or conditional share awards. Executive directors and other employees of the Company or any subsidiary of the Company are eligible for grants under the EPSP.

The rules of the EPSP have been updated to reflect changes in legislation (for example, the introduction of the market abuse regulation), simplify administration and to broaden the existing recovery and withholding provisions to cover error, financial misstatement, gross misconduct, reputational damage, failure of risk management and corporate failure.

While awards under the EPSP will normally be granted five working days after the announcement of the Company's full year results, the awards for 2019 will be made on the day of, or as soon as practicable following, approval of the plan at the Annual General Meeting.

A summary of the material terms of the EPSP is set out below.

Eligibility

The EPSP is a discretionary benefit offered by the Company for the benefit of its employees (including executive directors of the Company). Participation in the EPSP is at the discretion of the remuneration committee.

Grant of awards

Awards can be granted:

(a) within the period of six weeks commencing on any of the following:

  (i) the date on which the EPSP is re-approved by the shareholders of the Company; or

  (ii) the dealing day after the date on which the Company announces its results for any period; or

(b) at any other time when the remuneration committee considers that circumstances are sufficiently exceptional to justify its grant.

No awards may be granted under the EPSP more than ten years after the date on which the EPSP is re-approved by the shareholders of the Company.

Form of awards

Awards can be granted as options or in the form of a conditional award which grants the right to acquire or receive Shares at no or nominal cost. If the remuneration committee does not specify the type of award on or before the grant date then an award shall be a conditional right to acquire the Shares granted under the EPSP.

Value of awards

An award may not be granted to an individual if such grant would cause the aggregate total market value of the maximum number of shares that may be acquired on realisation of the individual's EPSP awards in relation to the same financial year to exceed 150% (250% in exceptional circumstances e.g. recruitment) of the individual's base salary at the date of grant.

Performance conditions

The vesting of awards granted will normally (and in the case of executive directors of the Company, will always) be dependent upon the satisfaction of stretching performance conditions that are appropriate to the strategic objectives of the Group (measured over a period of three years). The remuneration committee may vary the performance conditions applying to existing awards if the remuneration committee reasonably considers the occurrence of an event or circumstances mean that it would be appropriate to do so provided that, in the reasonable opinion of the remuneration committee, the new conditions are not materially less difficult to satisfy than the original conditions would have been but for the event or circumstances in question.

Holding period

The executive directors of the Company have agreed to a further two year holding period in respect of the post tax number of shares that vests following the end of the performance period.

Malus and clawback

The board of directors may reduce the number of shares under an award, impose further conditions on the vesting of an award, or forfeit shares following an award vesting if certain events occur, including a misstatement of the Company's financial accounts, a failure of risk management, an error in calculation of any awards based on false or misleading information, reputational damage, gross misconduct by the relevant participant or corporate failure.

Dividend enhancement

The number of shares in respect of an award may be increased to account for dividends paid on any vesting shares in the period between grant and vesting. Alternatively, participants may receive a cash sum equal to the value of dividends paid on any vesting shares in the period between grant and vesting.

Cessation of employment

Awards to directors or employees who leave at any time prior to vesting will lapse unless they leave by reason of death, retirement, ill health, injury or disability, redundancy, on the sale out of the Group of the participant's employing company or business or in other circumstances at the discretion of the remuneration committee ("good leavers").

Awards for good leavers will vest on the date of cessation or, at the discretion of the remuneration committee, the normal vesting date, to the extent that the performance conditions are met (if applicable), but will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation relative to the period of three years.

Change of control

Awards may vest in connection with a change of control of the Company to the extent that the performance conditions are met by that date.

The Remuneration Committee will in normal circumstances scale down the vesting level of an award having regard to the time that has elapsed between the grant of the award and the date of change of control, but will retain discretion to modify pro-rating in any particular case if it considers it appropriate.

Cash Alternative

Subject to certain exclusions and limitations, the remuneration committee has discretion to determine that a share award may be satisfied by payment of a cash sum.

Adjustment of awards

If there is a variation in the share capital of the Company a demerger, payment of a special dividend or other similar event which may impact the market value of a share, the award may be adjusted to reflect that variation.

Rights attaching to shares

A participant will not have any voting or dividend rights prior to the realisation of the award. All shares allotted under the EPSP will carry the same rights as any other issued ordinary shares in the Company and application will be made for the shares to be listed by the UK Financial Conduct Authority and traded on the London Stock Exchange.

Benefits received under the EPSP are not pensionable and may not be assigned or transferred except on a participant's death.

Alterations to the EPSP

In addition to the remuneration committee's powers to vary performance measures described above, it will have authority to amend the rules of the EPSP, provided that no amendments to the advantage of the participants or eligible employees may be made to provisions relating to the key features of the EPSP without the prior approval of shareholders in general meeting unless the amendment is minor and made to benefit the administration of the EPSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group. Key features are: who can be a participant, the limits on the number of shares which can be issued under the EPSP, the basis for determining a participant's entitlement to shares and the terms on which they can be acquired, and the provisions relating to adjustments in the event of a variation in the Company's share capital.

Satisfaction of awards

An award may be satisfied with new issue shares, a transfer of treasury shares or shares purchased in the market.

Limits on the issue of shares

In any 10 year period, the Company may not grant awards under the EPSP if such grant would cause the number of shares that could be issued under the EPSP or any other share plan adopted by the Company or any other company under the Company's control to exceed 10% of the Company's issued ordinary share capital at the proposed date of grant.

In addition in any 10 year period, the Company may not grant awards under the EPSP if such grant would cause the number of ordinary shares that could be issued under the EPSP or any discretionary share plans adopted by the Company or any other company under the Company's control to exceed 5% of the Company's issued ordinary share capital at the proposed date of grant. The satisfaction of awards with treasury shares will be treated as an issue of ordinary shares for the purposes of the above limits for so long as institutional shareholder guidelines recommend this. If awards are satisfied by a transfer of existing ordinary shares, the percentage limits stated above will not apply.

Inspect of the EPSP

A copy of the rules of the EPSP, marked to show the changes to the existing Executive Performance Share Plan, will be available for inspection from the date of this notice to the start of the AGM at the offices of Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HT and at the AGM itself for at least 15 minutes before and during the meeting.

Glossary

Term	Definition
AGM	Annual General Meeting
Annual Report on Remuneration	That section of the Remuneration report which is subject to an advisory shareholder vote
B2B	Business to Business
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Consumer Price Index
DABP	Deferred Annual Bonus Plan
Disposals Profit	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)
Defra	The Department for Environment, Food and Rural Affairs
EBIT	Earnings before interest and taxation (equivalent to operating profit)
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Basic earnings per share
EPSP	Executive Performance Share Plan
ESOS	Energy Savings Opportunity Scheme
Facility headroom	Calculated as facilities of £604 less net borrowings of £439m. Net borrowings represent net debt of £437m excluding unamortised arrangement fees of £2m and are stated after the deduction of £1m of net cash balances which are available to offset against borrowings
FCA	Financial Conduct Authority
Free cash flow	Net cash generated before the payment of dividends
FY2018	The year ended 30 April 2018
FY2019	The year ending 30 April 2019
GAAP	Generally Accepted Accounting Practice: meaning compliance with International Financial Reporting Standards
Gearing	Calculated as net debt divided by net tangible assets
Growth Capex	Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction
HMRC	Her Majesty's Revenue & Customs
IFRS	International Financial Reporting Standards
ISO	International Organisation for Standardisation

Term	Definition
ISS	Institutional Shareholder Services
KPIs	Key Performance Indicators
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
Listing Rules	The Listing Rules of the Financial Conduct Authority
MPSP	Management Performance Share Plan (closed to new awards from 2013)
Net replacement capex	Net capital expenditure other than that defined as growth capex
Net tangible assets	Net assets less goodwill and other intangible assets
OEMs	Original Equipment Manufacturer: a reference to our vehicle suppliers.
Partnership Shares	Shares purchased by the Company on behalf of employees who participate in the All Employee Share Scheme
PBT	Underlying profit before tax
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposals profits (as defined), divided by the number of vehicles sold
PwC	PricewaterhouseCoopers LLP
ROCE	Underlying return on capital employed: calculated as underlying operating profit (see non-GAAP reconciliation) divided by average capital employed
SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme
SMEs	Small and medium sized enterprises
Steady state cash generation	EBITDA less Net replacement capex
The Code	The UK Corporate Governance Code
The Company	Northgate plc
The Group	The Company and its subsidiaries
TSR	Total Shareholder Return
UKAS	United Kingdom Accreditation Service
Underlying free cash flow	Free cash flow excluding growth capex
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
VOH	Vehicles on hire. Average unless otherwise stated

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.

The company is registered in England and Wales

Company number 00053171

Secretary and registered office

Katie Tasker-Wood
Northgate Centre
Lingfield Way
Darlington
DL1 4PZ

Tel: 01325 467558

Financial calendar

December

Publication of interim statement

January

Payment of interim dividend

June

Announcement of year end results

July

Report and accounts posted to shareholders

September

Annual General Meeting
Payment of final dividend

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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

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