Chairman's introduction to governance

Bill Spencer
Interim Chairman and Senior Independent Director

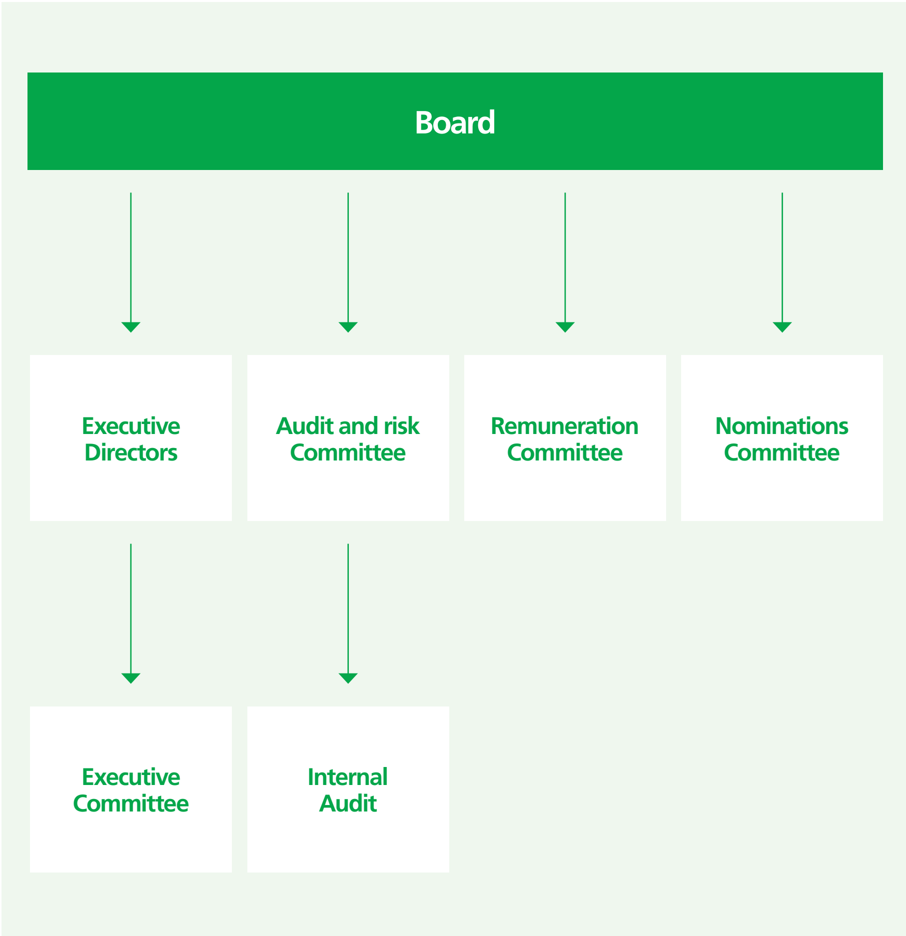
2019 key activities

- 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

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.

Key focus

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

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.

Key focus

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

Joined Board

November 2015

Committee membership

- Audit and Risk committee
- Remuneration Committee
- Nomination Committee

Skills and experience

- Commercial strategy
- Multi-channel customer operations
- Business transformation

Key external appointments

Centrica Hive Limited
Managing Director

John Pattullo OBE
Non Executive Director

Joined Board

January 2019

Committee membership

- Audit and Risk Committee
- Remuneration Committee
- Nomination Committee

Skills and experience

- Supply chain and logisitcs
- Experienced CEO
- International business

Key external appointments

V Group Ltd
Chairman

Electrocomponents Plc
Senior Independent Director

Katie Tasker-Wood
Company Secretary

Appointed as Company Secretary

June 2016

Committee membership

- Audit and Risk Secretary to the Committee
- Remuneration Secretary to the Committee
- Nomination Secretary to the Committee

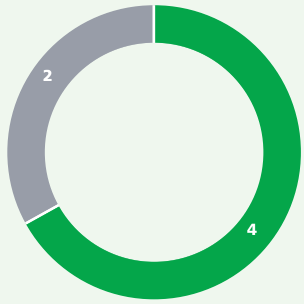
Skills and experience

- Qualified solicitor
- International business
- Risk management

Key external appointments

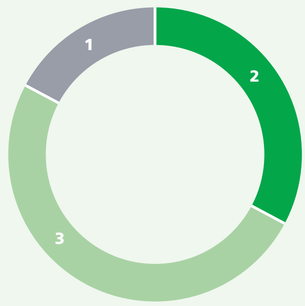
N/A

Board diversity by gender



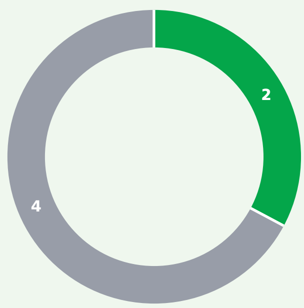
Male 67%
Female 33%

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

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

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

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.

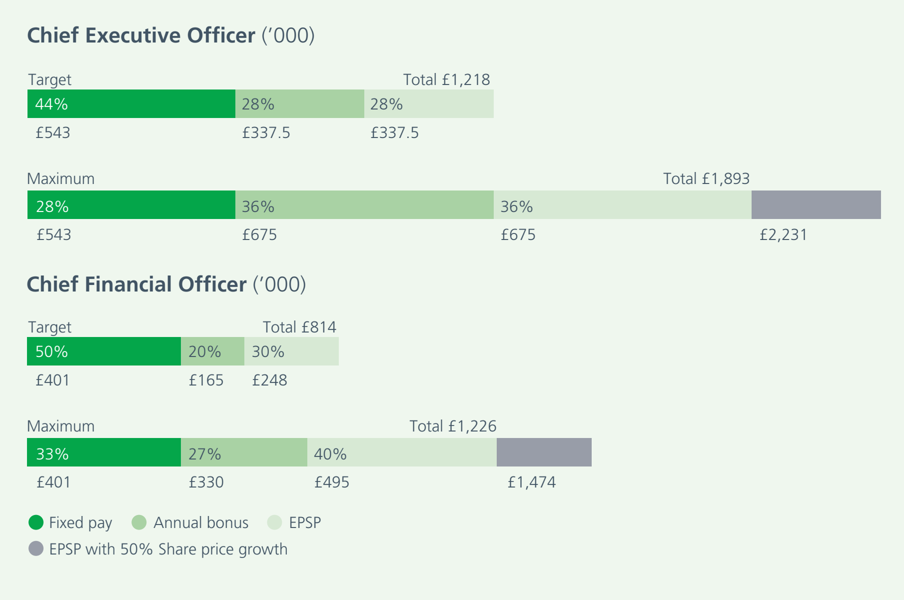
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 May 2019. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 30 April 2019.

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

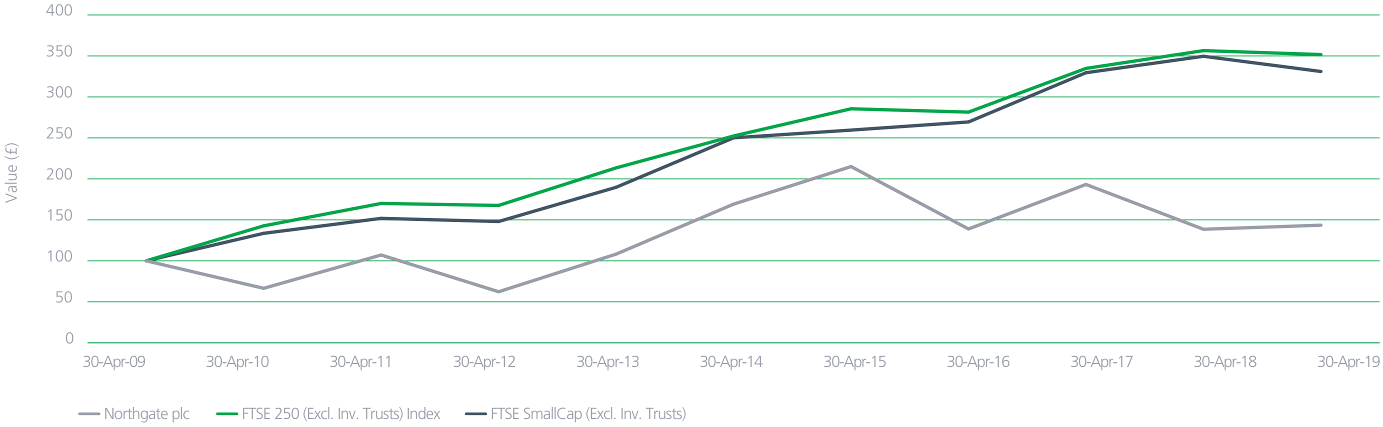
1. Total remuneration for CEO includes bonus award in the year, for all other staff total remuneration includes bonus paid in the year.

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