Financial Statements

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

Contents

Consolidated income statement

For the year ended 30 April 2019

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

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

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

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

Statements of comprehensive income

For the year ended 30 April 2019

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

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

Balance sheets

As at 30 April 2019

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

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

They were signed on its behalf by:

Philip Vincent
Chief Financial Officer

Cash flow statements

For the year ended 30 April 2019

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

Notes to the cash flow statements

For the year ended 30 April 2019

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

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

(b) Cash and cash equivalents

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

Statements of changes in equity

For the year ended 30 April 2019

Group	Share capital and share premium £000	Own shares reserve £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2017	180,124	(1,659)	(2,020)	(5,241)	68,614	276,799	516,617
Share options fair value charge	–	–	–	–	–	865	865
Share options exercised	–	–	–	–	–	(1,678)	(1,678)
Profit attributable to owners of the Parent Company	–	–	–	–	–	43,232	43,232
Dividends paid	–	–	–	–	–	(23,365)	(23,365)
Net purchase of own shares	–	(3,257)	–	–	–	–	(3,257)
Transfer of shares on vesting of share options	–	1,678	–	–	–	–	1,678
Other comprehensive income	–	–	895	4,095	46	–	5,036
Total equity at 1 May 2018	180,124	(3,238)	(1,125)	(1,146)	68,660	295,853	539,128
Share options fair value charge	–	–	–	–	–	1,249	1,249
Share options exercised	–	–	–	–	–	(1,317)	(1,317)
Profit attributable to owners of the Parent Company	–	–	–	–	–	51,418	51,418
Dividends paid	–	–	–	–	–	(23,431)	(23,431)
Net purchase of own shares	–	(1,438)	–	–	–	–	(1,438)
Transfer of shares on vesting of share options	–	1,317	–	–	–	–	1,317
Deferred tax on share based payments recognised in equity	–	–	–	–	–	70	70
Other comprehensive income (expense)	–	–	322	(3,679)	(23)	–	(3,380)
Total equity at 30 April 2019	**180,124**	**(3,359)**	**(803)**	**(4,825)**	**68,637**	**323,842**	**563,616**

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

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

Notes to the accounts

1 General information

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

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

2 Principal accounting policies

Statement of compliance

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

Basis of preparation

The financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), Interpretations Committee (IFRS-IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. With the exception of new accounting standards outlined below all other accounting policies have been applied consistently.

Going concern

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

Changes in accounting policy

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

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

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

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

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

Trade receivables

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

Amounts due from subsidiary undertakings

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

IFRS 15 Revenue from contracts with customers

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

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

Standards not yet in force – IFRS 16 Leases

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

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

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

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2018 and 30 April 2019.

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

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

Notes to the accounts continued

2 Principal accounting policies continued

Revenue recognition

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

Other group revenue is measured in accordance with IFRS 15 at the fair value of consideration received or receivable from contracts with customers in respect of sale of used vehicles and the supply of related goods and services in the normal course of business, net of value added tax and discounts.

Revenue from the sale of used vehicles is derived from the resale of vehicles purchased by Northgate and is recognised at the point in time when the risks and rewards of ownership are transferred. Revenues from the supply of related goods and services are recognised at the point which they are provided. Where cash is received in advance of customers collecting or taking delivery of vehicles, revenue is deferred until such point that the performance obligation within the contract is met.

Goodwill

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

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

Intangible assets – arising on business combinations

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

Customer relationships	5 to 13 years

Intangible assets – other

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

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

Property, plant and equipment

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

Freehold buildings	50 years
Leasehold buildings	50 years or over the life of the lease, whichever is shorter
Plant, equipment & fittings	3 to 10 years
Vehicles for hire	3 to 12 years
Motor vehicles	3 to 6 years

Vehicles for hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between three and 12 years, averaging around six years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles. The Group is required to review its depreciation rates and estimated useful lives regularly to ensure that the net book value of disposals of tangible assets are broadly equivalent to their market value. Freehold land is not depreciated.

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

Investments in subsidiaries

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

Impairment

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

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

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

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

Inventories

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

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

Taxation

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

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

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

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

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

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

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

Financial instruments and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

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

Notes to the accounts continued

2 Principal accounting policies continued

Foreign currencies

Transactions in foreign currencies other than UK Sterling are recorded at the rate prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

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

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

Leasing

As Lessee:

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

As Lessor:

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

Retirement benefit costs

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

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

Employee share schemes and share based payments

The Group issues equity settled payments to certain employees.

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

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

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

Interest income and finance costs

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

Exceptional items

Items are classified as exceptional gains or losses where they are considered to be material or which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the accounts are to be properly understood. Restructuring and exceptional costs are considered on a case by case basis as to whether they meet the exceptional criteria. The presentation is consistent with the way financial performance is measured by management and reported to the Board.

Dividends

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

Provisions

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

Own shares

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

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in Note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the accounts that will have an impact on the next 12 months.

Depreciation

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

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

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

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

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

Taxation

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

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

To the extent that tax estimates result in the recognition of deferred tax assets, those assets are only carried in the balance sheet to the extent that it is considered probable that taxable profit will be available against which the deductible temporary difference can be utilised.

4 Segmental reporting

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

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

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

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

Notes to the accounts continued

4 Segmental reporting continued

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

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

Segment assets and liabilities exclude derivative financial instrument assets and liabilities and current and deferred tax assets and liabilities, since these balances are not included in the segments' assets and liabilities as reviewed by the chief operating decision maker.

Geographical information

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

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

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

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

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

5 Operating profit

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

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

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

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

A description of the work of the Audit and Risk Committee is set out on pages 56 to 58 and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditors.

6 Staff costs

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

Notes to the accounts continued

6 Staff costs continued

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

Wages and salaries include £1,111,000 (2018: £1,801,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the Remuneration report on pages 58 to 74.

7 Finance costs

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

8 Taxation

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

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

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

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

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

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

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

9 Dividends

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

10 Earnings per share

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

11 Result of the Parent Company

A profit of £34,117,000 (2018: £60,911,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under s408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

12 Goodwill

	£000
Carrying value:	
At 1 May 2017, 1 May 2018 and 30 April 2019	**3,589**

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

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

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

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

In the prior year, the impairment assessment was based on risk-adjusted cash flow forecasts derived from a business plan approved by the Directors in March 2018 using growth rates of 1% over a ten year period, including terminal values, using a pre tax discount rate of 9.5% for the UK CGU, 9.5% for the Spain CGU and 9.2% for the Ireland CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity. It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged for the UK CGU, Spain CGU and Ireland CGU.

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

Notes to the accounts continued

13 Other intangible assets

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

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

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

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

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

14 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2017	1,034,248
Additions	510,525
Exchange differences	19,122
Transfer from motor vehicles	236
Transfer to inventories	(342,408)
At 1 May 2018	1,221,723
Additions	374,976
Exchange differences	(11,956)
Transfer to motor vehicles	(191)
Transfer to inventories	(343,590)
At 30 April 2019	**1,240,962**
Depreciation:	
At 1 May 2017	302,591
Charge for the year	176,600
Exchange differences	5,950
Transfer from motor vehicles	242
Transfer to inventories	(160,983)
At 1 May 2018	324,400
Charge for the year	185,794
Exchange differences	(3,295)
Transfer from motor vehicles	9
Transfer to inventories	(166,281)
At 30 April 2019	**340,627**
Carrying amount:	
At 30 April 2019	**900,335**
At 30 April 2018	897,323

At 30 April 2019, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £35,816,000 (2018: £28,368,000).

Notes to the accounts continued

15 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
At 1 May 2017	81,392	25,016	3,761	110,169
Additions	4,211	4,341	740	9,292
Exchange differences	1,603	547	–	2,150
Transfer to vehicles for hire	–	–	(236)	(236)
Disposals	(3,610)	(1,193)	(508)	(5,311)
At 1 May 2018	83,596	28,711	3,757	116,064
Additions	1,848	5,786	736	8,370
Exchange differences	(835)	(392)	–	(1,227)
Transfer from vehicles for hire	–	–	191	191
Disposals	(733)	(2,413)	(1,357)	(4,503)
At 30 April 2019	**83,876**	**31,692**	**3,327**	**118,895**
Depreciation:				
At 1 May 2017	25,273	18,495	1,139	44,907
Charge for the year	2,178	2,672	735	5,585
Net impairment	(380)	–	–	(380)
Exchange differences	386	376	–	762
Transfer to vehicles for hire	–	–	(242)	(242)
Disposals	(1,441)	(831)	(275)	(2,547)
At 1 May 2018	26,016	20,712	1,357	48,085
Charge for the year	2,130	2,746	646	5,522
Exchange differences	(213)	(230)	–	(443)
Transfer to vehicles for hire	–	–	(9)	(9)
Disposals	(104)	(2,176)	(823)	(3,103)
At 30 April 2019	**27,829**	**21,052**	**1,171**	**50,052**
Carrying amount:				
At 30 April 2019	**56,047**	**10,640**	**2,156**	**68,843**
At 30 April 2018	57,580	7,999	2,400	67,979

	2019 £000	2018 £000
Land and buildings by category:		
Freehold and long leasehold	**49,086**	51,128
Short leasehold	**6,961**	6,452
	56,047	57,580

At 30 April 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £168,000 (2018: £72,000).

Land and buildings in the Group include £nil (2018: £593,000) of assets held for sale. The carrying value of these assets equates to the estimated sale value net of attributable costs to sell.

Company	Land & buildings £000
Cost:	
At 1 May 2017	3,388
Disposals	(3,388)
At 1 May 2018 and at 30 April 2019	–
Depreciation:	
At 1 May 2017	1,247
Disposals	(1,247)
At 1 May 2018 and at 30 April 2019	**–**
Carrying amount:	
At 30 April 2018 and at 30 April 2019	**–**

16 Investments

Company	Shares in subsidiary undertakings £000	Loans in subsidiary undertakings £000	Total £000
Cost:			
At 1 May 2017	76,328	47,000	123,328
Disposals	(2,435)	–	(2,435)
At 1 May 2018 and 30 April 2019	**73,893**	**47,000**	**120,893**
Accumulated provisions:			
At 1 May 2017	2,435	–	2,435
Disposals	(2,435)	–	(2,435)
At 1 May 2018 and 30 April 2019	**–**	**–**	**–**
Carrying amount:			
At 1 May 2018 and 30 April 2019	**73,893**	**47,000**	**120,893**

At 30 April 2019, a full list of subsidiaries of the Group, for all of which the ordinary shares were wholly owned, was as follows:

Name	Registered office
Northgate (CB) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (CB2) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate España Renting Flexible S.A.*	Avd Isaac Newton, 3 Parque Empresarial La Carpetania, 28906 Getafe, Madrid, Spain
Northgate (Europe) Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Malta) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate (MT) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate Vehicle Hire (Ireland) Limited*	One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland
Northgate Vehicle Hire Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
NG Finance Limited (formerly NGMalta Finance Limited)*	One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland
Northgate Vehicle Sales Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Goode Durrant Administration Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ

* Interest held indirectly by the Company.

Notes to the accounts continued

17 Inventories

Group	2019 £000	2018 £000
Vehicles held for resale	**24,514**	25,622
Spare parts and consumables	**5,312**	6,206
	29,826	31,828

Replacement cost is considered to be materially equal to carrying value.

18 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	**60,738**	59,043	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**915,124**	986,570
Other taxes	**–**	6,322	**50**	110
Other receivables and prepayments	**11,064**	10,726	**91**	100
	71,802	76,091	**915,265**	986,780

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

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

Amounts due from subsidiary undertakings are non interest bearing and repayable on demand.

19 Trade and other payables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade payables	**40,667**	65,056	**64**	168
Amounts due to subsidiary undertakings	**–**	–	**238,505**	344,803
Social security and other taxes	**10,181**	2,054	**175**	202
Accruals and deferred income	**21,639**	30,561	**1,812**	2,911
	72,487	97,671	**240,556**	348,084

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

Amounts due to subsidiary undertakings are non interest bearing and repayable on demand (£106,205,000) (2018: £191,642,000) and a term loan repayable in June 2020 which bears interest at 2.25% above Libor (£132,300,000) (2018: £153,161,000 which bears interest at 2.00% above Libor).

20 Borrowings

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

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank loans and overdrafts	**385,545**	372,005	**374,813**	354,361
Loan notes	**86,194**	87,890	**86,194**	87,890
Cumulative Preference shares	**500**	500	**500**	500
Confirming facilities	**360**	308	**–**	–
	472,599	460,703	**461,507**	442,751

The borrowings are repayable as follows:

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	**43,830**	17,644	**33,098**	–
Confirming facilities	**360**	308	**–**	–
	44,190	17,952	**33,098**	–
In the third to fifth years				
Bank loans	**343,889**	357,076	**343,889**	357,076
Loan notes	**86,248**	87,960	**86,248**	87,960
	430,137	445,036	**430,137**	445,036
Due after more than five years				
Cumulative Preference shares	**500**	500	**500**	500
	500	500	**500**	500
Unamortised finance fees relating to the bank loans and loan notes	**(2,228)**	(2,785)	**(2,228)**	(2,785)
Total borrowings	**472,599**	460,703	**461,507**	442,751
Less: Amounts due for settlement within one year (shown within current liabilities)	**44,190**	17,952	**33,098**	–
Amounts due for settlement after more than one year	**428,409**	442,751	**428,409**	442,751

The UK bank loans, totalling £343,889,000 (gross of unamortised fees) at 30 April 2019, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £86,248,000 (gross of unamortised fees) at 30 April 2019, would have to be offered full repayment in the event of a change in control of the Group.

Bank loans and overdrafts
Bank loans and overdrafts are unsecured and bear interest at rates of 0.70% to 3.00% (2018: 0.70% to 2.00%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

Loan notes
The Company has €100,000,000 of private placement loan notes which bear interest at 2.38%. These are unsecured and mature in August 2022.

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

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2018: 1,300,000), of which 1,000,000 (2018: 1,000,000) were allotted and fully paid at the balance sheet date.

Confirming facilities
Spanish confirming facilities of £360,000 (2018: £308,000) are unsecured and all fall due within one year. The Group pays no interest on confirming.

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

	2019 £000	2018 £000
Less than one year	**4,044**	11,733
In one year to five years	**159,982**	92,793
	164,026	104,526

The total amount permitted to be borrowed by the Company and its subsidiary undertakings in terms of the Articles of Association shall not exceed six times the aggregate of the issued share capital of the Company and Group reserves, as defined in those Articles.

Notes to the accounts continued

20 Borrowings continued

Analysis of consolidated net debt

An analysis of movements in the Group's consolidated net debt is as follows:

	At 1 May 2018 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2019 £000
Bank loans	364,750	(10,651)	541	(4,032)	**350,608**
Bank overdrafts	7,255	27,771	–	(89)	**34,937**
Loan notes	87,890	–	16	(1,712)	**86,194**
Cumulative Preference shares	500	–	–	–	**500**
Confirming facilities	308	–	60	(8)	**360**
	460,703	17,120	617	(5,841)	**472,599**
Cash at bank and in hand	(21,382)	(14,155)	–	(205)	**(35,742)**
Consolidated net debt	439,321	2,965	617	(6,046)	**436,857**

The Group calculates gearing to be net borrowings as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net borrowings comprise borrowings less cash and bank balances. At 30 April 2019, the gearing of the Group amounted to 79.6% (2018: 82.8%) where net borrowings are £436,857,000 (2018: £439,321,000) and shareholders' funds less goodwill and the net book value of intangible assets are £548,532,000 (2018: £530,334,000).

Financial instruments (see also Note 29)

Financial assets

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

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

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

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

Treasury policies and the management of risk

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

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

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

Financing and interest rate risk

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

Cash at bank, and on deposit, yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings is managed through the use of interest rate derivatives as detailed in Note 21. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. At 30 April 2019 68.5% (2018 – 74.9%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £50,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £360,000 of confirming facilities (30 April 2018 – interest rate swaps of £75,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £308,000 of confirming facilities).

Foreign currency exchange risk

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

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

Group	Sterling £000	Euro £000	Total £000
At 30 April 2019			
Bank loans	**141,915**	**208,693**	**350,608**
Bank overdrafts	**33,098**	**1,839**	**34,937**
Cumulative Preference shares	**500**	**–**	**500**
Confirming facilities	**–**	**360**	**360**
Loan notes	**–**	**86,194**	**86,194**
	175,513	**297,086**	**472,599**

Group	Sterling £000	Euro £000	Total £000
At 30 April 2018			
Bank loans	126,702	238,048	364,750
Bank overdrafts	7,255	–	7,255
Cumulative Preference shares	500	–	500
Confirming facilities	–	308	308
Loan notes	–	87,890	87,890
	134,457	326,246	460,703

21 Derivative financial instruments

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

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Interest rate derivatives	**(991)**	(1,389)	**(991)**	(1,389)
They are represented in the balance sheet as follows:				
Current derivative financial instrument liabilities	**(77)**	(112)	**(77)**	(112)
Non-current derivative financial instrument liabilities	**(914)**	(1,277)	**(914)**	(1,277)
	(991)	(1,389)	**(991)**	(1,389)

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings is managed through the use of interest rate derivatives. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix a substantial element of the interest cost on outstanding debt. The interest rate derivatives to which the Group was party as at 30 April 2019 are summarised below:

Group	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
At 30 April 2019			
Sterling interest rate swaps	**£50,000,000**	**1.17%**	**0.8 years**
Euro interest rate swaps	**€190,000,000**	**0.06%**	**1.2 years**
At 30 April 2018			
Sterling interest rate swaps	£75,000,000	1.17%	1.4 years
Euro interest rate swaps	€190,000,000	0.06%	2.2 years

All the Group's interest rate swaps are designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, has been deferred in equity. There was no hedge ineffectiveness during the year (2018 – £Nil).

Notes to the accounts continued

21 Derivative financial instruments continued

Net investment hedges

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

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

22 Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payments £000	Intangible assets £000	Losses £000	Other temporary differences £000	Total £000
At 1 May 2017	(3,909)	1,137	(706)	236	(5,598)	(3,470)	(12,310)
Charge (credit) to income	1,639	(25)	(161)	(147)	1,338	475	3,119
Charge to equity	–	–	–	–	–	210	210
Exchange differences	(214)	14	–	–	(238)	(103)	(541)
Charge to income in respect of adjustment to prior year	3,261	–	–	–	–	266	3,527
At 1 May 2018	777	1,126	(867)	89	(4,498)	(2,622)	(5,995)
Charge (credit) to income	1,836	(21)	(131)	(111)	2,041	74	3,688
Charge to income in respect of adjustment to prior year	566	–	–	–	–	237	803
Charge to equity	–	–	–	–	–	6	6
Exchange differences	51	(7)	–	–	45	39	128
At 30 April 2019	**3,230**	**1,098**	**(998)**	**(22)**	**(2,412)**	**(2,266)**	**(1,370)**

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

	Total £000
At 30 April 2019	
Deferred tax assets	**(6,620)**
Deferred tax liabilities	**5,250**
Net deferred tax assets	**(1,370)**
At 30 April 2018	
Deferred tax assets	(10,791)
Deferred tax liabilities	4,796
Net deferred tax assets	(5,995)

In the current year, the net charge to equity of £6,000 (2018: £210,000) in respect of other temporary differences relates to derivative financial instruments which has been reflected in the hedging reserve (Note 25). There are no deferred tax assets which are not recognised in the balance sheet. Net deferred tax assets classified as other temporary differences are £2,266,000 (2018: £2,622,000). The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior year:

Company	Share based payments £000	Other temporary differences £000	Total £000
At 1 May 2017	(706)	(600)	(1,306)
Charge to income	(161)	12	(149)
Charge to equity	–	210	210
At 1 May 2018	(867)	(378)	(1,245)
(Credit) charge to income	(131)	23	(108)
(Credit) Charge to equity	(70)	76	6
At 30 April 2019	**(1,068)**	**(279)**	**(1,347)**

23 Share capital

Group and Company	2019 £000	2018 £000
Alloted and fully paid:		
133,232,518 (2018 : 133,232,518) Ordinary shares of 50p each	**66,616**	66,616

24 Share premium account

Group and Company	£000
At 1 May 2017, 1 May 2018 and 30 April 2019	**113,508**

25 Other reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2017	40	1,111	67,463
Foreign exchange differences	–	46	–
At 1 May 2018	40	1,157	67,463
Foreign exchange differences	–	(23)	–
At 30 April 2019	**40**	**1,134**	**67,463**

Company	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2017 1 May 2018 and 30 April 2019	**40**	**1,371**	**63,159**

The above shows the movements on the reserves classified as 'Other reserves' on the Group's statement of changes in equity. Movements on the own shares reserve, hedging reserve and translation reserve are shown in the Statements of changes in equity, which can be seen on page 90.

Further information on certain of these reserves is given below:

Own shares

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 28). At 30 April 2019 the Guernsey Trust held 1,365,087 (2018: 1,220,521) 50p Ordinary shares and the YBS Trust held 18,936 (2018: 22,474) 50p Ordinary shares. The total number of shares held by these employee trusts represents 1.0% (2018: 0.9%) of the allotted and fully paid share capital of the Group.

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

Hedging reserve

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

Translation reserve

The translation reserve represents the aggregate of the cumulative exchange differences arising from the retranslation of the balance sheets of the Euro based subsidiary undertakings and the cumulative exchange differences arising from long term borrowings held as hedges.

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

Notes to the accounts continued

26 Exceptional items

	2019 £000	2018 £000
Restructuring costs	–	2,499
Exceptional administrative expenses	–	2,499
Total pre-tax exceptional items	–	2,499
Tax credits relating to exceptional items	–	(471)

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

Restructuring costs
The Group incurred total exceptional restructuring costs of £nil (2018: £2,499,000 all of which arose in the UK & Ireland).

27 Operating lease arrangements

As lessee

Group	2019 £000	2018 £000
Lease payments under operating leases recognised in the income statement for the year	8,961	8,147

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

Group	2019 £000	2018 £000
Within one year	8,208	7,683
In the second to fifth years inclusive	24,510	23,882
After five years	27,849	25,986
	60,567	57,551

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

Leases are negotiated for an average term of 12 years (2018: 12 years) and rentals are fixed for an average term of 11 years (2018: 11 years).

As lessor

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

28 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration report on pages 58 to 74.

The Group and Company recognised total expenses of £1,249,000 (2018: £865,000) related to equity settled share based payment transactions in the year.

All options granted under the DABP, MPSP and EPSP are nil cost options.

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

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

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

Details regarding the plans in the year ended 30 April 2019 are outlined below:

	DABP Number of share options	MPSP Number of share options	EPSP Number of share options	AESS Number of matching shares	Free shares Number of free shares
At 1 May 2018	220,804	67,389	1,297,131	275,694	216,785
Granted/allocated during the year	28,467	–	1,112,983	116,534	–
Exercised/vested during the year	(78,944)	(35,801)	(20,286)	(75,979)	(62,195)
Forfeited/lapsed during the year	(6,695)	–	(326,281)	(42,969)	(25,940)
At 30 April 2019	**163,632**	**31,588**	**2,063,547**	**273,280**	**128,650**
Exercisable at the end of the year	50,625	31,588	–	–	–

	DABP 2019	MPSP 2019	EPSP 2019	AESS 2019	Free Shares 2019
Weighted average remaining contractual life at the end of the year	**7.3 years**	**3.3 years**	**8.6 years**	**1.9 years**	**0.3 years**
Weighted average share price at the date of exercise of options in the year	**£3.97**	**£3.97**	**£3.97**	**£3.86**	**£4.30**
Date options granted/allocated during the year	**June 2018**	**–**	**May 2019***	**January 2019**	**–**
Aggregate estimated fair value of options at the date of grant		**–**			**–**
The inputs into the Black–Scholes/ Monte Carlo model were as follows:					
Weighted average share price	**£4.07**	**–**	**£3.37**	**£3.86**	**–**
Weighted average exercise price	**£nil**	**–**	**£nil**	**£nil**	**–**
Expected volatility	**51.6%**	**–**	**53.3%**	**53.1%**	**–**
Expected life	**3 years**	**–**	**2 years**	**3 years**	**–**
Risk free rate	**0.97%**	**–**	**0.78%**	**0.97%**	**–**
Expected dividends	**4.4%**	**–**	**4.8%**	**4.8%**	**–**

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

* This award was communicated to employees in June 2018. In May 2019 the Remuneration Committee agreed the performance conditions meaning that this has been recognised as the grant date in accordance with the requirements of IFRS 2.

Notes to the accounts continued

28 Share based payments continued

Details regarding the plans in the year ended 30 April 2018 are outlined below:

	DABP Number of share options	MPSP Number of share options	EPSP Number of share options	AESS Number of matching shares	Free shares Number of free shares
At 1 May 2017	221,984	98,676	877,910	239,577	346,600
Granted/allocated during the year	66,398	–	966,606	128,786	–
Exercised/vested during the year	(33,456)	(25,151)	(103,534)	(67,635)	(97,420)
Forfeited/lapsed during the year	(34,122)	(6,136)	(443,851)	(25,034)	(32,395)
At 30 April 2018	220,804	67,389	1,297,131	275,694	216,785
Exercisable at the end of the year	37,031	67,389	–	–	–

	DABP 2018	MPSP 2018	EPSP 2018	AESS 2018	Free Shares 2018
Weighted average remaining contractual life at the end of the year	7.6 years	4.2 years	8.7 years	1.9 years	1.0 years
Weighted average share price at the date of exercise of options in the year	£4.10	£4.10	£4.10	£4.17	£4.32
Date options granted/allocated during the year	July 2017	–	July 2017/ January 2018	January 2018	–
Aggregate estimated fair value of options at the date of grant	£207,000	–	£2,636,000	£478,000	–
The inputs into the Black–Scholes/Monte Carlo model were as follows:					
Weighted average share price	£4.35	–	£4.36	£4.17	–
Weighted average exercise price	£nil	–	£nil	£nil	–
Expected volatility	49.6%	–	49.7%	48.3%	–
Expected life	3 years	–	3 years	3 years	–
Risk free rate	0.53%	–	0.67%	0.88%	–
Expected dividends	3.7%	–	3.7%	4.0%	–

29 Financial instruments

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

Capital risk management

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

Foreign currency risk management

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

Foreign currency sensitivity analysis

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

The following tables detail the Group's sensitivity to a €0.20 (2018: €0.20) increase and decrease in the Euro/Sterling exchange rate.

A €0.20 (2018 – €0.20) movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates in the near term. The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.20 (2018 – €0.20) change in foreign currency rates.

2019	**As stated in Annual Report £000**	**As would be stated if €0.20 increase £000**	**As would be stated if €0.20 decrease £000**
Profit before taxation	**60,406**	**54,497**	**68,843**
Total equity	**563,616**	**536,257**	**602,378**

2018	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
Profit before taxation	52,738	47,681	59,968
Total equity	539,128	517,661	567,757

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

A 1.0% (2018 – 1.0%) increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rates in the near term.

2019	**As stated in annual report £000**	**As would be stated if 1.0% increase £000**	**As would be stated if 1.0% decrease £000**
Profit before taxation	**60,406**	**58,708**	**62,104**
Total equity	**563,616**	**562,239**	**564,993**

2018	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
Profit before taxation	52,738	52,158	53,318
Total equity	539,128	538,659	539,599

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

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

	Average contract fixed interest rate		**Notional principal amount**		**Fair value**	
Outstanding receive floating pay fixed contracts	**2019 %**	2018 %	**2019 000**	2018 000	**2019 £000**	2018 £000
Sterling						
Within one year	**1.17**	1.17	**£25,000**	£25,000	**(77)**	(112)
In the second to fifth years inclusive	**1.17**	1.17	**£25,000**	£50,000	**(77)**	(223)
Euro						
In the second to fifth years inclusive	**0.06**	0.06	**€190,000**	€190,000	**(837)**	(1,054)

Notes to the accounts continued

29 Financial instruments continued

Liquidity risk management

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

Liquidity and interest risk tables

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

2019	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	75,964	–	–	–	75,964
Fixed interest rate instruments	2.40%	2,078	2,078	88,895	500	93,551
Variable interest rate instruments	2.06%	16,200	7,228	345,632	–	369,060
		94,242	9,306	434,527	500	538,575

2018	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	72,619	–	–	–	72,619
Fixed interest rate instruments	2.40%	2,118	2,118	92,751	500	97,487
Variable interest rate instruments	1.91%	17,466	6,943	365,706	–	390,115
		92,203	9,061	458,457	500	560,221

The following tables detail the Group's liquidity analysis for its derivative financial instruments. It includes both liabilities and assets to illustrate how the cash flows are matched in each period. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross cash inflows (outflows) on those derivatives that require gross settlement.

2019	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	863	135	–	998

2018	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	1,128	967	147	2,242

Fair value of financial instruments

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

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

All the financial instruments below are categorised as Level 2.

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

- Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates;
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Credit risk management

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

The Group's credit risk is primarily attributable to its trade receivables. The trade receivables amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made using the simplified model applicable to trade receivables as per IFRS 9.

	2019 £000	2018 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	**80,033**	74,854
Allowance for doubtful receivables	**(19,295)**	(15,811)
	60,738	59,043
Ageing of trade receivables not impaired		
Not overdue	**21,811**	21,202
Past due not more than two months	**9,777**	9,503
Past due more than two months but not more than four months	**12,667**	12,314
Past due more than four months but not more than six months	**16,483**	16,024
Total	**60,738**	59,043

Before accepting any new customers, the Group will perform credit analysis to assess the credit risk on an individual basis. This enables the Group only to deal with creditworthy customers therefore reducing the risk of financial loss from defaults. Of the trade receivables balance at the end of the year, £2,965,000 (2018 – £646,000) is due from the Group's largest customer. There are no customers who represent more than 5% of the total balance of trade receivables.

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

	2019 £000	2018 £000
Movement in the allowance for doubtful receivables		
At 1 May	**15,811**	13,948
Impairment losses recognised	**13,732**	8,911
Amounts written off as uncollectible	**(9,492)**	(5,519)
Impaired losses reversed	**(514)**	(1,956)
Exchange differences	**(242)**	427
At 30 April	**19,295**	15,811

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and mainly unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful receivables.

Notes to the accounts continued

29 Financial instruments continued

Included in the allowance for doubtful receivables are trade receivables with customers which have been placed under liquidation of £1,578,000 (2018: £983,000).

	2019 £000	2018 £000
Ageing of impaired trade receivables		
Not overdue	**1,971**	1,615
Past due not more than two months	**1,551**	1,271
Past due more than two months but not more than four months	**2,364**	1,937
Past due more than four months but not more than six months	**3,312**	2,714
Past due more than six months but not more than one year	**10,097**	8,274
	19,295	15,811

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The Company has no trade receivables and no intercompany receivables past due date.

30 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £4,322,028 (2018: £3,295,000) interest payable and £6,775,000 (2018: £6,292,000) royalty charges receivable.

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

Transactions with other related parties

In the year ended 30 April 2019, the Group transacted with Hexameter Services Limited for the provision of professional services. Hexameter Services Limited was a related party of the Group as one of the members of the key management personnel of the Group was also a director of Hexameter Services Limited. The total value of transactions is £141,000 (2018: £282,000), of which £nil (2018: £31,000) is a creditor balance in the Group accounts. The director of Hexameter Services is no longer a member of key managment personnel of the Group.

In the year ended 30 April 2018, the Group transacted with Moloney Search Limited for the provision of recruitment services The group did not transact with Moloney Search Limited in the year ended 30 April 2019. Moloney Search Limited was a related party of the Group as one of the directors of Moloney Search Limited is a close family member of the Group CEO. The total value of transactions in the year ended 30 April 2019 is £nil (2018: £217,000), of which £nil (2018: £29,000) is a creditor balance in the Group accounts.

The transactions were conducted on an arm's length basis on commercial terms and no balances are secured.

No written or verbal guarantees in relation to the transactions have been given or received.

Remuneration of key management personnel

In the current and prior year, the Directors of Northgate plc are determined to be the key management personnel of the Group. In addition, the Interim CFO who was not a Director of the Company was also considered to be key management personnel of the Group in the current year, until his departure from the group on 16 July 2018. There are other senior executives in the Group who are able to influence the Company in the achievement of its goals. However, in the opinion of the Directors, only the Directors of the Company have significant authority for planning, directing and controlling the activities of the Group.

In respect of the compensation of key management personnel, the short term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the Remuneration report on pages 58 to 74. The Interim CFO was contracted through a professional services company (Hexameter Services Limited) as disclosed above.

The fair value charged to the income statement in respect of equity-settled share based payment transactions with the Directors is £243,000 (2018 – £25,000). There are no other long term benefits accruing to key management personnel, other than as set out in the Remuneration report.

Notice of annual general meeting

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty-first Annual General Meeting of Northgate plc ('the Company') will be held at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HT at 11.30 am on 23 September 2019 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 13 and 18 will be proposed as ordinary resolutions and resolutions 14 to 17 will be proposed as special resolutions:

1. To receive the Directors' Report and audited accounts of the Company for the year ended 30 April 2019 ("2019 Annual Reports and Accounts").
2. To declare a final dividend of 12.1p per Ordinary share recommended by the Directors.
3. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy referred to in Resolution 4 below) in the form set out on pages 58 to 74 of the 2019 Annual Report and Accounts.
4. To approve the Directors' Remuneration Policy in the form set out on pages 58 to 74 of the Directors' Remuneration Report in the 2019 Annual Report and Accounts.
5. To appoint PricewaterhouseCoopers LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting.
6. To authorise the Audit and Risk Committee, for and on behalf of the Board, to determine the remuneration of the auditor.
7. To elect Mr J Pattullo as a director.
8. To re-elect Mr B Spencer as a director.
9. To re-elect Miss J Caseberry as a director.
10. To re-elect Mrs C Miles as a director.
11. To re-elect Mr K Bradshaw as a director.
12. To re-elect Mr P Vincent as a director.
13. That the Board be and it is hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006 ('the Act') to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £22,000,000 (representing approximately 33% of the issued share capital) provided that this authority shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
14. That subject to the passing of Resolution 13 the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:
    a. to the allotment of equity securities in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and
    b. to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £3,330,000 (representing approximately 5% of the issued share capital), such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 December 2020) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
15. That subject to the passing of Resolution 13, the Board be authorised in addition to any authority granted under Resolution 16 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:
    a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,330,000 "(representing approximately 5% of the issued share capital)"; and
    b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 December 2020) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Notice of annual general meeting continued

16. That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.
17. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Companies Act 2006) of Ordinary shares of 50p each of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
    a. the maximum number of Ordinary shares hereby authorised to be acquired is 13,300,000, representing approximately 10% of the issued Ordinary share capital of the Company as at 25 June 2019;
    b. the minimum price which may be paid for any such Ordinary share is 50p;
    c. the maximum price (excluding expenses) which may be paid for any such Ordinary share is an amount equal to 105% of the average of the middle market quotations for an Ordinary share in the Company as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;
    d. the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting; and
    e. the Company may make a contract to purchase its Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Ordinary shares in pursuance of any such contract.
18. That the Executive Performance Share Plan (the "EPSP"), the principal terms of which are summarised in the explanatory note to this resolution and as shown in the rules of the EPSP submitted to the Meeting marked "A" and signed by the Chairman of the meeting for the purposes of identification, be renewed and hereby approved and that the directors be and are hereby authorised to do all such acts and things that they may consider appropriate to implement the EPSP, including the making of any amendments to the rules and any establishment of any sub-plans for the benefit of employees outside the UK (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction).

By Order of the Board
Katie Tasker-Wood (Company Secretary)
24 June 2019

Registered Office:
Northgate Centre,
Lingfield Way,
Darlington,
DL1 4PZ

Notes

1. A member entitled to attend and vote at the Annual General Meeting ('the Meeting') may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. Proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours, excluding non-business days, before the time of the Meeting.
4. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act ('a Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
5. To be entitled to attend and vote, whether in person or by proxy, at the Meeting, members must be registered in the register of members of the Company at close of business on Thursday 19 September 2019 or, in the case of an adjourned meeting, at close of business on the day which is two days before the meeting (excluding days which are not working days). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
6. Shareholders wishing to appoint a proxy online should visit www.signalshares.com and follow the instructions on screen. If you have not already registered for the Signal Shares shareholder portal you will need your personal Investor Code which you can find on your share certificate or a dividend confirmation. To be valid your proxy appointment(s) and instructions should reach Capita Registrars no later than 48 hours, excluding non-business days, before the time set for the Meeting.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members and those members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
9. Members satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.
10. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it would interfere unduly with the preparation for the Meeting or if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. As at 25 June 2019 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consists of 133,232,518 Ordinary shares of 50 pence each, carrying one vote each and 1,000,000 preference shares of 50 pence each, which do not carry any rights to vote on the above resolutions. Therefore, the total voting rights in the Company are 133,232,518.
12. The contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights that members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.northgateplc.com/investors.php.
13. The following documents will be available for inspection during normal business hours until the close of the AGM meeting on 23 September 2019 at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y:
    - copies of the executive directors' service contracts;
    - copies of the letters of appointment of the non executive directors; and
    - the terms of the EPSP.
14. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.
15. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections (i) have the right to require the Company to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than 9 August 2019, being the date six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
16. Explanatory note to Resolution 18 see overleaf:

Notice of annual general meeting continued

SUMMARY OF NORTHGATE PLC EXECUTIVE PERFORMANCE SHARE PLAN

Northgate plc (the Company) is seeking approval to renew its existing Executive Performance Share Plan for a further ten years (EPSP). The EPSP provides for grants of awards over the fully paid ordinary shares in the capital of the Company (the Shares) in the form of options or conditional share awards. Executive directors and other employees of the Company or any subsidiary of the Company are eligible for grants under the EPSP.

The rules of the EPSP have been updated to reflect changes in legislation (for example, the introduction of the market abuse regulation), simplify administration and to broaden the existing recovery and withholding provisions to cover error, financial misstatement, gross misconduct, reputational damage, failure of risk management and corporate failure.

While awards under the EPSP will normally be granted five working days after the announcement of the Company's full year results, the awards for 2019 will be made on the day of, or as soon as practicable following, approval of the plan at the Annual General Meeting.

A summary of the material terms of the EPSP is set out below.

Eligibility

The EPSP is a discretionary benefit offered by the Company for the benefit of its employees (including executive directors of the Company). Participation in the EPSP is at the discretion of the remuneration committee.

Grant of awards

Awards can be granted:

(a) within the period of six weeks commencing on any of the following:

- (i) the date on which the EPSP is re-approved by the shareholders of the Company; or
- (ii) the dealing day after the date on which the Company announces its results for any period; or

(b) at any other time when the remuneration committee considers that circumstances are sufficiently exceptional to justify its grant.

No awards may be granted under the EPSP more than ten years after the date on which the EPSP is re-approved by the shareholders of the Company.

Form of awards

Awards can be granted as options or in the form of a conditional award which grants the right to acquire or receive Shares at no or nominal cost. If the remuneration committee does not specify the type of award on or before the grant date then an award shall be a conditional right to acquire the Shares granted under the EPSP.

Value of awards

An award may not be granted to an individual if such grant would cause the aggregate total market value of the maximum number of shares that may be acquired on realisation of the individual's EPSP awards in relation to the same financial year to exceed 150% (250% in exceptional circumstances e.g. recruitment) of the individual's base salary at the date of grant.

Performance conditions

The vesting of awards granted will normally (and in the case of executive directors of the Company, will always) be dependent upon the satisfaction of stretching performance conditions that are appropriate to the strategic objectives of the Group (measured over a period of three years). The remuneration committee may vary the performance conditions applying to existing awards if the remuneration committee reasonably considers the occurrence of an event or circumstances mean that it would be appropriate to do so provided that, in the reasonable opinion of the remuneration committee, the new conditions are not materially less difficult to satisfy than the original conditions would have been but for the event or circumstances in question.

Holding period

The executive directors of the Company have agreed to a further two year holding period in respect of the post tax number of shares that vests following the end of the performance period.

Malus and clawback

The board of directors may reduce the number of shares under an award, impose further conditions on the vesting of an award, or forfeit shares following an award vesting if certain events occur, including a misstatement of the Company's financial accounts, a failure of risk management, an error in calculation of any awards based on false or misleading information, reputational damage, gross misconduct by the relevant participant or corporate failure.

Dividend enhancement

The number of shares in respect of an award may be increased to account for dividends paid on any vesting shares in the period between grant and vesting. Alternatively, participants may receive a cash sum equal to the value of dividends paid on any vesting shares in the period between grant and vesting.

Cessation of employment
Awards to directors or employees who leave at any time prior to vesting will lapse unless they leave by reason of death, retirement, ill health, injury or disability, redundancy, on the sale out of the Group of the participant's employing company or business or in other circumstances at the discretion of the remuneration committee ("good leavers").

Awards for good leavers will vest on the date of cessation or, at the discretion of the remuneration committee, the normal vesting date, to the extent that the performance conditions are met (if applicable), but will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation relative to the period of three years.

Change of control
Awards may vest in connection with a change of control of the Company to the extent that the performance conditions are met by that date.

The Remuneration Committee will in normal circumstances scale down the vesting level of an award having regard to the time that has elapsed between the grant of the award and the date of change of control, but will retain discretion to modify pro-rating in any particular case if it considers it appropriate.

Cash Alternative
Subject to certain exclusions and limitations, the remuneration committee has discretion to determine that a share award may be satisfied by payment of a cash sum.

Adjustment of awards
If there is a variation in the share capital of the Company a demerger, payment of a special dividend or other similar event which may impact the market value of a share, the award may be adjusted to reflect that variation.

Rights attaching to shares
A participant will not have any voting or dividend rights prior to the realisation of the award. All shares allotted under the EPSP will carry the same rights as any other issued ordinary shares in the Company and application will be made for the shares to be listed by the UK Financial Conduct Authority and traded on the London Stock Exchange.

Benefits received under the EPSP are not pensionable and may not be assigned or transferred except on a participant's death.

Alterations to the EPSP
In addition to the remuneration committee's powers to vary performance measures described above, it will have authority to amend the rules of the EPSP, provided that no amendments to the advantage of the participants or eligible employees may be made to provisions relating to the key features of the EPSP without the prior approval of shareholders in general meeting unless the amendment is minor and made to benefit the administration of the EPSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group. Key features are: who can be a participant, the limits on the number of shares which can be issued under the EPSP, the basis for determining a participant's entitlement to shares and the terms on which they can be acquired, and the provisions relating to adjustments in the event of a variation in the Company's share capital.

Satisfaction of awards
An award may be satisfied with new issue shares, a transfer of treasury shares or shares purchased in the market.

Limits on the issue of shares
In any 10 year period, the Company may not grant awards under the EPSP if such grant would cause the number of shares that could be issued under the EPSP or any other share plan adopted by the Company or any other company under the Company's control to exceed 10% of the Company's issued ordinary share capital at the proposed date of grant.

In addition in any 10 year period, the Company may not grant awards under the EPSP if such grant would cause the number of ordinary shares that could be issued under the EPSP or any discretionary share plans adopted by the Company or any other company under the Company's control to exceed 5% of the Company's issued ordinary share capital at the proposed date of grant. The satisfaction of awards with treasury shares will be treated as an issue of ordinary shares for the purposes of the above limits for so long as institutional shareholder guidelines recommend this. If awards are satisfied by a transfer of existing ordinary shares, the percentage limits stated above will not apply.

Inspect of the EPSP
A copy of the rules of the EPSP, marked to show the changes to the existing Executive Performance Share Plan, will be available for inspection from the date of this notice to the start of the AGM at the offices of Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HT and at the AGM itself for at least 15 minutes before and during the meeting.

Glossary

Term	Definition
AGM	Annual General Meeting
Annual Report on Remuneration	That section of the Remuneration report which is subject to an advisory shareholder vote
B2B	Business to Business
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Consumer Price Index
DABP	Deferred Annual Bonus Plan
Disposals Profit	This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs)
Defra	The Department for Environment, Food and Rural Affairs
EBIT	Earnings before interest and taxation (equivalent to operating profit)
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Basic earnings per share
EPSP	Executive Performance Share Plan
ESOS	Energy Savings Opportunity Scheme
Facility headroom	Calculated as facilities of £604 less net borrowings of £439m. Net borrowings represent net debt of £437m excluding unamortised arrangement fees of £2m and are stated after the deduction of £1m of net cash balances which are available to offset against borrowings
FCA	Financial Conduct Authority
Free cash flow	Net cash generated before the payment of dividends
FY2018	The year ended 30 April 2018
FY2019	The year ending 30 April 2019
GAAP	Generally Accepted Accounting Practice: meaning compliance with International Financial Reporting Standards
Gearing	Calculated as net debt divided by net tangible assets
Growth Capex	Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction
HMRC	Her Majesty's Revenue & Customs
IFRS	International Financial Reporting Standards
ISO	International Organisation for Standardisation

Term	Definition
ISS	Institutional Shareholder Services
KPIs	Key Performance Indicators
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
Listing Rules	The Listing Rules of the Financial Conduct Authority
MPSP	Management Performance Share Plan (closed to new awards from 2013)
Net replacement capex	Net capital expenditure other than that defined as growth capex
Net tangible assets	Net assets less goodwill and other intangible assets
OEMs	Original Equipment Manufacturer: a reference to our vehicle suppliers.
Partnership Shares	Shares purchased by the Company on behalf of employees who participate in the All Employee Share Scheme
PBT	Underlying profit before tax
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposals profits (as defined), divided by the number of vehicles sold
PwC	PricewaterhouseCoopers LLP
ROCE	Underlying return on capital employed: calculated as underlying operating profit (see non-GAAP reconciliation) divided by average capital employed
SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme
SMEs	Small and medium sized enterprises
Steady state cash generation	EBITDA less Net replacement capex
The Code	The UK Corporate Governance Code
The Company	Northgate plc
The Group	The Company and its subsidiaries
TSR	Total Shareholder Return
UKAS	United Kingdom Accreditation Service
Underlying free cash flow	Free cash flow excluding growth capex
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
VOH	Vehicles on hire. Average unless otherwise stated

Shareholder information

Classification

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

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

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

The company is registered in England and Wales

Company number 00053171

Secretary and registered office

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Financial calendar

December

Publication of interim statement

January

Payment of interim dividend

June

Announcement of year end results

July

Report and accounts posted to shareholders

September

Annual General Meeting
Payment of final dividend

Registrars

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