



ANNUAL REPORT

AND ACCOUNTS 2007

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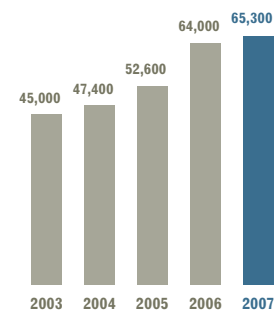
- > GROUP REVENUE FOR THE YEAR INCREASED BY 41% TO £526.5M (2006 – £372.6M)
- > PROFIT BEFORE TAX UP BY 34% TO £75.4M (2006 – £56.1M)
- > UNDERLYING PROFIT BEFORE TAX* INCREASED BY 29% TO £79.3M (2006 – £61.3M)
- > ADJUSTED EARNINGS PER SHARE** INCREASED BY 24% TO 81.6P (2006 – 65.7P)

*Stated before £nil (2006 – £2.6m) exceptional restructuring costs, £3.9m (2006 – £1.2m) amortisation of intangible assets and £nil (2006 – £1.4m) of share of associate taxation.
**Stated before exceptional restructuring costs and amortisation of intangible assets.

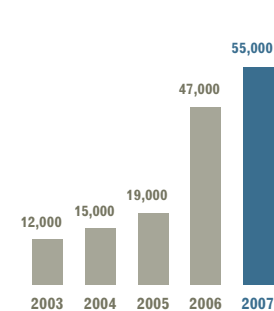
	2007	2006
Vehicle fleet – UK	65,300	64,000
– Spain	55,000	47,000
Group profit from operations	£107.1m	£72.6m
Profit before tax	£75.4m	£56.1m
Earnings per share	76.1p	61.1p
Dividend per share	25.5p	23.0p
Net assets per Ordinary share	509p	453p



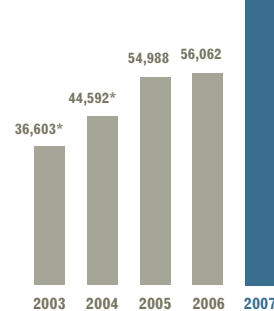
Vehicle Fleet - UK



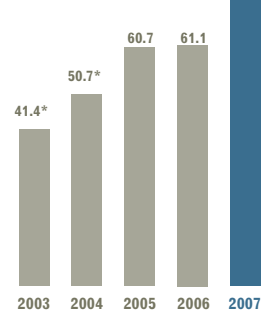
Vehicle Fleet - Spain



Group profit before tax (£000)
* UK GAAP basis



Earnings per share (p)
* UK GAAP basis



"I AM PLEASED TO ANNOUNCE AN EXCELLENT SET OF RESULTS FOR THE GROUP AFTER A YEAR OF SIGNIFICANT CHANGE. WE HAVE ASSIMILATED TWO MAJOR ACQUISITIONS, ONE IN EACH OF OUR MARKETS, STREAMLINED OUR UK BUSINESS AND WE ARE WELL POSITIONED FOR FUTURE GROWTH."

- Philip Rogerson (Chairman)



This is the first year we are reporting against the targets set out in our new strategy for growth announced in January 2006.

In the UK the key elements of that strategy, namely the reorganisation of the management structure, growth through a significant acquisition, and the introduction of fleet management, have all been achieved. In Spain, we have achieved continued strong organic fleet growth and have acquired the remaining 51% of the equity in Record Rent a Car S.A. ("Record"), our second commercial vehicle rental business in Spain.

As a result, earnings per share increased by 24%, comfortably achieving our target of double-digit growth.

Since 1999, when we announced our first strategy for growth focused solely on vehicle rental, the business has seen earnings per share grow from 19.1p to 76.1p, a compound annual growth rate of 19%.

The results for the year are summarised below:

- Group revenue increased by 41% to £526.5m (2006 – £372.6m)
- Underlying profit before tax for the year increased by 29% to £79.3m (2006 – £61.3m)
- Adjusted earnings per share increased by 24%.

Based on these results, the Board has recommended to shareholders a final dividend of 15.5p per share making a total dividend for the year of 25.5p, which is covered three times and represents an increase of 11% over the prior year. The dividend will be payable on 28 September 2007 to those shareholders on the register on 24 August 2007.

The UK business has seen the expected benefits flow through from the acquisition of Arriva Vehicle Rental ("AVR") in 2006, with the high level of customer retention being particularly pleasing. The streamlining of the management structure which began in May 2006 has also produced some early gains, as evidenced by the improvement in vehicle utilisation to 91% (2006 – 90%). External factors have been generally favourable with a more benign hire rate environment than the previous year and a buoyant used vehicle market. Fleet growth has been modest as a result of the internal restructuring within the business and a focus on maintaining hire rates in the face of competitive pricing. This modest growth has been supplemented by an improvement in utilisation referred to above that has assisted in increasing the number of vehicles on hire by 3% since the start of the financial year. The overall outcome for the UK is that the rental operating margin has improved to 21.1% (2006 – 20.6%).

In Spain, we have achieved another year of significant growth, with the fleet now exceeding 55,000 vehicles, up 17% over the prior year. Coupled with operational improvements, this has increased the operating margin to 22.4% (2006 – 20.9%). The Spanish business now produces 35% of the Group's profit from operations.

Having created a unified management structure, we expect to be operating on a common IT platform in Spain during this financial year and thereafter will begin to merge those activities where further synergies can be obtained.

Contrary to comment in the UK press in April 2007 we have seen no evidence of any reduction in demand from our customers in the Spanish construction sector. As explained in the Operational Review we would not expect a change in the fortunes of the real estate market to affect our business materially since we have a very low exposure to this area.

We have moved forward with our search for new territories and are now confident that we will find an appropriate opportunity in line with the timescale set out in our strategic plan. Whilst it will not be of the same size as Fualsa when we made our first investment in July 2002, we would expect our flexible rental product to enable us to grow strongly, albeit from a lower base.

Following his retirement in November 2006 on grounds of ill health it was with sadness that we learnt of the death of Martin Ballinger, our former Chairman, in February 2007. In his short time with us Martin made a significant contribution to Northgate's continued development. Our thoughts then, and now, are with his family.

CURRENT TRADING AND OUTLOOK

The new financial year has started well and the Group is performing in line with the Board's expectations. The low penetration rates of rental in both the UK and Spanish commercial vehicle parcs give us confidence that there still exists plenty of opportunity for growth. This low penetration rate also exists throughout Europe and offers us the prospect of expanding our operations into further jurisdictions, a process that we expect to commence within the coming year.

Philip Rogerson
Chairman

"THE LOW PENETRATION RATES OF RENTAL IN BOTH THE UK AND SPANISH COMMERCIAL VEHICLE PARCS GIVE US CONFIDENCE THAT THERE STILL EXISTS PLENTY OF OPPORTUNITY FOR GROWTH. THIS LOW PENETRATION RATE ALSO EXISTS THROUGHOUT EUROPE AND OFFERS US THE PROSPECT OF EXPANDING OUR OPERATIONS INTO FURTHER JURISDICTIONS."



STRATEGY FOR GROWTH

In January 2006 we announced a new three-year rolling strategic plan aimed at maintaining annual double-digit earnings growth. The key elements of that plan were:

UK & Republic of Ireland

- An increase in the fleet size, both by acquisition and organic growth
- The introduction of a fleet management product
- A reorganisation of the business to create a more streamlined hire company network and to implement a functional, rather than geographic, management structure.

Spain

- Acquisition of the remaining 51% of the equity of Record
- Continued double-digit organic fleet growth
- To obtain the synergies available from combining certain functions in our two Spanish businesses.

We are delighted that these objectives have been substantially achieved this year. Although fleet growth in the UK was below our planned levels we have put additional measures in place designed to achieve our target level of growth of 5% per annum in future periods.

In the year under review our UK business has enjoyed the benefits of the acquisition of AVR, the integration of which was concluded by 30 April 2006. We have also introduced a fleet management product to our customers through the acquisition of Fleet Technique Limited ("FTL"), streamlined the number of hire companies from 35 to 20 and revised the management structure.

In Spain we acquired the balance of the share capital of Record on 11 May 2006, grew the fleet by 17%, created a unified management structure to take the business forward and obtained some economies of scale as a result of effectively doubling the size of our business.

As a consequence of these achievements, the Group has increased profit from operations by 50% and, despite an increase in the interest charge due to interest rate increases and higher levels of net debt, achieved an increase in underlying profit before tax of 29%.

The resultant increase of 24% in our adjusted earnings per share represents an excellent start for year one of our latest strategic plan.

REVIEW OF CURRENT YEAR

UNITED KINGDOM AND REPUBLIC OF IRELAND

During the year ended 30 April 2007, fleet growth has been modest but has been compensated by improved utilisation and a more benign hire rate environment when compared to the prior year. In addition used vehicle residual values have been particularly strong, principally as a result of shortages in new product in a number of categories leading to a similar reduction in the number of vehicles entering the used market.

When combined with the benefits of the AVR acquisition referred to above, this has seen UK profit from operations improve by 22% to £71.7m (2006 – £58.8m).

DEPOT NETWORK

Following the restructuring of the business, we now operate through 20 hire companies, ranging in vehicle fleet size from 1,400 vehicles to 6,000 vehicles. In addition we have 62 branches, producing a total network of 82 locations. In the year ahead we would not expect the overall number of locations to change materially, although we do expect to relocate a number of hire companies as they outgrow their existing facilities.

VEHICLE FLEET AND UTILISATION

We ended the year with a fleet size of 65,300 vehicles, representing growth of 2%. However, as a result of the improvement in utilisation referred to below, the number of vehicles on hire has increased by 3% since the beginning of the financial year. The internal restructuring of the UK business undoubtedly had a short-term adverse effect on our sales activity during the year, as did our determination to protect our hire rates and as a consequence we fell short of our growth target of 5% per annum. Going forward we now have a settled sales structure and an enlarged marketing resource to focus on the 90% of the market that owns commercial vehicles. In particular we expect to be able to utilise our fleet management business and our recently relaunched "sale and rentback" product as a conduit to convert those users.

We achieved a utilisation rate of 91% for the year, up 1% over the prior year and the highest rate we have delivered since 1997. The improvement in utilisation was one of the efficiencies expected to be delivered by the streamlining project and we are pleased to report the progress to date.

HIRE RATES

During the prior financial year hire rates came under pressure in a very competitive environment. This situation eased in February 2006 and we can report that for the financial year ended 30 April 2007 hire rates were stable in the UK and have remained so in the early part of the current financial year.

USED VEHICLE SALES

We have exceeded the prior year record of selling 23,000 vehicles, with total disposals for this year of 24,700 vehicles. To enable us to achieve this volume of disposals, we had increased our used vehicles sales network to nine locations in the previous financial year.

Equally pleasing, we have seen the proportion of vehicles disposed of through our retail and semi-retail channels increase to 16% (2006 – 12%). This has been possible due to both the improved supply of good quality clean vehicles being generated by the AVR business and by the continued development of our retail and semi-retail brands. We have raised our medium-term target for these channels to 20% of total disposals. There continues to be a shortage of new light commercial vehicle product, which naturally leads to less supply into the used market and, as a consequence, an improvement in used vehicle residual values. We are not aware of circumstances which will change this situation in the short term and therefore expect to achieve similar disposal values in the current calendar year.

The effect of the increase in the proportion of our retail and semi-retail sales, coupled with the strong used vehicle market, gave rise to a profit on disposal of £8.5m (2006 – £2.2m) which, in accordance with our accounting policies, was offset against the vehicle depreciation charge for the year.

FLEET MANAGEMENT

In its first full year of ownership, FTL, our fleet management subsidiary, produced a profit from operations in line with our expectations at £0.6m. Revenue from FTL was 6% higher compared to the previous 12 months trading period, although the Group did not have ownership for the whole of that prior year. We remain confident that FTL will enable us to sell a broader range of solutions to our customers and to utilise better our sizeable network of repair facilities thereby delivering a more significant contribution in future periods. Equally important is the visibility it provides into the owned market which, as mentioned above, will assist us in converting owners of commercial vehicles to renters.

SPAIN

On 11 May 2006 we acquired the remaining 51% of the share capital of Record, making us the leader in the growing Spanish vehicle rental market with a combined fleet size for Fualsa and Record, at that time, of 47,000 vehicles.

Since May 2006 the fleet has grown by 17% to 55,000 vehicles, comfortably ahead of our targeted growth of 15%. At the same time improved operational procedures have enabled utilisation to improve to 90% (2006 – 89%).

Whilst the customer base of our Spanish business continues to be dominated by the construction sector, which represents 58% of our total revenue, this proportion is lower than in prior years when it peaked at 65%. The reduction indicates that other sectors are growing at a faster rate than construction. As with many construction enterprises in the UK, the activities of Spanish construction companies now encompass service as well as project based business. Further analysis of our construction customer activity indicates approximately 11% of the 58% is related to service provision such as facilities management and the remaining 47% is derived from construction projects many of which are funded from central government or the EU Structural Fund. It remains our intention to reduce this dependency over the medium term.

DEPOT NETWORK

Whilst the network of 35 locations has not increased during the year, we have relocated five branches to larger premises to accommodate the growth in the fleet. Looking forward, we do not expect to extend the network significantly as we already have good geographic coverage across Spain but we do anticipate further relocations as the fleet continues to grow.

HIRE RATES

The slightly less competitive pricing environment in Spain has allowed us, once again, to increase hire rates modestly such that the average hire rate was up by 1% over the prior year. This benefit is partly offset by the additional depreciation arising from a similar increase in the capital cost of new vehicles.

USED VEHICLE SALES

During the year we have disposed of 12,200 vehicles (2006 – 4,900) which gave rise to a small profit on disposal in line with our expectations of £1.9m (2006 – £2.0m). This has been offset against vehicle depreciation in accordance with our accounting policies. These disposals were achieved from a network of 11 locations, with some 5% of the total being delivered through our semi-retail and retail channels. It is our intention to develop these channels further in the year ahead in order to achieve a medium-term goal of 8% of total disposals from these routes to market.

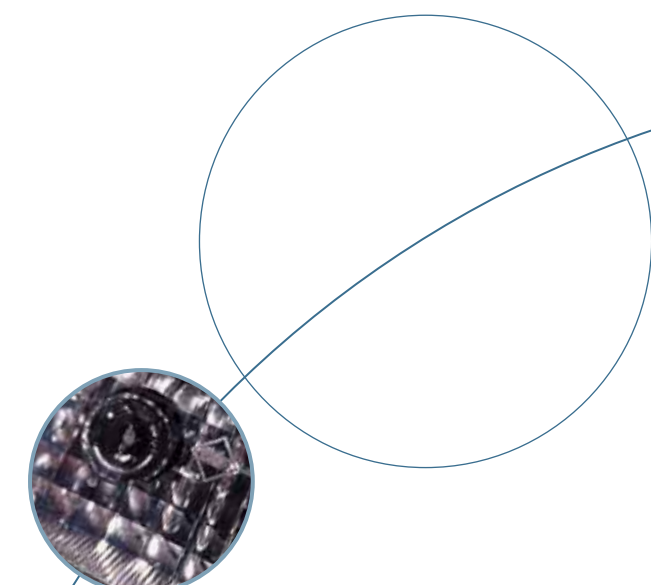
The move towards a common IT platform continues and the Record system has now completed its upgrade and is ready to roll out in Fualsa. This process is expected to complete within the current financial year, after which we will be able to secure further efficiencies in the combined business.

OTHER TERRITORIES

Our search for another jurisdiction has been stepped up a gear and we are now actively examining a number of markets for potential targets. As we have previously indicated, our success in Spain came as much from identifying the right company to acquire as it did from entering the right market.

Whilst our initial research suggests that there are no rental businesses of the size of Fualsa when we acquired it, we are confident that our flexible rental product will create demand once offered and that we will be able to grow quickly, even if it is from a lower base. In line with the timetable in our strategy for growth, we would expect to move forward with an acquisition during this financial year.

Steve Smith
Chief Executive



FINANCIAL REPORTING

SALES, MARGINS AND RETURN ON CAPITAL

Group revenue increased by 41% to £526.5m (2006 – £372.6m). UK revenue increased by 17% to £351.1m (2006 – £300.8m) mainly as a result of full year contributions from the AVR and FTL acquisitions. The Spanish business benefited from a 144% increase in revenue reflecting the first year contribution from Record as a subsidiary undertaking and the organic fleet growth of 17% in Spain leading to revenue of £175.4m (2006 – £71.8m).

UNITED KINGDOM & REPUBLIC OF IRELAND

The composition of the Group's UK revenue and profit from operations as between vehicle rental activities and fleet management is set out below:

	2007 £000	2006 £000
Revenue		
Vehicle rental	337,370	297,433
Fleet management	13,738	3,338
	351,108	300,771
Profit from operations		
Vehicle rental	71,137	61,329
Restructuring cost*	-	(2,607)
Fleet management	576	119
Intangible amortisation	(2,035)	(692)
	69,678	58,149

*The UK profit from operations in 2006 incurred an exceptional restructuring cost of £2.6m relating to AVR following its acquisition on 3 February 2006.

Operating margins (excluding exceptional cost and intangible amortisation)

	2007	2006
UK overall	20.4%	20.4%
Vehicle rental	21.1%	20.6%
Fleet management	4.2%	3.6%

The overall UK operating margin has remained static due to the mix of business from vehicle rental and fleet management changing. The operating margin from vehicle rental has improved to 21.1% (2006 – 20.6%) principally as a result of a 1% increase in fleet utilisation and a reduction in our depreciation charge after offsetting higher profits on vehicle disposals. The higher profits on vehicle disposals are expected to continue in the short term but it is less certain as to whether the current level of profits represents a permanent shift in the market. In accordance with our accounting policies we continue to review anticipated net book values and changes in the possible disposal values. The profit from operations is stated after absorbing costs of £0.8m associated with the streamlining of the hire company network.

SPAIN

Fualsa, a major commercial vehicle rental company in Spain, has been a wholly owned subsidiary since May 2004. On 5 August 2005 the Group acquired a 49% interest in the equity of Record, another leading Spanish commercial vehicle rental company and on 11 May 2006 the Group acquired the remaining 51% of Record. In the current year both businesses have been reported as subsidiary undertakings whereas in the prior year only Fualsa was a subsidiary undertaking.

The revenue and profit from operations generated by Spain during the year is set out below:

	2007 £000	2006 £000
Revenue		
Vehicle rental	175,357	71,838
Profit from operations		
Vehicle rental	39,265	14,984
Intangible amortisation	(1,887)	(535)
	37,378	14,449

Operating margins (excluding intangible amortisation)

	2007	2006
Overall	22.4%	20.9%

The operating margin of the enlarged Spanish business has improved as a result of the acquired Record business having a higher operating margin than Fualsa and as a result of overall efficiency gains across the enlarged Spanish business.

GROUP

Group return on capital employed, calculated as Group profit from operations divided by average capital employed (being shareholders' funds plus net debt), is 10% (2006 – 10%).

Group return on equity, calculated as profit after tax divided by average shareholders' funds, is 16% (2006 – 16%).

TAXATION

The Group's UK operations have a total tax charge of 33% (2006 – 32%), which is slightly higher than the standard rate of 30% due to disallowable expenditure incurred within the business. The 2007 Budget Statement announced a reduction in the standard rate of UK corporation tax from 30% to 28% commencing in 2008. This change will have the effect of reducing the UK's future effective tax rate. At the same time capital allowances, which are an important component of the UK's qualifying expenditure, are scheduled to be reduced from 25% to 20% per annum. This will not impact the UK's future effective tax rate but it will result in a short-term cash outflow.

The Spanish effective tax rate of 17% is below the standard Spanish tax rate of 35% because of tax concessions based on vehicle purchase reliefs that are available to the businesses. Legislation has been enacted in Spain that will reduce the standard rate of corporation tax from 35% to 30% over the next two financial years. The current year effect of this change is that a credit has accrued to the deferred tax charge to reflect the future reduction in tax rate. The legislation also includes provisions that will remove some element of the vehicle purchase reliefs that the Spanish businesses currently claim. It is therefore expected that the effective rate for our Spanish business will move towards 30% within the next couple of years.

DIVIDEND

The Directors recommend a final dividend of 15.5p per share (2006 – 14p) giving a total for the year of 25.5p (2006 – 23p), an increase of 11%. The dividend is covered 3.0 times (2006 – 2.7 times).

EARNINGS PER SHARE

Earnings per share increased by 24% to 76.1p (2006 – 61.1p), reflecting the growth in profits in both the UK and Spain. Excluding intangible amortisation of £3.9m (2006 – £1.2m) and exceptional restructuring costs of £nil (2006 – £2.6m), basic earnings per share grew by 24% to 81.6p (2006 – 65.7p).

Basic earnings per share have been calculated in accordance with IAS 33.



INVESTMENTS

On 11 May 2006 the Company acquired the remaining 51% of the share capital of Record for £49.8m.

Ordinary shares of the Company have been acquired in the open market by Walbrook Trustees (Guernsey) Limited and Capita IRG Trustees Limited in order to satisfy the Company's obligations under its various share schemes. These shares are included within the Group's balance sheet within the own shares held reserve.

CAPITAL STRUCTURE

As at 30 April 2007 the Group's total gearing measured as net debt (including cash balances) as a percentage of shareholders' funds but after the deduction of goodwill and intangible assets increased to 290% (2006 – 204%). The net cash balance taken into account in calculating the gearing ratio for this year is £35m (2006 – £24m). This level of gearing is in line with our expectations, the increase being mainly due to the cash outflows following the purchase of 51% of Record for £49.8m and the debt of £146m that was acquired with Record on the same date.

TREASURY

STRATEGY

The Group's financing strategy, which has been approved by the Board, is to use medium and long-term debt to finance the Group's vehicle fleet and other capital expenditure. Working capital is funded by internally generated funds and an overdraft facility. The Group's interest rate exposure is managed by a series of treasury contracts as described below.

TREASURY MANAGEMENT

Each of the Group's operations is responsible for its own day-to-day cash management. The sourcing of finance for the Group and the related commercial terms is arranged and monitored through the Group's treasury function. In January 2006 the Group extended its loan facilities with its seven banks to a total of £745m under a series of unsecured, revolving, bilateral agreements and later in 2006 these facilities were extended to £755m. In December 2006 the Group concluded a Private Placement in the United States of America by issuing a series of unsecured loan notes with maturity periods of between seven and ten years in order to raise \$335m of new finance. All of this new finance was immediately converted to sterling which at 30 April 2007 was equivalent to debt of £169m. The Group entered into a series of financial instruments to fix the rate of interest at an effective rate of 5.78% per annum for the period of the loan notes. This transaction has diversified the Group's source of debt finance and also increased the overall term of its debt repayment. All funds generated by the Group's operations are controlled by a central treasury function.

LIQUIDITY

The Group's aggregate finance facilities, including existing Spanish loan facilities, total £977m compared to net debt of £755m giving adequate funding for our expected growth. As described above, the core of these arrangements relate to the £755m unsecured bank loan facilities and £169m of unsecured US loan notes which combined have the following maturity:

Maturing	Amount (£m)
Within 1 year	151
Within 1 – 3 years	604
Within 7 years	63
Within 10 years	106
Total	924

CASH FLOWS

The Group's net debt increased by 44% to £755.3m (2006 – £524.5m) including the debt in Record's balance sheet. This increase reflects cash outflows associated with the purchase of 51% of the equity of Record (£49.8m), the acquisition of Record's existing debt (£146m) and funding of fleet growth particularly in Spain. Gross cash generation as reflected by EBITDA* increased to £304.9m (2006 – £210.0m). The Group had net capital expenditure on its fleet of £249.4m representing the purchase of 26,000 new vehicles in the UK and 20,200 new vehicles in Spain for a total cash outflow of £437.9m and the sale of 24,700 UK vehicles and 12,200 vehicles in Spain that generated a cash inflow of £188.5m.

*EBITDA – Earnings before interest, taxation, depreciation and amortisation.

INTEREST COSTS

The Group's net interest costs have increased by 58% to £31.7m (2006 – £20.1m) compared to an increase in net debt of 44%. The reason for the balance of the increase in interest charges is due to LIBOR and EURIBOR both experiencing a series of rate increases over the financial year. Interest cover remained a healthy 3.4 times (2006 – 3.6 times).

INTEREST RATE MANAGEMENT

The Group's bilateral agreements incorporate variable interest rate clauses. Historically, it has sought to manage this risk by having in place a number of financial instruments covering 30% to 40% of its borrowings at any time but more recently has adopted a strategy to increase this coverage to a higher level of between 50% to 75%. The proportion of net debt hedged into fixed rates was 53% at 30 April 2007 and has subsequently increased to 57%. The weighting of this coverage is very much towards Sterling debt where 100% of Sterling debt is now fixed. Sterling debt represents 30% of the Group's net debt and the remaining net debt proportion of 70% is denominated in Euros.

Gerard Murray
Finance Director





Philip Rogerson
(age 62)

Appointed to the Board as a non-executive Director in November 2003. Philip is Chairman of Aggreko plc, Carillion plc and THUS Group plc and a non-executive Director of Davis Service Group plc. He was Deputy Chairman of BG plc (formerly British Gas plc) until February 1998 having been a Director since 1992. His appointment as Chairman of the Company on an interim basis in November 2006 was made permanent on 5 June 2007.



Stephen Smith ACA
(age 50)

Appointed Chief Executive Officer in October 1999, having been a member of the Board since August 1997. Managing Director of vehicle hire operations since 1990. Steve qualified as a Chartered Accountant with Coopers & Lybrand and held a number of senior financial positions in industry prior to joining the Company.



Jan Astrand MBA
(age 60)

Appointed to the Board as a non-executive Director in February 2001. A Swedish national based in London, Jan was Chairman of CRC Group plc until January 2007. Prior to this, he was Chairman of Car Park Group AB in Stockholm and also Senior Independent Director of PHS Group plc. From 1994 to 1999 he was President and Chief Executive of Axus (International) Inc. (previously known as Hertz Leasing International). From 1989 to 1994 he was Vice President, Finance and Administration and Chief Financial Officer of Hertz (Europe) Ltd.



Tom Brown
(age 58)

Appointed to the Board as a non-executive Director in April 2005 and appointed Senior Independent Director in June 2007. Tom is Chairman of Chamberlin & Hill plc and a director of a number of private companies. He was previously Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc.



Phil Moorhouse FCCA
(age 54)

Appointed Managing Director, UK Rental operations in January 2003, having been Finance Director since February 1998 and a member of the Board since August 1997. Phil joined the vehicle hire division in 1991 as Finance Director. He previously held a number of senior financial positions within the Norcros group of companies and Meyer International.



Gerard Murray ACA
(age 44)

Appointed Group Finance Director in January 2003. Gerard qualified as a Chartered Accountant with Arthur Andersen & Co before joining Reg Vardy plc in 1988, where he served as Finance Director from 1991 to 2001 and as Chief Executive from 2001 to 2002.



Alan Noble
(age 56)

Executive Director since 1990. In 1981 Alan founded the commercial vehicle hire business, which was acquired by the Company in 1987.

Board Committees

Audit

Philip Rogerson (Chairman)
Jan Astrand
Tom Brown

Remuneration

Tom Brown (Chairman)
Jan Astrand
Philip Rogerson

Nomination

Philip Rogerson
(Chairman from 14 November 2006)
Jan Astrand
Martin Ballinger (resigned 14 November 2006)
Tom Brown
Stephen Smith

The Directors present their report and the audited financial statements for the year ended 30 April 2007.

RESULTS

Profit for the year after taxation was £54,483,000 (2006 – £40,594,000).

An interim dividend of 10p per share was paid on the Ordinary shares on 8 February 2007.

The Directors recommend a final Ordinary dividend of 15.5p per share making a total for the year of 25.5p per share.

The final dividend, if approved, will be paid on 28 September 2007 to shareholders on the register at close of business on 24 August 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company.

The principal subsidiary and associated undertakings are listed in Note 18 to the accounts.

The information that fulfils the requirements of the Business Review can be found in the Operational and Financial Reviews on pages 6 to 11, which are incorporated in this report by reference.

CLOSE COMPANY STATUS

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

INTERESTS IN SHARES

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

	Direct	Indirect
AEGON UK plc	3,840,135 (5.4%)	248,732 (0.3%)
AXA S.A.	1,036,118 (1.5%)	4,943,868 (6.9%)
Columbia Wagner Asset Management LP	2,194,500 (3.1%)	-
Lazard Asset Management LLC	-	3,494,276 (4.9%)
Legal & General Group plc	2,486,796 (3.5%)	-
Lloyds TSB Group plc	2,278,596 (3.2%)	4,502
Standard Life Investments Limited	4,380,679 (6.1%)	3,469,705 (4.9%)

DIRECTORS

Details of the present Directors, all of whom have served throughout the year, are listed on pages 12 and 13. Mr Ballinger retired from the Board through ill health on 14 November 2006 and Mr Rogerson was appointed as Chairman on an interim basis. This appointment was made permanent on 5 June 2007. Mr Rogerson and Mr Astrand are retiring by rotation in accordance with the Articles of Association and, being eligible, are seeking re-election.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 16 to 21.

The following are the interests of the Directors in the share capital of the Company. All interests are beneficial unless otherwise stated.

	Ordinary Shares	
	30 April 2007	1 May 2006
P Rogerson	-	-
S J Smith	71,429	71,121
J Astrand	-	-
T Brown	2,000	2,000
P J Moorhouse	35,596	35,288
G T Murray	11,198	10,890
A T Noble	732,937	732,629

No Director has an interest in the Preference shares of the Company.

No changes in the above interests have occurred between 30 April 2007 and the date of this report.

Details of options held by the Directors under the Company's various share schemes are given in the Remuneration Report on pages 16 to 21.

DIRECTORS' INDEMNITIES

The Directors have the benefit of qualifying third party indemnity provisions contained in the Company's Articles of Association which were in force throughout the financial year and remained in force as at the date of signing of this report. The Company's Articles of Association are available on the Company's website.

DONATIONS

During the year the Group made charitable donations of £27,000 (2006 – £18,000) principally to local charities serving the communities in which the Group operates.

No political donations were made.

PAYMENT OF SUPPLIERS

The Group's policy is to pay suppliers within normal trading terms agreed with that supplier. The policy is made known to the staff who handle payments to suppliers. At 30 April 2007 the Group's creditor days were as shown in Note 23 to the accounts.

DISABLED EMPLOYEES

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

REMUNERATION REPORT

As required by the Directors' Remuneration Report Regulations 2002, the Remuneration Report, set out on pages 16 to 21, will be put to shareholders for approval at the Annual General Meeting.

POWER TO ALLOT SHARES

A special resolution, pursuant to Section 95 of the Companies Act 1985, will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis. This authority will be limited to an aggregate nominal amount of £175,000 representing approximately 5% of the current issued Ordinary share capital and will expire not later than 15 months after the date on which the resolution is passed.

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

The Directors propose to renew the general authority of the Company to make market purchases of its own shares to a total of 7,000,000 Ordinary shares (representing approximately 10% of the issued Ordinary share capital) and within the price constraints set out in the special resolution to be proposed at the Annual General Meeting.

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

ARTICLES OF ASSOCIATION

There have been changes in company law since our present Articles of Association were adopted in 2004. Accordingly, the Directors consider it appropriate for the Company to adopt new Articles of Association to reflect these changes.

The principal differences between the present and the proposed new Articles of Association are summarised on page 80. A copy of the proposed new Articles of Association will be available for inspection at the Company's registered office until 26 September 2007 and also at the Annual General Meeting. Copies are also available to shareholders on request and can be viewed on the Company's website. A special resolution adopting the new Articles of Association will be proposed at the Annual General Meeting.

FINANCIAL INSTRUMENTS

Details of the Group's use of financial instruments are given in the Financial Review on pages 10 and 11 and in Note 25 to the accounts.

AUDITORS

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

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

A resolution for the re-appointment of Deloitte & Touche LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting. This proposal is supported by the Audit Committee.

By order of the Board

D Henderson
Secretary
2 July 2007

The Remuneration Committee has written terms of reference which are available on the Company's website. Membership of the Committee is shown on page 13.

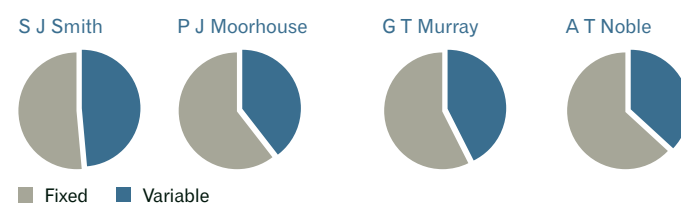
The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman, the executive Directors of the Company and of the Company Secretary. The Committee also reviews remuneration policy generally throughout the Group. The Committee consults with the Chief Executive who may be invited to attend meetings. The Company Secretary is secretary to the Committee. Neither the Chief Executive nor the Company Secretary took part in discussions relating to their own remuneration.

The Committee has access to external independent advice on matters relating to remuneration. During the year the Committee took advice from New Bridge Street Consultants LLP ("NBSC") on remuneration matters and share scheme implementation. NBSC is appointed by the Committee and undertakes no other work for the Company or the Group. The terms of engagement between the Committee and NBSC are available on request from the Company Secretary.

REMUNERATION POLICY

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

Executive remuneration is structured so that a significant proportion relates to variable pay. The charts below show the balance between fixed and variable performance based pay for each executive Director for the year ended 30 April 2007.



FLEXIBLE BENEFITS SCHEME

The Company operates a flexible benefits scheme which is designed to help in the recruitment and retention of employees by allowing them to tailor their remuneration package to best suit their individual needs.

SERVICE CONTRACTS

The executive Directors have rolling service contracts which may be terminated by 12 months notice on either side.

The dates of the contracts are:

S J Smith	8 January 2003
P J Moorhouse	8 January 2003
G T Murray	8 January 2003
A T Noble	9 June 2004

In the event of early termination of an executive Director's service contract, compensation of up to the equivalent of one year's basic salary and benefits may be payable: there is no contractual entitlement to compensation beyond this. Directors have a duty to make reasonable efforts to mitigate any loss arising from such termination and the Committee will have regard to that duty on a case by case basis when assessing the appropriate level of compensation which may be payable. It is also the Board's policy that where compensation on early termination is due, in appropriate circumstances it should be paid on a phased basis.

BASIC SALARIES

The current basic salaries paid to the executive Directors are as follows:

S J Smith	£400,000
P J Moorhouse	£260,000
G T Murray	£260,000
A T Noble	£200,000

All were last reviewed on 1 May 2007.

Basic salaries are reviewed annually taking into account the performance of the individual, changes in responsibilities and market trends. The Committee has determined that the most appropriate comparator group against which to benchmark executive Directors' basic salaries is the FTSE 250, taking into account the roles, responsibilities and experience of each Director. In addition, at the May 2007 review, the Committee reviewed benchmarking data for a more bespoke group of 17 companies from the FTSE 250 on the basis of those most closely matching Northgate in terms of a combination of market capitalisation, turnover, profitability and percentage of overseas turnover. Accordingly, for the financial year ending 30 April 2008, it agreed to increase executive Directors' basic salaries by between 8% and 14%, to reflect the continued strong performance of the business and the increased complexity of the Directors' roles, in particular that of the Chief Executive, following the significant expansion overseas.

EXTERNAL APPOINTMENTS

The Board recognises that executive Directors may be invited to become non-executive Directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Group. Provided that it does not impact on their executive duties, Directors are generally allowed to accept one such appointment. As the purpose of seeking such positions is self-education rather than financial reward, any resulting fees would normally be expected to be paid to the Company as compensation for the time commitment involved. External appointments currently held are:

P J Moorhouse – Director, Renew (North East) Limited (non fee earning)

NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive Directors (other than the Chairman) is determined by the Board as a whole, within the overall limit set by the Articles of Association. Non-executive Directors are not eligible for performance related payments nor may they participate in the Company's share option or pension schemes. Non-executive Directors do not have contracts of service with the Company and their appointments are terminable without notice.

The original dates of appointment to the Board and of their current letters of appointment are:

	Date of appointment	Letter of appointment
P Rogerson	5 November 2003	5 June 2007
J Astrand	13 February 2001	5 June 2007
T Brown	13 April 2005	12 April 2005

The current fees paid to the non-executive Directors are shown below:

P Rogerson	Chairman & Chairman of Audit Committee	£120,000
J Astrand	Non-executive Director	£37,500
T Brown	Senior Independent Director & Chairman of Remuneration Committee	*£42,000

* Including £4,500 in respect of his Chairmanship of the Remuneration Committee.

All were last reviewed on 1 May 2007. The fee structure for non-executive Directors reflects the time commitment and responsibility for carrying out non-executive duties. Fees are set taking into account market practice for similar roles in FTSE 250 companies. In addition to the fees shown, Mr Astrand receives an amount of £25,000 in recognition of the additional time commitment required in respect of his appointment as a non-executive Director of both Fualsa and Record and, in respect of the year ended 30 April 2007, received further fees of £45,187 in respect of a short-term arrangement in connection with researching new jurisdictions. The Board does not consider that this work in any way affected his independence. Mr Astrand's involvement in researching new jurisdictions for expansion of the Group has been a very cost effective exercise, leveraging off his experience in European markets and avoided the inevitably higher fees that external advisers would have charged for a similar assignment. He reported directly to the Board on the work performed and operated within guidelines drawn up and agreed by the Board.

THE FOLLOWING ELEMENTS OF THIS REPORT HAVE BEEN AUDITED:

	Salary/ Fees £000	Cash Bonus £000	Cost of Benefits* £000	Total 2007 £000	Total 2006 £000	Pension Contributions† 2007 £000	2006 £000
P Rogerson	73	–	–	73	38	–	–
M Ballinger	61	–	–	61	100	–	–
S J Smith	350	119	30	499	435	63	33
J Astrand	97	–	–	97	56	–	–
T Brown	39	–	–	39	35	–	–
P J Moorhouse	240	65	28	333	292	43	31
G T Murray	240	85	25	350	288	43	19
A T Noble	185	40	31	256	219	33	24
R Williams	–	–	–	–	17	–	–
Total emoluments excluding pension contributions	1,285	309	114	1,708	1,480	–	–
Total pension contributions	–	–	–	–	–	182	107

*These benefits include: company car, private medical insurance, permanent health insurance and life assurance.

† All contributions are to a defined contribution type scheme.

PENSION SCHEMES

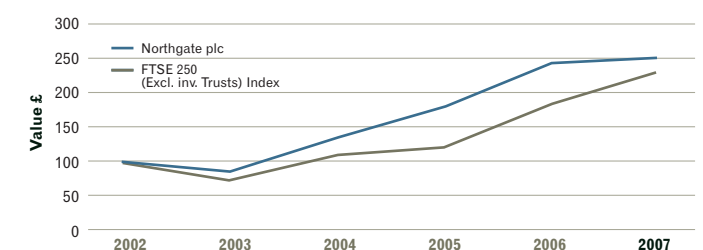
Throughout the year all pension arrangements (other than the Willhire Pension Scheme – see Note 39 of the accounts) operated by the Group were defined contribution type schemes.

PERFORMANCE GRAPH

As required by The Directors' Remuneration Report Regulations 2002, the graph below illustrates the performance of Northgate plc measured by Total Shareholder Return (share price growth plus dividends paid) against a 'broad equity market index' over the last five years. As the Company is a constituent of the FTSE 250 index, that index (excluding investment companies) is considered to be the most appropriate benchmark. The mid-market price of the Company's Ordinary shares at 30 April 2007 was 1,100p (30 April 2006 – 1,100p) and the range during the year was 921p to 1,219p.

TOTAL SHAREHOLDER RETURN

Source: Thomson Financial



This graph shows the value, by the 30 April 2007, of £100 invested in Northgate on 30 April 2002 compared with that of £100 invested in the FTSE 250 (excl. inv. trusts) Index. The other points plotted are the values at intervening financial year-ends.

SHARE INCENTIVE PLANS

The Group currently operates three share-based incentive schemes: Directors participate in the Northgate Share Option Scheme ("NSOS") and Deferred Annual Bonus Plan ("DABP") and below the Board, other executives in the Performance Share Plan ("PSP") and DABP. No executive participates in all three schemes. Expressed in face value terms, this effectively gives Directors a cap of 200% of basic salary for share awards each year (150% under the NSOS and 50% under the DABP) and other executives a cap of 150% (100% under the PSP and 50% under the DABP).

With the introduction of the PSP in 2006 and the changes to the rules of the NSOS approved by shareholders in 2005, the Committee is satisfied that the share incentive arrangements now in place and the performance measures currently applying to awards are appropriate for the Group at the present time.

PERFORMANCE SHARE PLAN

The PSP is designed to reward achievement of and individual contribution to, the Group's three-year rolling business plan ("the Plan"). This scheme operates only for executives below Board level.

Participants receive a conditional award of free shares which will vest after three years subject to achievement of performance conditions and continued employment during the vesting period. The maximum award in any financial year will normally be 100% of salary.

The Committee believes that the most appropriate measure of performance against the Plan is one based on divisional or Group profit before tax, as relevant to the individual. There is a straight-line sliding scale of vesting starting at 30% for 90% of a stretching target achievement rising to 100% for achieving 100% of the stretching target. The Committee has discretion to alter the performance targets to take account of any significant event occurring after the grant of an award but prior to vesting. Such events may include a major acquisition, debt restructuring or an equity issue.

There is an over-riding condition that no part of an award can vest if there has been a decrease in profit before tax compared to the prior year.

Options over 113,000 shares granted to 44 executives, including seven in Spain, were outstanding at 30 April 2007.

NORTHGATE SHARE OPTION SCHEME

With the introduction of the PSP for executives below Board level, only Directors have participated in the NSOS since 2006.

In line with the rule changes approved by shareholders in 2005, the performance condition applying to all options granted from 2005 onwards will be based on the growth in the Company's earnings per share ("EPS") in excess of inflation measured over a three-year period commencing with the EPS for the financial year ending immediately prior to the date of grant. Options over shares at grant worth 75% of basic salary or less will vest provided average annual EPS growth is at least RPI plus 5% over the performance period. Options over shares at grant worth 150% of basic salary (the maximum grant level) or less will vest provided average annual EPS growth is at least RPI plus 11% over the performance period. For grants between 75% and 150% of basic salary a pro rata sliding scale of EPS growth between 5% and 11% will apply. This requires substantial improvement in the underlying financial performance of the Company before options may be exercised. There is no provision for re-testing.

For options granted prior to 2005, full vesting requires average annual EPS growth of at least 3% plus RPI over the three-year vesting period, with re-tests at the end of years four and five.

The Committee will apply a consistent calculation methodology for determining EPS growth following the adoption of International Financial Reporting Standards.

Options granted to Directors under the NSOS are shown on page 20.

No options held by Directors lapsed during the year.

It is proposed that an option award for 2007/08 be made in the six-week period following the announcement of the results for the year ended 30 April 2007.

In addition, options over 136,100 shares granted to 24 executives at exercise prices ranging from 478p to 1037p were outstanding at 30 April 2007.

DEFERRED ANNUAL BONUS PLAN

The DABP was introduced in 2003 for Directors and senior and middle management. Part of the bonus is delivered in cash payable immediately after the year-end and part (not normally exceeding 50% of basic salary) in the form of deferred shares awarded following the announcement of the Group's full year results.

The shares are retained in an employee benefit trust for three years and are subject to forfeiture if the employee leaves during that time. This provides a strong retention mechanism and has the motivational benefits of certainty and clarity for the employee. During the retention period, executives continue to have an incentive to influence the share price so as to maximise the value on release.

The Directors hold deferred shares (in the form of nil cost options) in the DABP as set out on page 20.

In addition, options over 108,182 shares awarded to 59 executives were outstanding at 30 April 2007. No options held by Directors either lapsed or were exercised during the year.

The bonuses for executive Directors upon which the award for the year ended 30 April 2007 was made were based upon business and individual performance, including elements based on a target of growth in underlying earnings per share of between 5% and 20%. The actual growth achieved was 24% resulting in the maximum award for the share element. The bonuses payable are set out below.

	Value £000	Cash % of basic salary	
		Awarded	Maximum
S J Smith	119	34.0	50.0
P J Moorhouse	65	27.1	40.0
G T Murray	85	35.4	40.0
A T Noble	40	21.6	40.0

	Value £000	Shares % of basic salary	
		Awarded	Maximum
S J Smith	175	50.0	50.0
P J Moorhouse	96	40.0	40.0
G T Murray	96	40.0	40.0
A T Noble	74	40.0	40.0

It is intended that the number of shares to be awarded will be calculated based on the closing mid-market price on 3 July 2007, being the date of the Preliminary Results Announcement.

For the financial year ending 30 April 2008 the maximum awards will be increased to 100% (50% cash and 50% shares) for all executive Directors (previously the maximum potential for Messrs Moorhouse, Murray and Noble was 80% of basic salary). The increase in the maximum bonus potential was considered necessary to allow the Company to continue to provide competitive remuneration packages with a sufficient performance related element. The Committee has reviewed the targets applying to the bonus for the financial year ending 30 April 2008 and is satisfied that sufficiently challenging performance is required.

The criteria for the executive Directors for 2007/08 will be as follows:

- **Share element:** to be based solely on underlying earnings per share improvement over the previous year. The maximum award to be made for growth of 11%, nil for growth of 5% or less and with a sliding scale between those two figures.
- **Cash element:** to be based on individual key performance indicators relevant to their areas of responsibility and including an element of discretion by the Committee.

Bonuses for other executives are based on a combination of the performance of the relevant business unit and individual key performance indicators and the maximum amounts, again expressed as a percentage of basic salary and split equally between cash and shares, range from 20% to 60% in total.

During the year the Committee exercised its discretion in favour of 12 executives who were made redundant to enable them to exercise awards totalling 10,907 shares made to them as part of their bonus in previous years.

ALL EMPLOYEE SHARE SCHEME

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

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

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

The sixth annual cycle ended in December 2006 and resulted in 677 employees acquiring 57,242 Partnership shares at 973.25p each and being allocated the same number of Matching shares. As at 30 April 2007 the Trust held 538,475 Ordinary shares that have vested to employees from the first six cycles.

The seventh annual cycle started in January 2007 and currently some 754 employees are making contributions to the scheme at an annualised rate of £692.952.

SHARE INCENTIVE PLANS

	At 1 May 2006	Number granted	Number exercised	Date of exercise	Exercise price p	Share price on date of exercise p	Gross gain on exercise £	At 30 April 2007	Normally exercisable
Northgate Share Option Scheme									
S J Smith	20,000	-	-	-	663	-	-	20,000	Aug 2007 - Feb 2010
	27,500	-	-	-	931	-	-	27,500	Oct 2008 - Oct 2015
	-	50,000	-	-	1037	-	-	50,000	Jul 2009 - Jul 2016
	47,500	50,000	-	-	-	-	-	97,500	
P J Moorhouse	15,000	-	-	-	663	-	-	15,000	Aug 2007 - Feb 2010
	19,000	-	-	-	931	-	-	19,000	Oct 2008 - Oct 2015
	-	25,000	-	-	1037	-	-	25,000	Jul 2009 - Jul 2016
	34,000	25,000	-	-	-	-	-	59,000	
G T Murray	13,500	-	-	-	663	-	-	13,500	Aug 2007 - Feb 2010
	19,000	-	-	-	931	-	-	19,000	Oct 2008 - Oct 2015
	-	25,000	-	-	1037	-	-	25,000	Jul 2009 - Jul 2016
	32,500	25,000	-	-	-	-	-	57,500	
A T Noble	17,000	-	-	-	931	-	-	17,000	Oct 2008 - Oct 2015
	-	20,000	-	-	1037	-	-	20,000	Jul 2009 - Jul 2016
	17,000	20,000	-	-	-	-	-	37,000	
	131,000	120,000	-	-	-	-	-	251,000	
Deferred Annual Bonus Plan									
S J Smith	15,813	-	-	-	-	-	-	15,813	Aug 2007 - Aug 2009
	15,832	-	-	-	-	-	-	15,832	Oct 2008 - Oct 2010
	-	1,750	-	-	-	-	-	1,750	Jul 2009 - Jul 2011
	31,645	1,750	-	-	-	-	-	33,395	
P J Moorhouse	10,542	-	-	-	-	-	-	10,542	Aug 2007 - Aug 2009
	9,672	-	-	-	-	-	-	9,672	Oct 2008 - Oct 2010
	-	1,100	-	-	-	-	-	1,100	Jul 2009 - Jul 2011
	20,214	1,100	-	-	-	-	-	21,314	
G T Murray	6,325	-	-	-	-	-	-	6,325	Aug 2007 - Aug 2009
	8,751	-	-	-	-	-	-	8,751	Oct 2008 - Oct 2010
	-	1,050	-	-	-	-	-	1,050	Jul 2009 - Jul 2011
	15,076	1,050	-	-	-	-	-	16,126	
A T Noble	-	850	-	-	-	-	-	850	Jul 2009 - Jul 2011
	66,935	4,750	-	-	-	-	-	71,685	
Executive Incentive Scheme									
S J Smith	135,000	-	(45,000)	12 Oct 2006	492.5	1018	236,475	90,000	Sep 2003 - Sep 2009
P J Moorhouse	130,000	-	(80,000)	12 Oct 2006	492.5	1018	420,400	50,000	Sep 2003 - Sep 2009
A T Noble	130,537	-	(87,025)	12 Oct 2006	492.5	1018	457,316	43,512	Sep 2003 - Sep 2009
	2,975	-	(2,975)	12 Oct 2006	503.5	1018	15,306	-	
	133,512	-	(90,000)	-	-	-	472,622	43,512	
	398,512	-	(215,000)	-	-	-	1,129,497	183,512	

EXECUTIVE INCENTIVE SCHEME

The EIS, introduced in 1999, was designed to motivate those key executives in the Group most able to influence the successful implementation of our five-year Strategy for Growth, with a target to double the size of the business over the period 1999 – 2004. As measured by earnings per share, that target was achieved in 2003. As the EIS was specifically aligned to that strategy plan, no further options have been awarded under the EIS since January 2002 and none are planned.

An award under the EIS consists of a right to acquire Ordinary shares of the Company at a pre-determined price which, in normal circumstances, can be exercised, subject to a specified performance condition being satisfied, between four and ten years following the date of grant.

For all the options to become exercisable, the Company's normalised earnings per share growth over the five-year period following their grant should exceed 15% per annum.

Options held by the Directors under the EIS are shown on page 20.

In September 2006, the fourth and final tranche of 30% of options became exercisable, the performance condition having been satisfied. For this tranche to be exercisable in full a growth in earnings per share over the five financial years from 1 May 1999 to 30 April 2004 of at least 15% per annum compound was required: the actual growth achieved was 21.7%.

No options held by Directors lapsed during the year. In addition to those held by Directors, options over 188,230 shares granted to 14 employees at exercise prices ranging from 367.5p to 523p were outstanding at 30 April 2007.

SOURCING OF SHARES

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

EIS & NSOS

Through the issue of new Ordinary shares. During the year 454,491 (2006 – 517,544) Ordinary shares were issued to satisfy the exercise of options under the two schemes.

The total number of options exercised and exercisable as a result of awards made under the EIS and NSOS over the last 10 years is 1,880,946, which equates to 2.6% of the issued Ordinary share capital at 30 April 2007.

DABP & PSP

Through open market purchases by an employee benefit trust based in Guernsey ("the Guernsey Trust"). During the year 115,273 (2006 – 12,013) Ordinary shares were purchased by the Guernsey Trust and 7,876 (2006 – 500) were used to satisfy the exercise of awards under the DABP. At 30 April 2007 the Guernsey Trust held 305,722 (2006 – 198,073) Ordinary shares as a hedge against the Group's obligations under these schemes.

AESS

Through open market purchases by the Capita Trust. During the year no (2006 – 110,000) Ordinary shares were purchased by the Capita Trust and 15,032 (2006 – 14,635) shares were forfeited by leavers. At 30 April 2007 the Capita Trust held 35,691 (2006 – 138,189) Ordinary shares as a hedge against the Group's obligations under this scheme.

By order of the Board

D Henderson

Secretary

2 July 2007





UK listed companies are required by the Financial Services Authority (the designated UK Listing Authority) to include a statement in their annual accounts on compliance with the Principles of Good Corporate Governance and Code of Best Practice set out in the Combined Code ("the Code").

The provisions of the Code applicable to listed companies are divided into four parts, as set out below:

1 DIRECTORS

The business of the Company is managed by the Board of Directors, currently comprising four executive and three non-executive Directors, details of whom are shown on pages 12 and 13. All the non-executive Directors are considered to be independent both in the sense outlined in the Code and in terms of the criteria laid down by the National Association of Pension Funds for judging the independence of non-executive Directors. Following Mr Rogerson's appointment as Chairman on a permanent basis on 5 June 2007, Mr Brown was appointed Senior Independent Director. The offices of the Chairman and Chief Executive Officer are separate. The division of their responsibilities has been set out in writing, approved by the Board and is available on the Company's website.

The Board meets regularly to review trading results and has responsibility for the major areas of Group strategy, the annual Business Plan, financial reporting to and relationships with shareholders, dividend policy, internal financial and other controls, financing and treasury policy, insurance policy, major capital expenditure, acquisitions and disposals, Board structure, remuneration policy, corporate governance and compliance.

The Chairman ensures that all Directors are properly briefed to enable them to discharge their duties. In particular, detailed management accounts are prepared and copies sent to all Board members every month and, in advance of each Board meeting, appropriate documentation on all items to be discussed is circulated.

Directors' attendance at Board and Committee meetings during the financial year is detailed below.

	BOARD	AUDIT	REMUNERATION
No of Meetings	11	4	4
P Rogerson	10	4	4
M Ballinger	5	-	1
S J Smith	11	-	-
J Astrand	11	4	4
T Brown	11	4	4
P J Moorhouse	11	-	-
G T Murray	10	-	-
A T Noble	10	-	-

All Directors in office at that time were present at the Annual General Meeting held in September 2006.

The external auditors attended three Audit Committee meetings.

The internal audit manager attended two Audit Committee meetings.

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

The Company's Articles of Association provide that at each Annual General Meeting of the Company all Directors who held office at the time of the two preceding Annual General Meetings and did not retire by rotation shall be subject to re-election. In addition, any Director appointed by the Board during the year is obliged to seek re-election at the next following Annual General Meeting.

The Board has established a Nomination Committee, which was chaired by Mr Ballinger until his retirement in November 2006, since when it has been chaired by Mr Rogerson. All the non-executive Directors and the Chief Executive are members. Its main function is to lead the process for Board appointments by selecting and proposing to the Board suitable candidates of appropriate calibre. The Committee would normally expect to use the services of professional search consultants to help in the search for candidates. The Committee has written terms of reference which are available on the Company's website.

The Committee met formally on one occasion during the year.

Following Mr Rogerson's appointment as Chairman on a permanent basis on 5 June 2007, he initiated an evaluation process of the performance of individual Directors, of the Board as a whole and of its committees. The process consists of a formal and detailed questionnaire to be completed by each Director, to be followed by an evaluation of the results, one-to-one meetings with the Chairman and a Board discussion. In addition the non-executive Directors, led by the Senior Independent Director, have begun a review process of the performance of the Chairman, taking into account the views of the executive Directors.

2 DIRECTORS' REMUNERATION

The Company's policy on remuneration and details of the remuneration of each Director are given in the Remuneration Report on pages 16 to 21.

3 ACCOUNTABILITY AND AUDIT

An assessment of the Company's position and prospects is included in the Chairman's Statement and in the Operational and Financial Reviews on pages 6 to 11.

INTERNAL CONTROL

Provision C2.1 of the Code requires the Directors to conduct an annual review of the effectiveness of the Group's system of internal controls. The Turnbull guidance, revised and updated by the Financial Reporting Council in October 2005, provides relevant guidance for directors on compliance with the internal control provisions of the Code.

The Directors are responsible for the Group's system of internal controls which aims to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Although no system of internal controls can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that, should any problems occur, these are identified on a timely basis and dealt with appropriately. The key features of the Group's system of internal controls, which was in place throughout the period covered by the financial statements, are described below:

CONTROL ENVIRONMENT

The Group has a clearly defined organisational structure within which individual responsibilities of line and financial management for the maintenance of strong internal controls and the production of accurate and timely financial management information are identified and can be monitored. Where appropriate, the business is required to comply with the procedures set out in written manuals.

To demonstrate the Board's commitment to maintaining the highest business and ethical standards and to promote a culture of honesty and integrity amongst all staff, the Board has established a confidential telephone service, operated by an independent external organisation, which may be used by all staff to report any issues of concern relating to dishonesty or malpractice within the Group. All issues reported are investigated by senior management.

IDENTIFICATION OF RISKS

The Board and the Group's management have a clearly defined responsibility for identifying the major business risks facing the Group and for developing systems to mitigate and manage those risks. The control of key risk is reviewed by the Board and the Group's management at their monthly meetings. The Board is therefore able to confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of these accounts and accords with the Turnbull guidance.

INFORMATION AND COMMUNICATION

The Group has a comprehensive system for reporting financial results to the Board. Each operating unit prepares monthly accounts with a comparison against their business plan and against the previous year, with regular review by management of variances from targeted performance levels. A business plan is prepared by management and approved by the Board annually. Each operating unit prepares a three-year business plan with performance reported against key performance indicators on a monthly basis together with comparisons to plan and prior year. These are reviewed regularly by management. Forecasts are updated regularly throughout the year.

CONTROL PROCEDURES

The Board and the Group's management have adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Measures taken include clearly defined procedures for capital expenditure appraisal and authorisation, physical controls, segregation of duties and routine and ad hoc checks.

MONITORING

The Board has delegated to executive management implementation of the system of internal control. The Board, including the Audit Committee, receives reports on the system of control from the external auditors and from management. An independent internal audit function reports bi-annually to the Audit Committee primarily on the key areas of risk within the business. The Directors confirm that they have reviewed the effectiveness of the system of internal controls covering financial, operational and compliance matters and risk management, for the period covered by these financial statements in accordance with the Turnbull guidance.

AUDIT

Details of membership of the Audit Committee is shown on page 13 and of meetings held during the year on page 24.

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

In summary, these include:

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

The Board has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

Due to the cyclical nature of its agenda, which is linked to events in the Group's financial calendar, the Committee will generally meet four times a year. The other Directors are normally invited to attend, together with the external auditors, on at least two occasions during the year. The internal audit manager also normally makes a presentation to the Committee twice a year.

Since May 2006, the Committee has:

- reviewed the financial statements for the years ended 30 April 2006 and 2007 and the interim report issued in January 2007. As part of this review process, the Committee received reports from Deloitte & Touche on each occasion;
- reviewed and agreed the scope of the audit work to be undertaken by Deloitte & Touche and agreed their fees;
- reviewed half-yearly reports by the internal audit manager and approved the internal audit programme;
- monitored the Group's risk management process;
- reviewed the Group's whistle blowing service;
- verified the ongoing independence and objectivity of Deloitte & Touche; and
- reviewed its own effectiveness.

The Board's policy on non-audit work is:

- Tax advisory and other audit-related work (including in particular Corporation Tax). This is work that, in their capacity as auditors, they are best placed to carry out and will generally be asked to do so. Nevertheless, where appropriate, they will be asked for a fee quote;
- Non-audit related and general consultancy work. This type of work will either be placed on the basis of the lowest fee quote or to consultants who are felt to be best able to provide the expertise and working relationship required. In certain instances, such as the appointment of consultants to provide external advice and support to the internal audit department, the auditors will not be invited to compete for the work.

Fees paid and payable to Deloitte & Touche LLP in respect of the year under review are as shown in Note 7 on page 44.

4 RELATIONS WITH SHAREHOLDERS

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

The Company's major institutional shareholders have been advised by the Chief Executive that, in line with the provisions of the Code, the Senior Independent Director and other non-executives may attend these briefings and, in any event, would attend if requested to do so.

All shareholders are given the opportunity to raise matters for discussion at the Annual General Meeting, of which more than the recommended minimum 20 working days notice is given. In compliance with the Transparency Rules, introduced in January 2007, the Company will be publishing Interim (effectively quarterly) Management Statements in March and September each year. Details of proxies lodged in respect of the Annual General Meeting will be published on the Company's website immediately following the meeting.

COMPLIANCE WITH THE CODE

The Board considers that the Company complied with the provisions of the Code throughout the year with the exception that the Code states that at least half the Board, excluding the Chairman, should be comprised of independent non-executive Directors, and that the Chairman should not be a member of the Audit Committee.

Since the retirement through illness of Mr Ballinger as Chairman in November 2006, Mr Rogerson acted as Chairman on a temporary basis while retaining his roles as Senior Independent Director and Chairman of the Audit Committee. Following his appointment as Chairman on a permanent basis in June 2007, Mr Brown has been appointed Senior Independent Director and a search is underway for a new non-executive Director who will be qualified to chair the Audit Committee.

The Board recognises that the monitoring and control of Environmental, Health and Safety (EHS) and strict adherence to legislative requirements in all areas of operation forms a key part of its risk management programme.

The Board has designated the Chief Executive as the person ultimately responsible to the Board for all health, safety and environmental matters throughout the Group. Responsibility for implementing the Group's policy is devolved to operational management.

In the UK the principles set out in the management model "HSG 65 Successful Health and Safety Management" have been adopted. This enables consistent health and safety standards and disciplines to be applied at all locations.

The Group is committed to pursuing sound EHS management policies and practices and continually seeks to improve EHS standards in the workplace by:

- Monitoring and managing the EHS impacts, risks and opportunities for the business for the benefit of employees, customers and the local communities in which we operate;
- Promoting awareness of EHS policy across the business to assess performance and to set objectives for improvement; and
- Reporting on the status of the EHS performance of the business.

Common standards are applied to a wide range of EHS matters, and legislative requirements are the minimum standard accepted. Working practices and procedures are continually assessed to ensure that everything is being done to meet the highest possible standards of safety using comprehensive and robust safety operating procedures manuals.

Group policies are agreed through a Steering Group, which meets at regular intervals to consider EHS issues, to review performance and to determine the necessary controls for compliance to all legislative requirements.

The UK's EHS function is now licensed to carry out a number of training courses for the British Safety Council (BSC) and the Institute of Occupational Safety and Health (IOSH). During this reporting period over one hundred employees have attended BSC Level one health and safety training courses and have successfully gained this recognised qualification. The Group remains committed to continually raising safety standards through training and is shortly to begin a process of training a number of employees within the hire companies to a Neboosh General Certificate standard.

Health and safety and environmental issues impact on the Group's operations in two main areas:

VEHICLE FLEET

The total fleet in the UK and Republic of Ireland at 30 April 2007 was 65,300, with an average age of 16 months, of which 14% were cars and the remainder commercial vehicles. Cars are sold after an average life of 20 months and commercial vehicles of 31 months. Our fleet is, therefore, comprised entirely of modern vehicles. Over 99% of the fleet is diesel powered.

From the last quarter calendar year 2006 all of the UK's car and commercial vehicle purchases have been Euro IV compliant.

PROPERTY

As at 30 April 2007, the vehicle rental business in the UK and Republic of Ireland operated out of 82 properties, of which 20 are primary sites and 62 are branches. All but eight of these sites (all of which are branches) are located on industrial estates, so our activities have minimal impact on the local community of the areas in which we operate. Our sites vary in size from the larger sites which will typically have an area of 1.2 acres, will comprise approximately 9,000 sq. ft. of workshops and office facilities, with the remainder hard-standing and will employ approximately 35 people. The smaller sites will have an area of approximately 0.3 acres, have a small office (often of the portacabin type), a valet washbay and in some cases a workshop facility, again, often a modular building. They employ an average of nine people. Three of the larger sites share premises with Northgate Vehicle Sales who have a further six dedicated sales sites. Fleet Technique operate from offices in Gateshead and the Group's head office building in Darlington accommodates all central administrative and support services.

All UK locations underwent comprehensive EHS audits during this reporting period carried out by the Group's EHS function and, where necessary, recommendations were made in a formal risk assessment report and action plans agreed and reported upon.

An evaluation of EHS arrangements in our Spanish operations is now complete and a process is underway to implement a comprehensive and consistent safety management system within both Fualsa and Record. Within both companies we will apply local standards and where necessary follow UK good practice. Fualsa is certified to the internationally recognised Environmental Standard ISO 14001.

The Group are sponsors of Brake, the road safety charity, and are members of the British Safety Council and the Royal Society for the Prevention of Accidents.

During the year under review, no incidents resulting in fatality or significant pollution occurred at any of our locations. No health and safety enforcement notices were served on any company in the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and accounts.

The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that the financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and

- Provide additional disclosures where compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of a particular transaction, other events and conditions on the entity's financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Report of the Directors and Directors' Remuneration Report which comply with the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Group website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOING CONCERN

The accounts have been prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

We have audited the Group and parent Company financial statements ("the financial statements") of Northgate plc for the year ended 30 April 2007 which comprise the Consolidated Income Statement, the Group and parent Company Balance Sheets, the Group and parent Company Cash Flow Statements, the Group and parent Company Statements of Changes in Equity, Statements of Recognised Income and Expense and the related Notes 1 to 40. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

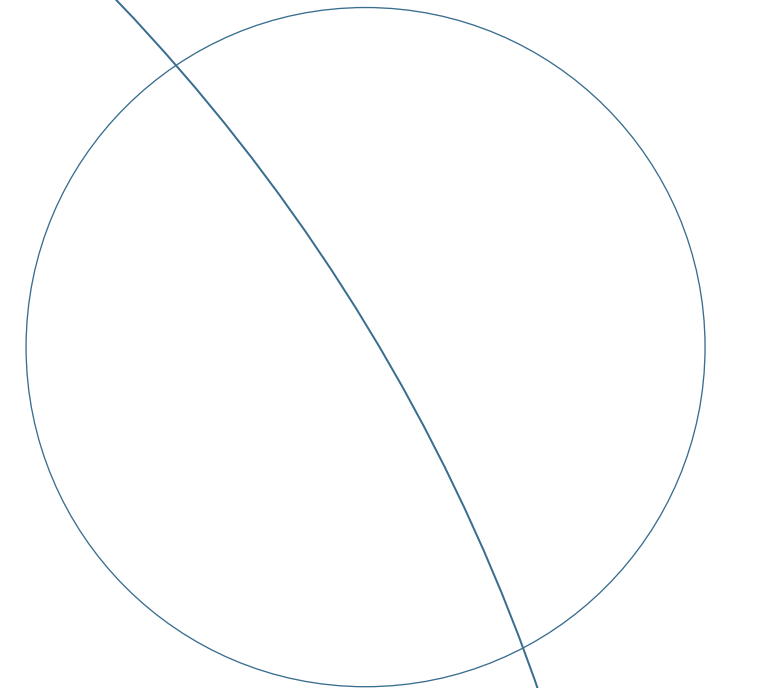
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 April 2007 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 30 April 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds
2 July 2007



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2007

	Notes	2007 £000	2006 £000
Revenue	4,5	526,465	372,609
Cost of sales		(345,450)	(248,051)
Gross profit	5	181,015	124,558
Administrative expenses (excluding amortisation)	5,6	(70,037)	(50,733)
Amortisation	15	(3,922)	(1,227)
Total administrative expenses		(73,959)	(51,960)
Profit from operations	7	107,056	72,598
Investment income	9	3,764	2,047
Finance costs	10	(35,452)	(22,125)
Share of profit before taxation of associate		–	4,964
Share of taxation of associate		–	(1,422)
Share of profit of associate	19	–	3,542
Profit before taxation		75,368	56,062
Taxation	11	(20,885)	(15,468)
Profit for the year	34	54,483	40,594

Profit for the year is wholly attributable to equity holders of the parent Company.
All results arise from continuing operations.

Earnings per share

	Notes	2007 p	2006 p
Basic	13	76.1p	61.1p
Diluted	13	75.8p	60.6p

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 APRIL 2007

	Notes	Group		Company	
		2007 £000	2006 £000	2007 £000	2006 £000
Amounts attributable to equity holders of the parent Company					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	33	(1,756)	1,303	–	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings	33	–	–	(4,344)	646
Foreign exchange differences on retranslation of interest in associate		–	413	–	413
Foreign exchange differences on revaluation reserve		(11)	–	–	–
Net foreign exchange differences on long term borrowings held as hedges	33	1,425	(1,571)	4,344	(1,059)
Other foreign exchange differences recognised directly in equity	33	628	–	–	–
Net fair value gains on cash flow hedges	32	4,471	2,956	3,450	2,554
Share options fair value amount (charged) credited directly to equity		(75)	20	(75)	20
Actuarial gains on defined benefit pension scheme	39	445	356	–	–
Net current tax credit recognised directly in equity	11	1,084	–	1,084	–
Net deferred tax (charge) credit recognised directly in equity	26	(2,616)	882	(2,055)	882
Net income recognised directly in equity		3,595	4,359	2,404	3,456
Profit attributable to equity holders		54,483	40,594	11,241	41,059
Total recognised income and expense for the year		58,078	44,953	13,645	44,515

BALANCE SHEETS

AS AT 30 APRIL 2007

	Notes	Group		Company	
		2007 £000	2006 £000	2007 £000	2006 £000
Non-current assets					
Goodwill	14	75,120	44,582	–	–
Other intangible assets	15	26,804	18,208	–	–
Property, plant and equipment: vehicles for hire	16	860,052	643,824	–	–
Other property, plant and equipment	17	68,160	50,236	2,950	3,012
Total property, plant and equipment		928,212	694,060	2,950	3,012
Investments	18	–	–	212,279	257,221
Interest in associate	19	–	41,927	–	–
		1,030,136	798,777	215,229	260,233
Current assets					
Inventories	20	8,709	8,918	–	–
Trade and other receivables	21	176,760	116,939	796,749	509,359
Cash and cash equivalents		35,039	24,048	5,036	8,945
		220,508	149,905	801,785	518,304
Non-current assets classified as held for sale	22	21,941	14,705	–	–
Total assets		1,272,585	963,387	1,017,014	778,537
Current liabilities					
Trade and other payables	23	68,570	57,584	10,139	8,084
Tax liabilities		11,973	19,715	–	–
Short term borrowings	24	20,340	30,024	14,220	25,982
		100,883	107,323	24,359	34,066
Non-current liabilities					
Long term borrowings	24	770,022	518,485	765,171	515,937
Deferred tax liabilities	26	38,694	15,846	–	–
Retirement benefit obligation	39	555	1,444	–	–
		809,271	535,775	765,171	515,937
Total liabilities		910,154	643,098	789,530	550,003
Net assets		362,431	320,289	227,484	228,534
Equity					
Share capital	27	3,560	3,538	3,560	3,538
Share premium account	28	67,230	64,998	67,230	64,998
Revaluation reserve	29	1,043	1,054	1,371	1,371
Own shares	30	(4,572)	(3,331)	–	–
Merger reserve	31	67,463	67,463	63,159	63,159
Hedging reserve	32	5,199	2,956	4,203	2,554
Translation reserve	33	1,924	1,627	–	–
Retained earnings	34	220,584	181,984	87,961	92,914
Total equity		362,431	320,289	227,484	228,534

Total equity is wholly attributable to equity holders of the parent Company.

The financial statements were approved by the Board of Directors and authorised for issue on 2 July 2007.

They were signed on its behalf by:

P Rogerson Director

G T Murray Director

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2007

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Net cash from (used in) operating activities (a)	224,765	172,178	(38,160)	(20,278)
Investing activities				
Interest received	3,145	1,931	12,951	13,603
Dividends received from subsidiary undertakings	–	–	30,258	–
Proceeds from disposal of vehicles for hire	188,512	150,849	–	–
Purchases of vehicles for hire	(437,947)	(306,273)	–	–
Proceeds from disposal of other property, plant & equipment	3,283	3,307	–	–
Purchases of other property, plant and equipment	(11,126)	(12,208)	–	(18)
Purchases of intangible assets	(1,281)	(927)	–	–
Payment of deferred consideration (Note 24)	(10,290)	–	(10,290)	–
Acquisition of subsidiary undertakings, including net cash and bank overdraft balances acquired	(49,340)	(130,047)	–	–
Purchase of investments in subsidiary undertakings	–	–	(78,351)	(50,316)
Purchase of interest in associate	–	(37,972)	119,352	(37,972)
Net cash (used in) from investing activities	(315,044)	(331,340)	73,920	(74,703)
Financing activities				
Dividends paid	(16,946)	(13,459)	(16,946)	(13,459)
Repayments of obligations under finance leases	(63,740)	(36,994)	–	–
Repayments of bank loans and other borrowings	(175,579)	–	(175,579)	–
Increase in bank loans and other borrowings	359,891	130,988	432,891	63,202
Loans to subsidiary undertakings	–	–	(942,938)	(70,430)
Loans repaid by subsidiary undertakings	–	–	659,437	–
Proceeds from issue of share capital	2,254	65,525	2,254	65,525
Proceeds from sale of own shares	62	511	–	–
Payments to acquire own shares	(1,303)	(1,371)	–	–
Net cash from (used in) financing activities	104,639	145,200	(40,881)	44,838
Net increase (decrease) in cash and cash equivalents	14,360	(13,962)	(5,121)	(50,143)
Cash and cash equivalents at 1 May	20,259	34,057	(3,981)	46,162
Effect of foreign exchange movements	(152)	164	(82)	–
Cash and cash equivalents at 30 April (b)	34,467	20,259	(9,184)	(3,981)

NOTES TO THE CASH FLOW STATEMENTS

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FOR THE YEAR ENDED 30 APRIL 2007

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
(a) Net cash from (used in) operating activities				
Profit (loss) from operations	107,056	72,598	(8,960)	(4,082)
Adjustments for:				
Depreciation of property, plant and equipment	193,885	136,209	62	62
Exchange differences	366	(16)	178	–
Amortisation of intangible assets	3,922	1,227	–	–
(Gain) loss on disposal of property, plant and equipment	(356)	(209)	–	710
Defined benefit pension charge (credit)	8	(386)	–	–
Share options fair value amount (charged) credited directly to equity	(75)	20	(75)	20
Operating cash flows before movements in working capital	304,806	209,443	(8,795)	(3,290)
Decrease (increase) in inventories	460	(2,191)	–	–
(Increase) decrease in receivables	(16,810)	(1,131)	(2,686)	1,257
(Decrease) increase in payables	(5,838)	3,139	3,637	(230)
Cash generated from (used in) operations	282,618	209,260	(7,844)	(2,263)
Income taxes paid	(22,446)	(15,156)	–	–
Interest paid	(35,407)	(21,926)	(30,316)	(18,015)
Net cash from (used in) operating activities	224,765	172,178	(38,160)	(20,278)

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank, investments in money market instruments and bank overdrafts.

Bank overdrafts are included within cash equivalents on the grounds that they are repayable on demand and form an integral part of the Group's cash management.

Cash and cash equivalents, as described above, included in the cash flow statement comprise the following balance sheet amounts.

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Cash in hand and at bank	14,384	22,201	5,036	8,945
Short term investments	20,655	1,847	–	–
Gross cash and cash equivalents as reported	35,039	24,048	5,036	8,945
Bank overdrafts	(572)	(3,789)	(14,220)	(12,926)
Net cash and cash equivalents	34,467	20,259	(9,184)	(3,981)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2007

	Notes	2007 £000	2006 £000
Amounts attributable to equity holders of the parent Company			
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	33	(1,756)	1,303
Foreign exchange differences on retranslation of interest in associate		–	413
Foreign exchange difference on revaluation reserve		(11)	–
Net foreign exchange differences on long term borrowings held as hedges	33	1,425	(1,571)
Other foreign exchange differences recognised directly in equity	33	628	–
Net fair value gains on cash flow hedges	32	4,471	2,956
Share options fair value amount (charged) credited directly to equity		(75)	20
Actuarial gains on defined benefit pension scheme	39	445	356
Net current tax credit recognised directly in equity	11	1,084	–
Net deferred tax (charge) credit recognised directly in equity	26	(2,616)	882
Net income recognised directly in equity		3,595	4,359
Profit attributable to equity holders		54,483	40,594
Total recognised income and expense for the year		58,078	44,953
Dividends paid	12	(16,949)	(13,437)
Issue of Ordinary share capital (net of expenses)	27, 28, 31	2,254	65,525
Net increase in own shares held	30	(1,241)	(860)
Net changes in total equity		42,142	96,181
Opening total equity as at 1 May		320,289	224,108
Closing total equity as at 30 April		362,431	320,289

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2007

	Notes	2007 £000	2006 £000
Amounts attributable to equity holders of the parent Company			
Foreign exchange differences on retranslation of investments in subsidiary undertakings	33	(4,344)	646
Foreign exchange differences on retranslation of interest in associate	33	–	413
Net foreign exchange differences on long term borrowings held as hedges	33	4,344	(1,059)
Net fair value gains on cash flow hedges	32	3,450	2,554
Share options fair value amount (charged) credited directly to equity		(75)	20
Net current tax credit recognised directly in equity		1,084	–
Net deferred tax (charge) credit recognised directly in equity	26	(2,055)	882
Net income recognised directly in equity		2,404	3,456
Profit attributable to equity holders	36	11,241	41,059
Total recognised income and expense for the year		13,645	44,515
Dividends paid	12	(16,949)	(13,437)
Issue of Ordinary share capital (net of expenses)	27, 28, 31	2,254	65,525
Net changes in total equity		(1,050)	96,603
Opening total equity as at 1 May		228,534	131,931
Closing total equity as at 30 April		227,484	228,534

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FOR THE YEAR ENDED 30 APRIL 2007

1. GENERAL INFORMATION

Northgate plc is a Company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 77. The nature of the Group's operations and its principal activities are set out in Note 5 and in the Operational and Financial reviews on pages 6 to 11.

The financial statements 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.

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations, which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7	<i>Financial instruments: Disclosures</i>
IFRS 8	<i>Operating segments</i>
IAS 1	<i>Presentation of financial statements (Amendment on capital disclosures)</i>
IFRIC 10	<i>Interim financial reporting and impairment</i>
IFRIC 11	<i>IFRS 2: Group and treasury share transactions</i>

The Directors anticipate that the adoption of the Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

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

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated financial statements include the financial statements of the Company and its undertakings made up to 30 April 2006 and 30 April 2007. The results of a new subsidiary undertaking are included from the date of its acquisition. Where an entity has ceased to be a subsidiary undertaking during the year, its results are included to the date of cessation.

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. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

Revenue recognition

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

Revenue from vehicle rentals is recognised evenly over the rental period and revenue from sales of other related goods and services is recognised at the point of sale.

Goodwill

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

Goodwill is stated at cost less any accumulated impairment losses identified through an annual test for impairment.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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
Brand names	5 to 10 years
Non-compete agreements	2 to 4 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 over their estimated useful lives, which do not exceed three years.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any provision for impairment.

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 and fittings	3 to 10 years
Vehicles for hire	3 to 6 years
Motor vehicles	3 to 6 years

Vehicles for hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between three and six years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into non-current assets held for sale is in line with the open market values for those vehicles. Depreciation charges are adjusted for any differences that arise between net book values and open market values of used vehicles upon transfer into non-current assets held for sale, taking into account the further direct costs to sell the vehicles.

Property under construction is not depreciated. Depreciation commences when these assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

The residual value, if not insignificant, is reassessed annually.

Non-current assets held for sale

Non-current assets classified as held for sale are valued at the lower of carrying amount or fair value less estimated costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a disposal transaction.

Fixed asset investments

Fixed asset investments 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.

Inventories

Inventories comprise spare parts and consumables and are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

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

Financial instruments and hedge accounting

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

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

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

Derivative financial instruments are stated at fair value. Any gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of 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 directly in equity, and the ineffective portion is recognised in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

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, or 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.

Bank loans and issue costs

Bank loans are stated at the amount of proceeds after deduction of issue costs, which are amortised over the period of the loan. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2. PRINCIPAL ACCOUNTING POLICIES (continued)**Foreign currencies**

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

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. All other translation differences are taken to the income statement with the exception of differences in equity on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are recognised directly in equity, together with the exchange difference on the net investment in these enterprises.

The results of overseas subsidiary undertakings and joint ventures are translated into UK Sterling using average exchange rates for the financial period and variances compared with the exchange rate at the balance sheet date are recognised directly in equity.

The Company maintains certain borrowings in the same currency as the functional currency of its overseas subsidiary undertaking, as a hedge against the net assets of the subsidiary. These borrowings are translated into UK Sterling using the exchange rate prevailing at the balance sheet date. Any variances are recognised directly in equity.

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 currency translation reserve component of equity.

Leasing and hire purchase commitments*As Lessee:*

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

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

As Lessor:

Motor vehicles and equipment hired to certain 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 predominantly operates defined contribution pension schemes and has one defined benefit scheme as a result of the acquisition of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) in the prior year, as detailed in Note 35. 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.

For the defined benefit scheme, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The Group also operate Group personal pension plans.

2. PRINCIPAL ACCOUNTING POLICIES (continued)**Employee share schemes and share based payments**

The Group has applied the requirements of IFRS 2 (Share-based Payment). In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 30 April 2005.

The Group issues equity-settled and cash-settled share-based 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 share-based 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 share-based payments granted is measured using the Black-Scholes model. The amount recognised as an expense is adjusted to reflect the actual number of employee share options that vest, except where forfeiture is only due to market based performance criteria not being met.

For cash-settled share-based payments a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

The Group also operates a Share Incentive Plan (SIP) 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.

Dividends

Dividends on Ordinary shares are recognised as a liability 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.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation

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

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

Depreciation charges are adjusted for any differences that arise between net book values and open market values of used vehicles upon transfer into non-current assets held for sale, taking into account the further direct costs to sell the vehicles.

Intangible assets

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. The Directors have made assumptions with regard to the evidence in the market, at the time of acquisitions, when determining these estimated useful lives.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value. The carrying value of goodwill at the balance sheet date was £75,120,000 (Note 14).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

4. REVENUE

All revenue recognised is from the rendering of services.

5. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

The Group's operations are located in the United Kingdom, Republic of Ireland and Spain. These geographical locations are the basis on which the Group reports its primary segment information.

The Directors consider the United Kingdom and Republic of Ireland to be a single geographical segment on the grounds that the results and net assets of operations in the Republic of Ireland are immaterial to the Group as a whole. The results of the associate in the prior year all arose in Spain.

	UK & Republic of Ireland 2007 £000	Spain 2007 £000	Total 2007 £000
Revenue	351,108	175,357	526,465
Gross profit	117,638	63,377	181,015
Administrative expenses	(45,925)	(24,112)	(70,037)
Amortisation	(2,035)	(1,887)	(3,922)
Profit from operations	69,678	37,378	107,056
Investment income			3,764
Finance costs			(35,452)
Profit before taxation			75,368
Other Information			
Capital additions	266,485	190,755	457,240
Depreciation	127,030	66,855	193,885
Balance Sheet			
Segment assets	703,891	568,694	1,272,585
Segment liabilities	510,456	399,698	910,154
	UK & Republic of Ireland 2006 £000	Spain 2006 £000	Total 2006 £000
Revenue	300,771	71,838	372,609
Gross profit	102,724	21,834	124,558
Administrative expenses	(43,883)	(6,850)	(50,733)
Amortisation	(692)	(535)	(1,227)
Profit from operations	58,149	14,449	72,598
Investment income			2,047
Finance costs			(22,125)
Share of profit of associate			3,542
Profit before taxation			56,062
Other Information			
Capital additions	239,304	75,374	314,678
Depreciation	113,537	22,672	136,209
Balance Sheet			
Segment assets	726,536	194,924	921,460
Interest in associate			41,927
Consolidated total assets			963,387
Segment liabilities	482,187	160,911	643,098

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FOR THE YEAR ENDED 30 APRIL 2007

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

Business segments

For management purposes, the Group has two material business segments, which are the hire of vehicles and fleet management.

As such, the Directors consider that these are the two business segments on which the Group should report.

	Hire of vehicles 2007 £000	Fleet management 2007 £000	Total 2007 £000
Revenue	512,727	13,738	526,465
Segment assets	1,263,974	8,611	1,272,585
Capital additions	457,228	12	457,240
	Hire of vehicles 2006 £000	Fleet management 2006 £000	Total 2006 £000
Revenue	369,271	3,338	372,609
Segment assets	954,692	8,695	963,387
Capital additions	314,678	–	314,678

6. RESTRUCTURING COSTS

In February 2006 the Group acquired the entire issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited). To the extent that employees could not be integrated, termination terms were agreed and, to the extent that properties would not be utilised in the future, amounts were provided in respect of onerous contracts.

	2007 £000	2006 £000
Redundancy costs	–	1,673
Onerous contracts	–	934
	–	2,607

7. PROFIT FROM OPERATIONS

	Notes	2007 £000	2006 £000
Profit from operations is stated after charging (crediting):			
Depreciation of property, plant and equipment	16, 17	193,885	136,209
Amortisation of intangible assets	15	3,922	1,227
Net foreign exchange losses (gains)		366	(16)
Restructuring costs	6	–	2,607
Staff costs	8	77,622	62,699
Auditors' remuneration for audit services (below)		308	313
Auditors' remuneration for non-audit services (below)		301	236

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

7. PROFIT FROM OPERATIONS (continued)

	2007 £000	2006 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	296	302
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	12	11
Total audit fees	308	313
Other services pursuant to legislation	20	19
Tax services	263	129
Corporate finance services	–	20
Other services	18	68
Total non-audit fees	301	236

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

A description of the work of the audit committee is set out in the corporate governance statement on pages 24 to 26 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

8. STAFF COSTS

	2007 Number	2006 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,862	1,647
Administration	503	489
	2,365	2,136
Spain:		
Direct operations	752	323
Administration	198	68
	950	391
	3,315	2,527

The above United Kingdom administration employee numbers include 18 (2006 – 18) in respect of the Company.

	2007 £000	2006 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	67,755	54,678
Social security costs	8,387	6,575
Other pension costs	1,480	1,446
	77,622	62,699

The above employee remuneration includes wages and salaries costs of £1,888,000 (2006 – £1,763,000), social security costs of £402,000 (2006 – £342,000) and other pension costs of £462,000 (2006 – £345,000) in respect of the Company.

9. INVESTMENT INCOME

	2007 £000	2006 £000
Interest on bank and other deposits	3,141	1,744
Change in fair value of interest rate derivatives (Note 25)	623	303
	3,764	2,047

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10. FINANCE COSTS

	2007 £000	2006 £000
Interest on bank overdrafts and loans	33,583	20,220
Interest on obligations under finance leases	1,844	1,345
Amortisation of deferred consideration	–	535
Total borrowing costs	35,427	22,100
Preference share dividends	25	25
	35,452	22,125

11. TAXATION

	2007 £000	2006 £000
Current tax:		
UK corporation tax	2,697	13,615
Adjustment in respect of prior years	1,200	(270)
Foreign tax	9,552	1,390
	13,449	14,735
Deferred tax:		
Current year	7,232	247
Adjustment in respect of prior years	204	486
	7,436	733
	20,885	15,468

Corporation tax is calculated at 30% (2006 – 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

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

	2007 £000	%	2006 £000	%
Profit before taxation	75,368		56,062	
Tax at the UK corporation tax rate of 30% (2006 – 30%)	22,610	30.0	16,819	30.0
Tax effect of expenses that are not deductible in determining taxable profit	346	0.4	753	1.3
Amortisation charge not deductible in determining taxable profit	–	–	368	0.7
Difference in taxation in overseas subsidiary undertakings	(2,277)	(3.0)	(1,631)	(2.9)
Reduction in overseas tax rate	(1,198)	(1.6)	–	–
Tax effect of share of results of associate	–	–	(1,057)	(1.9)
Adjustment to tax charge in respect of prior years	1,404	1.9	216	0.4
Tax expense and effective tax rate for the year	20,885	27.7	15,468	27.6

In addition to the amount charged to the income statement, a current tax amount receivable of £1,084,000 (2006 – £nil) has been credited directly to equity and a deferred tax amount of £2,616,000 has been charged (2006 – £882,000 credited) directly to equity (Note 26).

The UK corporation tax rate is scheduled to fall from 30% to 28% in 2008. This will have the effect of reducing the future UK effective tax rate. At the same time, the rate of capital allowances, an important component of UK qualifying expenditure, is scheduled to fall from 25% to 20% per annum. This will not impact the future UK effective tax rate but will result in a short-term cash outflow to the Group.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

12. DIVIDENDS

	2007 £000	2006 £000
Amounts recognised as distributions to equity holders of the parent Company:		
Final dividend for the year ended 30 April 2006 of 14p per share	9,853	–
Interim dividend for the year ended 30 April 2007 of 10p per share	7,096	–
Final dividend for the year ended 30 April 2005 of 12p per share	–	7,676
Interim dividend for the year ended 30 April 2006 of 9p per share	–	5,761
	16,949	13,437

The proposed final dividend of 15.5p per share is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability as at 30 April 2007.

13. EARNINGS PER SHARE

(a) Basic and diluted earnings per share	2007 £000	2006 £000
The calculation of basic and diluted earnings per share is based on the following data:		
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to equity holders of the parent	54,483	40,594

	Number	Number
Number of shares		
Weighted average number of Ordinary shares for the purposes of basic earnings per share	71,584,744	66,481,499
Effect of dilutive potential Ordinary shares: – share options	250,032	464,060
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	71,834,776	66,945,559
Basic earnings per share	76.1p	61.1p
Diluted earnings per share	75.8p	60.6p

(b) Earnings per share before amortisation and non-recurring restructuring costs	£000	£000
Earnings for the purposes of basic earnings per share (above)	54,483	40,594
Amortisation	3,922	1,227
Non-recurring restructuring costs (net of UK corporation tax at 30%)	–	1,825
Earnings for the purposes of basic earnings per share before amortisation and non-recurring restructuring costs	58,405	43,646
Basic earnings per share before amortisation and non-recurring restructuring costs	81.6p	65.7p
Diluted earnings per share before amortisation and non-recurring restructuring costs	81.3p	65.2p

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14. GOODWILL

Group	2007 £000	2006 £000
Cost:		
At 1 May	44,582	12,448
Exchange differences	(572)	490
Recognised on acquisition of subsidiary undertakings (Note 35)	31,439	31,644
Adjustment in respect of subsidiary undertaking acquired in prior year (Note 35)	(329)	–
At 30 April	75,120	44,582

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. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

Group	2007 £000	2006 £000
Record Rent a Car S.A.	31,010	–
Northgate (AVR) Limited	27,726	28,055
Furgonetas de Alquiler S.A.	9,527	9,670
Fleet Technique Limited	3,589	3,589
Other UK vehicle hire companies	3,268	3,268
	75,120	44,582

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors and extrapolates these cash flows in perpetuity using growth assumptions relevant for the business sectors. The growth rates used are between 3% and 5% and are not considered to be higher than average long term industry growth rates. The rates used to discount the forecast cashflows for all CGUs are based on the Group's pre-tax weighted average cost of capital of 8.5%.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

15. OTHER INTANGIBLE ASSETS

Group	Brand names £000	Customer relationships £000	Non compete agreements £000	Software technology £000	Other software £000	Total £000
Fair value:						
At 1 May 2005	3,953	1,273	137	–	1,957	7,320
Additions	–	–	–	–	925	925
Acquisitions of subsidiary undertakings	535	12,614	148	168	177	13,642
Exchange differences	–	–	–	–	8	8
At 1 May 2006	4,488	13,887	285	168	3,067	21,895
Additions	–	–	–	–	1,279	1,279
Acquisitions of subsidiary undertakings	11,725	3,575	123	–	57	15,480
Disposals	(4,165)	–	–	–	(94)	(4,259)
Exchange differences	(46)	(10)	(1)	–	(5)	(62)
At 30 April 2007	12,002	17,452	407	168	4,304	34,333
Amortisation:						
At 1 May 2005	408	159	26	–	1,861	2,454
Charge for the year	456	515	39	11	206	1,227
Exchange differences	–	–	–	–	6	6
At 1 May 2006	864	674	65	11	2,073	3,687
Charge for the year	1,329	1,836	117	34	606	3,922
Eliminated on disposals	–	–	–	–	(65)	(65)
Exchange differences	(9)	(2)	–	–	(4)	(15)
At 30 April 2007	2,184	2,508	182	45	2,610	7,529
Carrying amount:						
At 30 April 2007	9,818	14,944	225	123	1,694	26,804
At 30 April 2006	3,624	13,213	220	157	994	18,208

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FOR THE YEAR ENDED 30 APRIL 2007

16. PROPERTY, PLANT AND EQUIPMENT: VEHICLES FOR HIRE

Group	£000
Cost or valuation:	
At 1 May 2005	677,492
Additions	301,546
Acquisitions of subsidiary undertakings	92,423
Transfer to motor vehicles	(171)
Exchange differences	3,917
Disposals	(267,865)
At 1 May 2006	807,342
Additions	444,835
Acquisition of subsidiary undertaking	158,750
Transfer to motor vehicles	(113)
Exchange differences	(3,465)
Disposals	(323,731)
At 30 April 2007	1,083,618
Depreciation:	
At 1 May 2005	145,649
Charge for the year	133,367
Exchange differences	630
Transfer to motor vehicles	(32)
Eliminated on disposals	(116,096)
At 1 May 2006	163,518
Charge for the year	190,095
Exchange differences	(217)
Transfer to motor vehicles	(61)
Eliminated on disposals	(129,769)
At 30 April 2007	223,566
Carrying amount:	
At 30 April 2007	860,052
At 30 April 2006	643,824

The carrying amount of the Group's vehicles for hire includes an amount of £39,550,000 (2006 – £12,103,000) in respect of assets held under finance lease agreements.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

17. OTHER PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost or valuation:				
At 1 May 2005	38,525	8,440	1,281	48,246
Additions	9,737	1,765	705	12,207
Acquisitions of subsidiary undertakings	5,246	216	169	5,631
Transfer from vehicles for hire	–	–	171	171
Exchange differences	322	30	–	352
Disposals	(2,567)	(844)	(985)	(4,396)
At 1 May 2006	51,263	9,607	1,341	62,211
Additions	8,150	2,173	803	11,126
Acquisition of subsidiary undertaking	11,936	1,843	–	13,779
Transfer from vehicles for hire	–	–	113	113
Exchange differences	(276)	(33)	–	(309)
Disposals	(2,769)	(1,102)	(848)	(4,719)
At 30 April 2007	68,304	12,488	1,409	82,201
Depreciation:				
At 1 May 2005	4,379	5,645	371	10,395
Charge for the year	1,238	1,283	321	2,842
Exchange differences	5	(1)	–	4
Transfer from vehicles for hire	–	–	32	32
Eliminated on disposals	(133)	(742)	(423)	(1,298)
At 1 May 2006	5,489	6,185	301	11,975
Charge for the year	1,445	2,006	339	3,790
Exchange differences	1	6	–	7
Transfer from vehicles for hire	–	–	61	61
Eliminated on disposals	(402)	(1,026)	(364)	(1,792)
At 30 April 2007	6,533	7,171	337	14,041
Carrying amount:				
At 30 April 2007	61,771	5,317	1,072	68,160
At 30 April 2006	45,774	3,422	1,040	50,236
Cost or valuation at 30 April 2007 is represented by:				
Valuation performed in 1992	525	–	–	525
Valuation performed in 2004	3,403	–	–	3,403
Additions at cost	64,376	12,488	1,409	78,273
	68,304	12,488	1,409	82,201

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

17. OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

Group	2007 £000	2006 £000
Land and buildings by category:		
Freehold	53,179	38,985
Short leasehold	8,592	6,789
	61,771	45,774

At 30 April 2007, the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £892,000 (2006 – £530,000).

Certain of the above freehold properties were valued as at 30 April 1992 by Jones Lang Wootton, Chartered Surveyors, and certain other freehold properties as at 3 May 2004 by Amercian Appraisal, Professional Valuers, on the basis of open market value for existing use.

At 30 April 2007, under the historical cost convention, land and buildings would have been stated at £68,582,000 (2006 – £51,544,000) and related accumulated depreciation of £6,621,000 (2006 – £5,584,000).

Company	£000
Cost:	
At 1 May 2005	3,221
Additions	18
At 1 May 2006 and 30 April 2007	3,239
Depreciation:	
At 1 May 2005	165
Charge for the year	62
At 1 May 2006	227
Charge for the year	62
At 30 April 2007	289
Carrying amount:	
At 30 April 2007	2,950
At 30 April 2006	3,012

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FOR THE YEAR ENDED 30 APRIL 2007

18. INVESTMENTS

Company	Shares in subsidiary undertakings £000	Investment in associate £000	Loans to Group undertakings £000	Total £000
Cost:				
At 1 May 2006	174,271	38,385	47,000	259,656
Acquisitions of subsidiary undertakings (see below)	117,189	(38,385)	–	78,804
Disposals of interests in subsidiary undertakings	(119,402)	–	–	(119,402)
Foreign exchange differences on investments denominated in foreign currency	(4,344)	–	–	(4,344)
At 30 April 2007	167,714	–	47,000	214,714
Accumulated provisions:				
At 1 May 2006 and 30 April 2007	2,435	–	–	2,435
Carrying amount:				
At 30 April 2007	165,279	–	47,000	212,279
At 30 April 2006	171,836	38,385	47,000	257,221

The investment in associate at 30 April 2006 related to 49% of the issued share capital of Record Rent a Car S.A. ("Record"), a company registered in Spain, which the Company purchased on 5 August 2005. On 11 May 2006, the Company purchased the remaining 51% of the issued share capital of Record for a cash consideration of £50,105,000. The principal activity of Record is vehicle hire.

On 3 February 2006, the Company acquired 100% of the issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) for a cash consideration of £50,316,000. In the current year, the Company increased the value of its investment by £3,699,000 (Note 35).

On 30 April 2007, the Company acquired 100% of the issued share capital of Northgate (TM) Limited for a cash consideration of £25,000,000.

On 1 November 2006, the Company disposed of its entire investments in the share capital of Furgonetas de Alquiler S.A. ("Fualsa") and Record to a subsidiary undertaking for a cash consideration of £119,352,000. No profit or loss arose as a result of this transaction.

On 10 April 2007, the Company reduced its interest in the share capital of Northgate (St Helier) Limited by £50,000. The proceeds from the disposal were settled by the redemption of preference shares in Northgate (St Helier) Limited.

At 30 April 2007, the principal subsidiary undertaking of the Company was Northgate Vehicle Hire Limited, a company registered in England and Wales, whose principal activity is the hire of vehicles.

A full list of the Company's subsidiary undertakings was included with the Annual Return filed with the Registrar of Companies.

Prior to their disposal on 1 November 2006, the investments in Fualsa and Record were denominated in Euro in the Company balance sheet. The foreign exchange movements recognised in investments arose when the investment amounts were retranslated at the foreign exchange rate prevailing on the date of disposal of the investments.

19. INTEREST IN ASSOCIATE

On 5 August 2005, the Group purchased 49% of the issued share capital of Record, a company registered in Spain, for a cash consideration, payable to the vendors of €54,800,000. In accordance with IAS 28, this investment, along with associated costs, was accounted for as an associate under the equity method of accounting.

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FOR THE YEAR ENDED 30 APRIL 2007

19. INTEREST IN ASSOCIATE (continued)

The interest in associate in the Group balance sheet as at 30 April 2006 comprised the following:

	£000
Results for the period 5 August 2005 to 30 April 2006	
Profit before taxation	10,131
Taxation	(2,902)
Profit after taxation	7,229
49% share of profit after taxation of associate	3,542
Purchase of investment in associate (Note 18)	38,385
Interest in associate at 30 April 2006	41,927

On 11 May 2006, the Group acquired the remaining 51% of the issued share capital of Record. From the same date, Record was accounted for as an investment in a subsidiary undertaking and in accordance with the purchase method of accounting (Note 35).

20. INVENTORIES

Inventories comprise spare parts and consumables.

21. OTHER FINANCIAL ASSETS

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade and other receivables				
Trade amounts receivable	142,461	94,855	–	–
Amounts due from subsidiary undertakings	–	–	787,908	503,161
Other taxes	8,374	3,199	1,481	1,171
Corporation tax	–	691	–	–
Deferred tax asset (Note 26)	–	–	275	1,829
Financial instrument asset (Note 25)	4,347	2,747	5,536	2,747
Other debtors and prepayments	21,578	15,447	1,549	451
	176,760	116,939	796,749	509,359

		2007 £000	2006 £000
The average credit periods taken on goods are	UK	51 days	49 days
	Spain	149 days	138 days
		2007 £000	2006 £000
Allowance for estimated irrecoverable amounts	UK	2,883	2,786
	Spain	2,308	1,469
Total		5,191	4,255

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

Bank balances and cash

These comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The Directors consider that the carrying amounts of these assets approximate to their fair value.

Credit risk

Consideration of the Group's credit risk is documented in Note 24.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

22. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

These comprise vehicles held for resale.

23. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade and other payables				
Trade payables	33,538	27,941	163	58
Amount due to subsidiary undertakings	–	–	–	5,696
Financial instrument liability (Note 25)	3,868	411	3,738	–
Social security and other taxes	3,435	5,779	117	102
Accruals and deferred income	27,729	23,453	6,121	2,228
	68,570	57,584	10,139	8,084

Trade payables comprise amounts outstanding for trade purchases.

		2007	2006
The average credit periods taken for trade purchases are	UK	45 days	44 days
	Spain	90 days	84 days

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

24. BORROWINGS

The creditors falling due after more than one year comprise bank loans, loan notes, finance lease obligations and other borrowings.

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

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Total borrowings				
Bank overdrafts	572	3,789	14,220	12,926
Bank loans	601,326	518,393	596,043	518,203
Loan notes	168,628	–	168,628	–
Vehicle related finance lease obligations	16,104	12,326	–	–
Deferred consideration	–	10,290	–	10,290
Property loans	2,718	2,019	–	–
Cumulative Preference shares	500	500	500	500
Other	514	1,192	–	–
	790,362	548,509	779,391	541,919

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24. BORROWINGS (continued)

The borrowings are repayable as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
On demand or within one year (shown under current liabilities)				
Bank overdrafts	572	3,789	14,220	12,926
Bank loans	2,939	2,956	–	2,766
Vehicle related finance lease obligations	15,894	11,527	–	–
Deferred consideration	–	10,290	–	10,290
Property loans	421	270	–	–
Other	514	1,192	–	–
	20,340	30,024	14,220	25,982
In the second year				
Bank loans	952	–	–	–
Vehicle related finance lease obligations	210	610	–	–
Property loans	631	216	–	–
	1,793	826	–	–
In the third to fifth years				
Bank loans	597,435	515,437	596,043	515,437
Vehicle related finance lease obligations	–	189	–	–
Property loans	373	697	–	–
	597,808	516,323	596,043	515,437
Due after more than five years				
Loan notes	168,628	–	168,628	–
Cumulative Preference shares	500	500	500	500
Property loans	1,293	836	–	–
	170,421	1,336	169,128	500
Total borrowings	790,362	548,509	779,391	541,919
Less: Amount due for settlement within one year (shown under current liabilities)	20,340	30,024	14,220	25,982
Amount due for settlement after more than one year	770,022	518,485	765,171	515,937

Bank overdrafts

Bank overdrafts are repayable on demand and are unsecured.

They are denominated in UK Sterling and Euro. Sterling denominated bank overdrafts bear interest at 1% above the Bank of England base rate and Euro denominated bank overdrafts bear interest at rates of 0.75% to 0.85% above EURIBOR. This exposes the Group to cash flow interest rate risk.

Bank loans

In January 2007, the Company committed term loan facilities with seven major UK and European banks. The total facilities of £755,000,000 (2006 – £745,000,000) have commitment dates being one year for £151,000,000 of the facilities and three years for £604,000,000 of the facilities.

Bank loans are unsecured and bear interest at rates of 0.475% to 0.525% above the relevant interest rate index, being LIBOR for UK Sterling denominated debt and EURIBOR for Euro denominated debt. This exposes the Group to cash flow interest rate risk.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

24. BORROWINGS (continued)

Loan notes

In December 2006 and January 2007, the Company issued fixed rate, unsecured loan notes ("the US Notes"), with total nominal values of US\$295,000,000 and £21,000,000 respectively, to investors that are principally based in the United States. The US Notes are not publicly tradeable and have the following maturity profile:

	Redemption date	Carrying value 30 April 2007 £000
Value of loan notes		
US\$125,000,000 7 year loan notes	December 2013	62,554
US\$120,000,000 10 year loan notes	December 2016	60,052
£21,000,000 10 year loan notes	December 2016	21,000
US\$50,000,000 10 year loan notes	January 2017	25,022
		168,628

The redemption of the US Notes and interest payments on the US Notes are due to the loan note holders in the same currency as the issue currency of the US Notes. These factors expose the Group to foreign currency exchange risk. As explained in further detail in Note 25, the Company has entered into cross currency swap financial instruments in order to mitigate this risk. The weighted average fixed interest rate on the US Notes is 5.73%. Taking into account the interest rates within the cross currency swap instruments, the overall weighted average fixed interest rate on these borrowings is 5.78%.

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 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 (2006 – 1,300,000), of which 1,000,000 (2006 – 1,000,000) were allotted and fully paid at the balance sheet date.

Vehicle related finance lease obligations

The Group previously had a policy of leasing certain of its vehicles for hire under finance leases. The average lease term is three years. For the year ended 30 April 2007, the average borrowing rate for vehicle related finance leases was 4.1% (2006 – 4.4%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Group	Minimum lease payments		Present value of minimum lease payments	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts payable under vehicle related finance leases:				
Within one year	16,239	11,703	15,894	11,527
In the second to fifth years inclusive	220	853	210	799
	16,459	12,556	16,104	12,326
Less future finance charges	(355)	(230)	–	–
Present value of lease obligations	16,104	12,326	16,104	12,326
Less: amount due for settlement within one year (shown under current liabilities)			(15,894)	(11,527)
Amount due for settlement after more than one year			210	799

Vehicle related finance lease obligations are denominated in Sterling and Euro.

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FOR THE YEAR ENDED 30 APRIL 2007

24. BORROWINGS (continued)

Deferred consideration

The deferred consideration liability as at 30 April 2006 was in respect of 20% of the issued share capital of Fualsa, the purchase of which occurred in May 2004. This liability was paid in May 2006.

Property loans

All property loans relate to land and buildings held in Spain. The loans are secured on the properties to which they relate.

The average loan term is ten years. For the year ended 30 April 2007, the average borrowing rate for property loans was 4.7% (2006 – 3.3%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Group	Minimum lease payments		Present value of minimum lease payments	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts payable under property loans:				
Within one year	481	274	421	270
In the second to fifth years inclusive	1,139	992	1,004	913
After more than five years	1,510	973	1,293	836
	3,130	2,239	2,718	2,019
Less future finance charges	(412)	(220)	–	–
Present value of lease obligations	2,718	2,019	2,718	2,019
Less: amount due for settlement within one year (shown under current liabilities)			(421)	(270)
Amount due for settlement after more than one year			2,297	1,749

Other borrowings

Other borrowings of £514,000 (2006 – £1,192,000) represent Spanish debt discounting arrangements which are unsecured and fall due within one year.

Total borrowing facilities

The Group has various borrowings 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:

	2007 £000	2006 £000
In one year or less	178,474	194,215
In one year to five years	7,958	129,608
	186,432	323,823

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

FOR THE YEAR ENDED 30 APRIL 2007

24. BORROWINGS (continued)

Analysis of consolidated net debt

	At 1 May 2006 £000	Cash flow £000	Acquisitions (Note 35) £000	Foreign exchange movements £000	At 30 April 2007 £000
Cash at bank and in hand	22,201	(7,964)	299	(152)	14,384
Short term investments	1,847	18,808	–	–	20,655
Bank overdraft due within one year	(3,789)	3,217	–	–	(572)
	20,259	14,061	299	(152)	34,467
Bank loans	(518,393)	(9,964)	(75,878)	2,909	(601,326)
Loan notes	–	(175,579)	–	6,951	(168,628)
Vehicle related finance lease obligations	(12,326)	63,740	(69,048)	1,530	(16,104)
Deferred consideration	(10,290)	10,290	–	–	–
Preference shares	(500)	–	–	–	(500)
Property loans and other borrowings	(3,211)	1,231	(1,319)	67	(3,232)
	(524,461)	(96,221)	(145,946)	11,305	(755,323)

The Group calculates gearing to be net debt as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net debt comprises borrowings less cash at bank and short term investments.

At 30 April 2007, the gearing of the Group amounted to 289.9% (2006 – 203.7%) where net debt was £755,323,000 (2006 – £524,461,000) and shareholders' funds less goodwill and the net book value of intangible assets was £260,507,000 (2006 – £257,499,000).

Financial instruments

Financial assets

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

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

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 in the UK. The credit risk associated with trade receivables in Spain is more concentrated in larger customers than the UK and, consequently, the Group has put a credit insurance policy in place to mitigate this risk.

Treasury policies and the management of risk

The function of Group Treasury is to reduce or eliminate 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 25.

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

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24. BORROWINGS (continued)

Financing and interest rate risk

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

Cash at bank and on deposit yield 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 and deposits is managed through the use of interest rate derivatives as detailed in Note 25. 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 2007, 66% (2006 – 58%) of gross borrowings were at fixed or capped rates of interest, comprising £180,000,000, €225,000,000 and US\$295,000,000 of derivative financial instruments, as detailed in Note 25.

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euro as net investment hedges against its Euro denominated investments (Note 25) and with the exception of US Dollar denominated loan notes, as explained above.

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

Group	Sterling £000	Euro £000	US Dollars £000	Total £000
At 30 April 2007				
Borrowings				
Bank overdrafts	572	–	–	572
Bank loans	81,069	520,257	–	601,326
Loan notes	21,000	–	147,628	168,628
Vehicle related finance lease obligations	779	15,325	–	16,104
Cumulative Preference shares	500	–	–	500
Property loans	–	2,718	–	2,718
Other	–	514	–	514
	103,920	538,814	147,628	790,362
At 30 April 2006				
Borrowings				
Bank overdrafts	3,789	–	–	3,789
Bank loans	292,082	226,311	–	518,393
Vehicle related finance lease obligations	1,255	11,071	–	12,326
Cumulative Preference shares	500	–	–	500
Deferred consideration	–	10,290	–	10,290
Property loans	–	2,019	–	2,019
Other	–	1,192	–	1,192
	297,626	250,883	–	548,509

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

25. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate derivatives

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate swaps and collars. 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. The interest rate derivatives which the Group is party to, as at 30 April 2007, are summarised below:

	Total nominal values	Weighted average contract rates	Weighted average remaining life
Sterling denominated interest rate swaps	£75,000,000	5.2%	0.9 years
Euro denominated interest rate swaps	€225,000,000	2.8%	2.8 years
Sterling denominated interest rate collars	£105,000,000	Cap 6.0% Floor 4.0%	1.6 years

The interest rate swaps to which the Group is party are all pay fixed rate, receive floating rate instruments, the fixed rate being as indicated above.

Market values have been used to determine fair values of interest rate derivatives at each balance sheet date.

The estimated fair values are as follows:

	2007 £000	2006 £000
Interest rate swaps	3,840	2,576
Interest rate collars	377	(240)
	4,217	2,336

The net fair value of interest rate derivatives of £4,217,000 (2006 – £2,336,000) is represented in the consolidated balance sheet as an asset of £4,347,000 (2006 – £2,747,000) and a liability of £130,000 (2006 – £411,000), as set out in Notes 21 and 23 respectively.

All of the interest rate swaps are designated and effective as cash flow hedges and their fair value, along with changes in fair value between balance sheet dates, has been deferred in equity. To the extent that the interest rate swaps are not 100% effective, a net amount of £6,000 (2006 – £197,000) has been credited to the income statement.

Interest rate collars are not hedge accounted for and, accordingly, an amount of £617,000 (2006 – £106,000) has been credited to the income statement.

The total change in fair values of interest rate derivatives recognised in the income statement of £623,000 (2006 – £303,000) is shown within investment income (Note 9).

Cross currency derivatives

During the current year, the Group issued US Dollar denominated loan notes with a total nominal value of US\$295,000,000. These loan notes will be redeemed in US Dollars between 2013 and 2017 and interest payments are to be made by the Group in US Dollars (Note 24). This exposes the Group to foreign currency exchange risk. To mitigate this risk, in the current year the Group has entered into cross-currency swaps with a total notional value of US\$295,000,000. The effective start dates and termination dates of these contracts are the same as the loan notes against which hedging relationships are designated and which are shown in Note 24.

The Group will have interest cash outflows in UK Sterling and interest cash inflows in US Dollars over the life of the contracts. On the termination date of each of the contracts, the Group will pay a principal amount in UK Sterling and receive a principal amount in US Dollars. The weighted average interest rate that the Group pays in UK Sterling is 5.78%.

As at 30 April 2007, the estimated total fair value of these derivatives is based upon market values.

The cross currency swaps are designated and fully effective as cash flow hedges and their fair value of £(3,738,000) has been deferred in equity (Note 32). From this amount, £6,951,000 has been charged to the income statement from equity, representing the loss on foreign exchange elements of the total fair value of the derivatives. This matches the gain on retranslation of the loan notes at the exchange rate prevailing on the balance sheet date, to leave a net impact of £nil in the income statement. The net impact on the hedging reserve is that it has been credited with £3,213,000, representing the gain on the interest rate element of the fair value of the derivatives.

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FOR THE YEAR ENDED 30 APRIL 2007

25. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Net investment hedges

The Group manages its exposure to movements in the reported results of those subsidiary undertakings whose functional currency is Euro ("the Euro Subsidiaries") by maintaining UK based borrowings, including relevant attributable financial instruments, denominated in Euro in the parent Company equivalent to the net assets of the Euro Subsidiaries. In accordance with IAS21, the net assets of the Euro Subsidiaries include goodwill attributable to those subsidiary undertakings. The level of these Euro borrowings is revised every month to reflect the closing net assets of the Euro Subsidiaries at the previous month end. The Group achieves net investment hedging through a combination of pre-tax and post-tax net investment hedging relationships.

The hedging objective is to reduce the risk of spot retranslation foreign exchange gains or losses arising in the consolidated results of the Group upon the translation of the Euro Subsidiaries from Euro to Sterling at each reporting date in the hedging period, which is the period between each roll-over of the Euro denominated borrowings which comprise the net investment hedge.

The hedges are considered fully effective in the current and prior year and the exchange differences arising on the borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro Subsidiaries.

26. DEFERRED TAX

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payment £000	Intangible assets £000	Retirement benefit obligations £000	Other timing differences £000	Total £000
At 1 May 2005	11,384	953	(1,459)	1,637	–	(2,391)	10,124
Charge (credit) to income	(1,929)	(9)	(6)	(331)	253	2,755	733
Credit to equity	–	–	(882)	–	–	–	(882)
Acquisitions of subsidiary undertakings	11,153	2,548	–	4,039	(686)	(94)	16,960
Exchange differences	64	–	–	–	–	–	64
Transfer relating to acquired subsidiary undertakings	–	–	–	–	–	(11,153)	(11,153)
At 1 May 2006	20,672	3,492	(2,347)	5,345	(433)	(10,883)	15,846
Charge (credit) to income	(860)	(535)	(479)	(1,692)	133	10,665	7,232
Charge to equity	–	–	831	–	134	1,651	2,616
Acquisitions of subsidiary undertakings	6,730	2,319	–	3,940	–	–	12,989
Exchange differences	(140)	(33)	–	(20)	–	–	(193)
Adjustments in respect of prior years	149	–	–	–	–	55	204
At 30 April 2007	26,551	5,243	(1,995)	7,573	(166)	1,488	38,694

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FOR THE YEAR ENDED 30 APRIL 2007

26. DEFERRED TAX (continued)

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

Company	Accelerated capital allowances £000	Share based payment £000	Other timing differences £000	Total £000
At 1 May 2005	167	(870)	(895)	(1,598)
Charge (credit) to income	25	(7)	633	651
Credit to equity	–	(882)	–	(882)
At 1 May 2006	192	(1,759)	(262)	(1,829)
Charge (credit) to income	17	(490)	(28)	(501)
Charge to equity	–	254	1,801	2,055
At 30 April 2007	209	(1,995)	1,511	(275)

At the balance sheet date, the aggregate amount of undistributed earnings of overseas subsidiary undertakings was £112,153,000 (2006 – £40,472,000). No deferred tax liability has been recognised in respect of these amounts because the Group is in a position to control the timing of distributions from these subsidiary undertakings and it is probable that timing differences associated with their undistributed earnings will not reverse in the foreseeable future.

27. SHARE CAPITAL

Group and Company	2007 £000	2006 £000
Authorised: 80,000,000 Ordinary shares of 5p each	4,000	4,000
Allotted and fully paid: 71,205,252 (2006 – 70,750,761) Ordinary shares of 5p each	3,560	3,538

The Company has one class of Ordinary share which carries no right to fixed income.

During the year the Company issued 454,491 Ordinary shares with a nominal value of £22,725 pursuant to the exercise of options under the Group's various share schemes, for cash consideration of £2,254,583. The premium on the issue of these shares has been credited to the share premium account (Note 28).

28. SHARE PREMIUM ACCOUNT

Group and Company	2007 £000	2006 £000
At 1 May	64,998	62,544
Premium on Ordinary shares issued (Note 27)	2,232	2,454
At 30 April	67,230	64,998

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29. REVALUATION RESERVE

	Group £000	Company £000
At 1 May 2005 and 1 May 2006	1,054	1,371
Foreign exchange differences	(11)	–
At 30 April 2007	1,043	1,371

30. OWN SHARES

	Group £000	Company £000
At 1 May 2005	(2,471)	–
Purchase of own shares	(1,371)	–
Sale of own shares	511	–
At 1 May 2006	(3,331)	–
Purchase of own shares	(1,303)	–
Sale of own shares	62	–
At 30 April 2007	(4,572)	–

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 38).

31. MERGER RESERVE

	Group £000	Company £000
At 1 May 2005	4,721	417
Premium on Ordinary shares issued (below)	62,742	62,742
At 1 May 2006 and 30 April 2007	67,463	63,159

During the prior year, the Company completed a placing of 6,050,000 new Ordinary shares in exchange for Ordinary and Preference shares in Northgate (St Helier) Limited. The price of the issued Ordinary shares of the Company was 1065p each, raising £63,045,000 (net of expenses). In accordance with Section 131 of the Companies Act 1985 the premium on the issue was credited to the merger reserve in the prior year.

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FOR THE YEAR ENDED 30 APRIL 2007

32. HEDGING RESERVE

	Group £000	Company £000
At 1 May 2005	–	–
Movement in fair value of hedged interest rate derivatives	3,153	2,747
Transfer to income statement	(197)	(193)
At 1 May 2006	2,956	2,554
Movement in fair value of hedged interest rate derivatives	1,264	221
Movement in fair value of hedged foreign currency derivatives	(3,738)	(3,738)
Deferred taxation on fair value of interest rate and foreign currency derivatives	(2,228)	(1,801)
Transfer to income statement	6,945	6,967
At 30 April 2007	5,199	4,203

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate and cross currency derivatives that are deferred in equity, as explained in Note 2 and Note 25, less amounts transferred to the income statement.

33. TRANSLATION RESERVE

	Group £000	Company £000
At 1 May 2005	1,482	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	1,303	–
Foreign exchange differences on retranslation of interest in associate	413	413
Foreign exchange differences on retranslation of investments in subsidiary undertakings	–	646
Net foreign exchange differences on long term borrowings held as hedges	(1,571)	(1,059)
At 1 May 2006	1,627	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(1,756)	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings	–	(4,344)
Net foreign exchange differences on long term borrowings held as hedges	1,425	4,344
Other foreign exchange differences recognised directly in equity	628	–
At 30 April 2007	1,924	–

The management of the Group's foreign exchange translation risks is detailed in Note 25.

During the year, the Company maintained borrowings denominated in Euro in order to hedge its Euro denominated investments in Fualsa and Record, prior to the disposal of those investments on 1 November 2006 (Note 18). The Company retranslated the borrowings and the investment into Sterling using the exchange rate prevailing on the date of disposal. The full loss on the retranslation of the investment has been recognised directly in the equity of the Company and the gain on the retranslation of borrowings has been recognised directly in the equity of the Company to the extent that it offsets the loss arising on the retranslation of the investment. The remaining gain on the retranslation of the borrowings has been recognised in the income statement of the Company.

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FOR THE YEAR ENDED 30 APRIL 2007

34. RETAINED EARNINGS

	Group £000	Company £000
At 1 May 2005	153,569	64,390
Profit for the year	40,594	41,059
Dividends paid	(13,437)	(13,437)
Share options fair value amount credited directly to equity	20	20
Defined benefit pension credit recognised directly in equity	356	–
Net deferred tax credit recognised directly in retained earnings	882	882
At 1 May 2006	181,984	92,914
Profit for the year	54,483	11,241
Dividends paid	(16,949)	(16,949)
Share options fair value amount charged directly to equity	(75)	(75)
Defined benefit pension credit recognised directly in equity	445	–
Net current tax credit recognised directly in equity	1,084	1,084
Net deferred tax charge recognised directly in retained earnings	(388)	(254)
At 30 April 2007	220,584	87,961

35. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS

(a) Record Rent a Car S.A.

On 5 August 2005, the Group acquired a 49% share in Record Rent a Car S.A. ("Record"), a Company registered in Spain, for a cash consideration, payable to the vendors, of €54,800,000. In accordance with IAS 28, this investment, including associated costs, was accounted for as an associate under the equity method of accounting, in the year ended 30 April 2006.

On 11 May 2006, the Group acquired the remaining 51% of the issued share capital of Record for a consideration of €72,400,000, payable to the vendors, under the share purchase agreement. The transaction has been accounted for under the purchase method of accounting in the current year.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

35. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS (continued)

Had the 49% share in Record been accounted for under the purchase method of accounting, then goodwill of £12,236,000 would have arisen as follows:

	£000
Book value of net assets of Record at 5 August 2005	53,802
Fair value adjustments	(436)
Fair value of net assets of Record at 5 August 2005	53,366
49% share of fair value of net assets of Record at 5 August 2005	26,149
Goodwill	12,236
Acquisition cost of 49% share in Record (including expenses)	38,385

The acquisition cost of £38,385,000, referred to above, comprises cash flow of £37,972,000 and exchange differences of £413,000, both recognised in the results of the Group in the year ended 30 April 2006.

The detail relating to the acquisition of the remaining 51% of the issued share capital of Record is as follows:

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Intangible assets	57	11,258	11,315
Property, plant and equipment: vehicles for hire	158,526	224	158,750
Other property, plant and equipment	14,038	(259)	13,779
Inventories	499	(234)	265
Non-current assets held for sale	3,162	–	3,162
Trade and other receivables	43,523	(1,375)	42,148
Cash and cash equivalents	299	–	299
Trade and other payables	(7,618)	(2,274)	(9,892)
Borrowings	(146,244)	(1)	(146,245)
Deferred tax liabilities	(6,730)	(6,259)	(12,989)
	59,512	1,080	60,592
51% share of fair value of net assets of Record at 11 May 2006			30,902
Goodwill			19,203
Acquisition cost of 51% share in Record (including expenses)			50,105
Fair value of consideration:			
Cash			50,105
Net cash acquired with subsidiary undertaking			(299)
Cash outflow in the year on acquisition of Record			49,806

The total goodwill arising on the acquisition of Record of £31,439,000 is attributable to the fair value of the workforce, in place at the date of acquisition, and other potential future economic benefit that it is anticipated will be derived from the business.

Record contributed £91,374,000 of revenue and £13,775,000 profit before tax for the period between 11 May 2006 and the balance sheet date.

If the acquisition of Record had been completed on the first day of the financial year then there would be no material difference between Group revenues for the year and Group profit attributable to equity holders of the parent, compared to those stated in the Consolidated Income Statement for the year ended 30 April 2007.

In the above acquisition, the fair values represent the Directors' current estimates of the net assets acquired. In accordance with IFRS 3, the values attributed may be revised as further information becomes available.

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FOR THE YEAR ENDED 30 APRIL 2007

35. ACQUISITIONS OF SUBSIDIARY UNDERTAKINGS (continued)

(b) Northgate (AVR) Limited

On 3 February 2006, the Group acquired the entire issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) ("AVR") for an original cash consideration of £50,316,000, including goodwill of £28,055,000. The transaction was accounted for in accordance with the purchase method of accounting in the year ended 30 April 2006.

In the current year, the Group paid a further £3,699,000 to the vendor, under the terms of the sale and purchase agreement, and further fair value adjustments were made, totalling £4,028,000, such that the revised detail relating to the fair value of net assets of AVR acquired is as follows:

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Goodwill	16,909	(16,909)	–
Intangible assets	4,219	10,626	14,845
Property, plant and equipment: vehicles for hire	93,728	(1,305)	92,423
Other property, plant and equipment	5,764	(337)	5,427
Inventories	44	(17)	27
Non-current assets held for sale	2,320	–	2,320
Trade and other receivables	16,378	214	16,592
Cash and cash equivalents	3,301	–	3,301
Bank overdraft	(77,357)	–	(77,357)
Trade and other payables	(11,956)	(927)	(12,883)
Deferred tax liabilities	(11,145)	(4,980)	(16,125)
Defined benefit pension obligation	(1,537)	(744)	(2,281)
	40,668	(14,379)	26,289
Goodwill			27,726
Acquisition cost (including expenses)			54,015
Fair value of consideration:			
Cash			54,015
Net bank overdraft acquired with subsidiary undertaking			74,056
			128,071
Proceeds from disposal of intangible assets to the vendor, offset against cash flows in the current year			
			(4,165)
Cash outflow in the prior year on acquisition of AVR			
			(124,372)
Net cash inflow in the current year relating to the acquisition of AVR			(466)

36. PROFIT OF THE PARENT COMPANY

A profit of £11,241,000 (2006 – £41,059,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented an income statement for the Company alone.

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FOR THE YEAR ENDED 30 APRIL 2007

37. OPERATING LEASE ARRANGEMENTS

As lessee

Group	2007 £000	2006 £000
Minimum lease payments under operating leases recognised in the income statement for the year	6,134	5,981

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	2007 £000	2006 £000
Within one year	4,680	4,592
In the second to fifth years inclusive	11,115	9,141
After five years	7,880	7,926
	23,675	21,659

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

Leases are negotiated for an average term of ten (2006 – nine) years and rentals are fixed for an average number of four (2006 – four) years.

As lessor

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

38. SHARE BASED PAYMENTS

The Group's various share option incentive plans are explained on pages 18 to 21.

The Group recognised total expenses of £1,634,000 (2006 – £1,301,000) related to equity-settled share-based payment transactions in the year.

Further details regarding the plans are outlined below.

Northgate Share Option Scheme ("NSOS")

	2007		2006	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	369,500	5.16	379,500	5.16
Granted during the year	120,000	10.37	141,600	9.31
Exercised during the year	(93,400)	5.11	(151,600)	4.42
Lapsed during the year	(9,000)	4.22	–	–
At 30 April	387,100	8.60	369,500	7.03
Exercisable at the end of the year	46,000	5.18	38,400	4.61

Share options were exercised at several points during the year. The weighted average share price of the Company's Ordinary shares during the year was £10.68 (2006 – £10.24). The options outstanding at 30 April 2007 had a weighted average exercise price of £8.60 and a weighted average remaining contractual life of 6.7 years. In the current year, options were granted in July 2006. The aggregate of the estimated fair values of the options granted on this date is £280,000. In the prior year, options were granted in October 2005. The aggregate of the estimated fair values of the options granted on this date is £215,000.

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FOR THE YEAR ENDED 30 APRIL 2007

38. SHARE BASED PAYMENTS (continued)

	2007	2006
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£10.33	£9.31
Weighted average exercise price	£10.37	£9.31
Expected volatility	26.9%	19.5%
Expected life	4.6 years	4.7 years
Risk free rate	4.7%	4.3%
Expected dividends	2.9%	3.2%

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

Executive Incentive Scheme ("EIS")

No options have been granted since 24 January 2002 under this scheme.

	2007		2006	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	739,958	4.90	1,107,075	4.90
Exercised during the year	(361,091)	4.92	(365,944)	4.92
Forfeited during the year	(7,125)	4.20	(1,173)	3.68
At 30 April	371,742	4.89	739,958	4.90
Exercisable at the end of the year	333,492	4.91	337,083	4.91

Share options were exercised at several points during the year. The weighted average share price of the Company's Ordinary shares during the year was £10.68 (2006 – £10.24). The options outstanding at 30 April 2007 had a weighted average exercise price of £4.89, and a weighted average remaining contractual life of 2.6 years.

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38. SHARE BASED PAYMENTS (continued)

Deferred Annual Bonus Plan ("DABP")

All options granted under this scheme are nil cost options.

	2007 Number of share options	2006 Number of share options
At 1 May	160,353	83,143
Granted during the year	31,050	77,960
Exercised during the year	(7,876)	(500)
Forfeited during the year	(3,660)	(250)
At 30 April	179,867	160,353

3,031 (2006 – nil) options were exercisable at the end of the year.

The weighted average share price at the date of exercise of options was £10.76 (2006 – £9.82).

The options outstanding at 30 April 2007 had a weighted average remaining contractual life of 2.9 years. In the current year, options were granted in July 2006. The aggregate of the estimated fair values of the options granted on this date is £294,000. In the prior year, options were granted in July 2005. The aggregate of the estimated fair values of the options granted on this date is £515,000.

	2007	2006
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£10.33	£9.05
Weighted average exercise price	£nil	£nil
Expected volatility	26.9%	19.5%
Expected life	3 years	3 years
Risk free rate	4.7%	4.2%
Expected dividends	2.9%	3.2%

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

All Employee Share Scheme ("AESS")

The scheme 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.

Details of Matching shares which had not vested at 30 April were as follows:

	2007 Number of shares	2006 Number of shares
At 1 May	187,287	200,171
Allocated during the year	57,242	58,876
Forfeited during the year	(15,032)	(11,343)
Vested during the year	(69,495)	(60,417)
At 30 April	160,002	187,287

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38. SHARE BASED PAYMENTS (continued)

The share price at the date of vesting for Matching shares which vested during the year was £11.14 (2006 – £10.27). The non-vested Matching shares outstanding at 30 April 2007 had a weighted average remaining period until vesting of 1.7 years. In the current year, Matching shares were allocated in January 2007. The aggregate of the estimated fair values of the Matching shares allocated on this date was £597,000. In the prior year, Matching shares were allocated in January 2006. The aggregate of the estimated fair values of the Matching shares allocated on this date was £522,000.

	2007	2006
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£12.06	£10.35
Weighted average vesting price	£nil	£nil
Expected volatility	27.0%	19.5%
Expected life	5 years	5 years
Risk free rate	5.2%	4.2%
Expected dividends	2.9%	3.2%

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

Performance Share Plan ("PSP")

All options granted under this scheme are nil cost options. The first grant of options under this scheme occurred in May 2006.

Details of the share options outstanding during the year are as follows:

	2007 Number of share options
At 1 May	–
Granted during the year	134,000
Forfeited during the year	(21,000)
At 30 April	113,000

No options were exercisable at the end of the year.

The options outstanding at 30 April 2007 had a weighted average remaining contractual life of 9 years. In the current year, matching share options were granted in May 2006. The aggregate of the estimated fair values of the options granted on this date is £1,330,000.

	2007
The inputs into the Black-Scholes model are as follows:	
Weighted average share price	£10.83
Weighted average exercise price	£nil
Expected volatility	25.5%
Expected life	3 years
Risk free rate	4.5%
Expected dividends	2.9%

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

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39. RETIREMENT BENEFIT SCHEMES

During the year the Group operated two group personal pension plans and The Willhire Pension Scheme ("the Scheme") (acquired by the Group as part of the acquisition of Northgate (AVR) Limited on 3 February 2006), which includes both defined benefit and defined contribution sections. The total pension cost to the Group of all these arrangements was £1,480,000 (2006 – £1,446,000).

The Scheme

The Scheme, which is established under Trust, is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

During the year, the Scheme was closed to both new members and to future service accrual for existing members.

Contributions to the Scheme are based upon actuarial advice following the most recent actuarial valuation of the fund. Actuarial valuations of the Scheme were performed as at 3 February 2006 and 30 April 2006 by a Fellow of the Institute of Actuaries, representing Watson Wyatt Limited and at 30 April 2007 by a Fellow of the Institute of Actuaries, representing JLT Benefit Solutions Limited.

The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used were:

	Valuation at 30 April 2007 %pa	Valuation at 30 April 2006 %pa	Valuation at 3 February 2006 %pa
Discount rate	5.5	5.1	4.7
Inflation rate	3.4	3.0	2.9
Salary increases	n/a	4.5	4.4
Future pension increases	3.3	3.0	2.9

Amounts recognised in the income statement in respect of the Scheme are as follows:

	From 1 May 2006 to 30 April 2007 £000	From 3 February 2006 to 30 April 2006 £000
Service cost	21	48
Interest (income) cost	(13)	62
Expected return on Scheme assets	–	(53)
Curtailments	–	(443)
Total pension charge (credit)	8	(386)

The charge for service cost has been included in administrative expenses.

Actuarial gains and losses have been reported directly in equity, within retained earnings.

The actual return on the Scheme assets was a loss of £236,000 (2006 – £48,000 gain). There are no reimbursement rights.

NOTES TO THE ACCOUNTS

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FOR THE YEAR ENDED 30 APRIL 2007

39. RETIREMENT BENEFIT SCHEMES (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of the Scheme is as follows:

	2007 £000	2006 £000
Present value of defined benefit obligations	(3,900)	(4,595)
Fair value of plan assets	3,345	3,151
Liability recognised in the balance sheet	(555)	(1,444)

The net movements in the deficit were as follows:

	2007 £000	2006 £000
At 1 May	1,444	–
Acquisition	–	2,281
Pension charge (credit) recognised in the income statement	8	(386)
Actuarial gains	(445)	(356)
Contributions	(452)	(95)
At 30 April	555	1,444

Movements in the present value of the defined benefit obligations were as follows:

	2007 £000	2006 £000
At 1 May	4,595	–
Acquisition	–	5,236
Current service cost	21	35
Interest cost	234	62
Actuarial gains	(928)	(308)
Benefits paid	(22)	–
Past service cost	–	13
Curtailments	–	(443)
At 30 April	3,900	4,595

Movements in the fair value of Scheme assets were as follows:

	2007 £000	2006 £000
At 1 May	3,151	–
Acquisition	–	2,955
Expected return on Scheme assets	247	53
Contributions	452	95
Benefits paid	(22)	–
Actuarial (losses) gains	(483)	48
At 30 April	3,345	3,151

The derivation of the overall expected return on assets reflects the actual asset allocation at the measurement date combined with an expected return for each asset class. The bond return is based on the prevailing return available on bonds. The return on equities and property is based on a number of factors including the income yield at the measurement date, the long-term growth prospects for the economy in general, the long-term relationship between each asset class and the bond returns and the movement in market indices since the previous measurement date.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2007

39. RETIREMENT BENEFIT SCHEMES (continued)

The analysis of the Scheme assets and the expected rate of return at the balance sheet date was as follows:

	30 April 2007		30 April 2006	
	Expected return %	Fair value of assets £000	Expected return %	Fair value of assets £000
Equity instruments	6.0	2,046	7.9	2,663
Debt instruments	4.0	1,137	4.5	305
Other	4.0	162	4.0	183
		3,345		3,151

The Scheme assets do not comprise any of the Group's own financial instruments nor does the Group occupy any property or use any other assets held by the Scheme.

During the current year, contributions have been made of £21,000 per month in accordance with latest actuarial advice received. A single special contribution of £200,000 was also made during the current year. The estimated amount of contributions expected to be paid to the Scheme during the year ended 30 April 2008 is £252,000.

The history of experience adjustments is supplied only for financial periods since the acquisition of the Scheme as part of the acquisition of Northgate (AVR) Limited by the Group on 3 February 2006.

	Year ended 30 April 2007 £000	Period ended 30 April 2006 £000
Funded status:		
Present value of defined benefit obligation	3,900	4,595
Fair value of Scheme assets	3,345	3,151
Deficit in the Scheme	555	1,444
Experience adjustments on Scheme obligations:		
Amount	738	48
Percentage of Scheme obligations	19.0%	1.5%
Experience adjustments on Scheme assets:		
Amount	(483)	493
Percentage of Scheme assets	(14)%	10.7%

NOTES TO THE ACCOUNTS

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FOR THE YEAR ENDED 30 APRIL 2007

40. RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are as follows:

	2007 £000	2006 £000
Net interest receivable	11,327	6,951
Management charges	300	300
	11,627	7,251

During the year, the Company also disposed of investments to a subsidiary undertaking, as detailed in Note 18.

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 21 and Note 23.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out in the audited part of the Directors' Remuneration Report on pages 16 to 21.

The fair value charged to the consolidated income statement in respect of equity-settled share-based payment transactions with the Directors is £443,000.

FIVE YEAR FINANCIAL SUMMARY

Based on the consolidated financial statements for years ended 30 April and adjusted to reflect the effect of subsequent changes in accounting policy.

Income statement

	IFRS 2007 £000	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000
Revenue	526,465	372,609	339,382	355,624	337,875
Profit from operations	107,056	72,598	76,237	55,605	49,015
Share of joint venture profit from operations	–	–	–	4,342	2,620
	107,056	72,598	76,237	59,947	51,635
Net finance costs	(31,688)	(20,078)	(21,249)	(15,355)	(15,032)
Share of profit before taxation of associate	–	4,964	–	–	–
Share of taxation of associate	–	(1,422)	–	–	–
Profit before taxation	75,368	56,062	54,988	44,592	36,603
Taxation	(20,885)	(15,468)	(15,757)	(13,303)	(11,497)
Profit for the year	54,483	40,594	39,231	31,289	25,106
Basic earnings per Ordinary share	76.1p	61.1p	60.7p	50.7p	41.4p
Dividends	16,949	13,437	11,916	11,064	9,736
Dividends per Ordinary share	25.5p	23.0p	20.0p	17.6p	16.0p

Balance sheet

	IFRS 2007 £000	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000
Assets employed					
Non-current assets	1,030,136	798,777	587,008	419,136	402,173
Net current assets (liabilities)	119,625	42,582	40,502	(15,929)	(86,615)
Non-current assets held for sale	21,941	14,705	11,464	–	–
Non-current liabilities	(809,271)	(535,775)	(413,943)	(214,900)	(162,597)
	362,431	320,289	225,031	188,307	152,961
Financed by					
Share capital	3,560	3,538	3,209	3,702	3,545
Share premium account	67,230	64,998	62,544	61,829	45,635
Reserves	291,641	251,753	159,278	122,776	103,781
	362,431	320,289	225,031	188,307	152,961
Net asset value per Ordinary share	509p	453p	351p	293p	250p

INFORMATION FOR SHAREHOLDERS 76-77

Classification

Information concerning day to day movements in the price of the Company's Ordinary shares is available on Cityline (09068 123456) code 2722.

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

The Company's joint corporate brokers are Citigroup Global Marketing Limited and UBS Limited and the Company's Ordinary shares are traded on SETSm

Financial calendar

December	Publication of Half Yearly Report
January	Payment of interim dividend
March	Publication of Interim Management Statement
July	Announcement of year end results Report and accounts posted to shareholders
September	Annual General Meeting Payment of final dividend Publication of Interim Management Statement

Secretary and registered office

D Henderson FCIS
Norflex House
Allington Way
Darlington
DL1 4DY

Tel: 01325 467558

Registrars

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

Tel: 0870 1623100

The Group's website address is www.northgateplc.com

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you have any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your Ordinary shares in Northgate plc, please send this document, together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the one hundred and ninth Annual General Meeting of Northgate plc will be held at Norflex House, Allington Way, Darlington at 11.30 am on 26 September 2007 for the following purposes:

1. To receive and adopt the Directors' report and audited accounts of the Company for the year ended 30 April 2007.
2. To declare a final dividend of 15.5p per Ordinary share.
3. To approve the Remuneration Report for the financial year ended 30 April 2007 set out on pages 16 to 21 of the 2007 Annual Report and Accounts.
4. To re-appoint Deloitte & Touche LLP as auditors of the Company.
5. To authorise the Audit Committee to determine the remuneration of the auditors.
6. To re-elect Mr J Astrand as a Director.
7. To re-elect Mr P Rogerson as a Director.

As special business to consider and, if thought fit, to pass the following resolutions which are to be proposed as Special Resolutions:

8. That the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the authority given in accordance with Section 80 of the Act by a resolution passed at the Annual General Meeting of the Company held on 8 September 2004 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the Directors, by way of rights to holders of Ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or otherwise howsoever);
 - (b) the allotment of equity securities in connection with any employees' share scheme approved by the members in general meeting; and
 - (c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £175,000.

And shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 or, if earlier, fifteen months after the passing of this resolution except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

9. That the Company be generally and unconditionally authorised to make market purchases (as defined in Section 163, Companies Act 1985) of its Ordinary shares of 5p each provided that:
 - (a) the Company does not purchase under this authority more than 7,000,000 Ordinary shares;
 - (b) the Company does not pay less than 5p for each share;
 - (c) the Company does not pay more for each share than 5% over the average of the middle market price of the Ordinary shares according to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned;
 - (d) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 unless such authority is renewed prior to such time; and
 - (e) the Company may agree before the aforesaid authority terminates to purchase Ordinary shares where the purchase will or may be executed (either wholly or in part) after the authority terminates. The Company may complete such a purchase even though the authority has terminated.
10. That the Regulations contained in the document submitted to the Meeting marked 'A' and signed by the Chairman of the Meeting for the purposes of identification be and the same are hereby adopted as the Articles of Association of the Company to the exclusion of and in substitution for all existing Articles of Association of the Company.

NOTICE OF ANNUAL GENERAL MEETING

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The Directors of the Company consider that all the proposals to be considered at the Annual General Meeting are in the best interests of its shareholders as a whole and they recommend that you vote in favour of them.

By Order of the Board

D. Henderson
Secretary
2 July 2007
Registered Office:
Norflex House
Allington Way
Darlington DL1 4DY

NOTES

1. Only the holders of Ordinary shares registered in the register of members of the Company as at 6.00 pm on 24 September 2007 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy so appointed need not also be a member. A three-way proxy card for this purpose is enclosed.

EXPLANATORY NOTES ON PROPOSED CHANGES TO THE ARTICLES OF ASSOCIATION**Companies Act 2006**

We are proposing changes to our Articles of Association to reflect those provisions of the Companies Act 2006 which came into effect in January and April 2007. In summary, these changes are to:

- permit the Company to communicate with its shareholders electronically;
- replace the references to section 212 of the Companies Act 1985 with section 793 of the Companies Act 2006 in respect of the Company's powers to investigate its' shareholder register; and
- reflect the removal from company legislation of an upper age limit of 70 years for directors.

The principal changes introduced by the Companies Act 2006 earlier this year relate to electronic communications with shareholders. The new Articles of Association will permit the Company to use electronic communications for all notices, documents and information to be sent to shareholders, in accordance with individual preference.

The Companies Act 2006 allows the Company to use website communication with its shareholders as the default position. The Company will be able to ask each individual shareholder for their consent to receive communications from the Company via its website. If the shareholder does not respond to the request for consent within 28 days, the Company will be entitled to take that as consent to receive communications in this way. However, when the Company places a document on its website, it must notify each shareholder who has agreed to receive documents via the website that the document has been made available on its website. A shareholder who has received a document electronically can ask for a hard copy of the document at any time and shareholders may also revoke their consent to receive electronic communications at any time.

This new regime, while continuing to ensure that shareholders are able to receive communications and documents in hard copy if that is their preference, will enable the Company to take advantage of the efficiencies and cost savings inherent in electronic communications to a greater extent than is currently possible.

In addition, with effect from 1 October 2007, the Companies Act 2006 will reduce the statutory notice periods for general meetings. Except for annual general meetings which will continue to require 21 days' notice, all other general meetings may be held on 14 days' notice irrespective of whether or not a special resolution is to be proposed at the relevant meeting. We are proposing to amend our Articles of Association to reflect this relaxation in the law.

The Government has announced that it intends to bring into force the remaining provisions of the Companies Act 2006 in various stages in October 2007, April 2008 and October 2008. It is anticipated that shareholders may be asked to approve further changes to our Articles of Association during the course of the next two annual general meetings as may be necessary.

Directors' indemnities

Since our present Articles of Association were adopted in 2004, the Companies Act 1985 has been amended to provide for a relaxation of the prohibition against the granting of directors' indemnities.

Under the old law, subject to certain exceptions, provisions in the articles of association of a company or in any contract with a company were void if they sought to exempt a director, the company secretary or its auditors from liability, or indemnify such an officer or auditor against any such liability, for negligence, default, breach of duty or breach of trust.

The exceptions to this prohibition are (i) purchasing insurance for an officer or auditor; (ii) indemnifying an officer or auditor against any liability incurred in defending civil or criminal proceedings in which judgment is given in his favour or he is acquitted; and (iii) indemnifying an officer or auditor against the costs of successfully procuring an order from the court excusing a director from liability for negligence, default or breach of duty or trust where he has acted honestly and reasonably, and in all the circumstances ought fairly to be excused.

The changes to the Companies Act 1985 mean that (i) companies will not be permitted to indemnify a director of another company in its group if the indemnity would be unlawful if it was given by the company of which the individual is a director; (ii) the restrictions only apply to directors and not to "officers"; (iii) in the case of liabilities arising from actions brought by third parties, both the costs (of the director and of the third party) and any damages may, subject to certain exclusions, be paid by the company even if the judgment goes against the director; (iv) in the case of liabilities owing to the company, the company will not be able to indemnify a director against damages awarded to the company itself but may pay directors' defence costs as they are incurred (although a director would be liable to repay his defence costs if his defence was to be unsuccessful); (v) companies will not be permitted to indemnify directors against criminal fines, fines by regulators or the legal costs of successful criminal proceedings against directors; and (vi) indemnities permitted by the new provisions must be disclosed in the directors' report in the annual accounts and made available for inspection at the company's registered office.

It is proposed that our Articles of Association be amended to reflect this change in company law. The proposed amendment is a permissive power that tracks the wording of the provisions of the Companies Act 1985 and allows the Company to indemnify its directors subject to those provisions.

