Northgate Vehicle Hire Limited

Report and Financial Statements

Financial year ended 30 April 2019

Company number 01434157

REPORT AND FINANCIAL STATEMENTS YEAR ENDED 30 APRIL 2019

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REPORT AND FINANCIAL STATEMENTS YEAR ENDED 30 APRIL 2019

OFFICERS

DIRECTORS

KL Tasker-Wood
FM Hayes
JB Feller

SECRETARY

KL Tasker-Wood

REGISTERED OFFICE

Northgate Centre
Lingfield Way
Darlington
DL1 4PZ

STRATEGIC REPORT

The Directors present their strategic report on Northgate Vehicle Hire Limited for the year ended 30 April 2019.

REVIEW OF THE BUSINESS

The revenue from vehicle hire in the year was £296.0m (2018: £263.8m) and the revenue from vehicle sales was £156.4m (2018: £149.1m). The operating profit for the year was £33.9m (2018: £27.2m).

Rental revenue in 2019 increased by 12.2% over the prior year, driven by average VOH growth of 12.3%. Following the return to growth of year-on-year VOH in late 2018, momentum has remained strong throughout 2019, resulting in VOH of 43,900 at the end of the year, 4.0% higher than the prior year.

FUTURE DEVELOPMENTS

Looking forward the primary focus will be on growing the business through our existing network. Further information can be seen in the Directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES AND KEY PERFORMANCE INDICATORS

The Directors of Northgate plc, the ultimate parent company, manage the Group's risks and performance on a divisional basis. The Directors of Northgate Vehicle Hire Limited therefore believe that the principal risks and uncertainties of Northgate plc, as well as the key performance indicators of Northgate plc, encompass those of Northgate Vehicle Hire Limited. The principal risks and uncertainties of Northgate plc are discussed on pages 30 and 31 of the Group's Annual Report, which does not form part of this report. The key performance indicators of Northgate plc are discussed on pages 26 and 27 of the Group's Annual Report, which does not form part of this report.

Signed on behalf of the Board

KL Tasker-Wood
Director
11 September 2019

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the year ended 30 April 2019.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was that of hirers of self-drive motor vehicles.

RESULTS AND DIVIDENDS

The income statement for the year is set out on page 9. Dividends of £20m (2018: £Nil) have been paid during the year. The Directors do not recommend the payment of a final dividend (2018: £Nil).

DIRECTORS

The Directors who served during the year and subsequently were:.

KL Tasker-Wood
FM Hayes
JB Feller (appointed 14 May 2018)

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through informal and formal meetings, as well as the intranet site of the Company. Employees of the Company are entitled to participate in the Northgate plc All Employee Share Scheme, details of which are shown in the Annual Report and Financial Statements of that Company.

FINANCIAL INSTRUMENTS

Strategy

The Company's financing strategy is consistent with the Group's financing strategy, which has been approved by the Board of Northgate plc. The Group uses medium-term debt to finance vehicle fleet and other capital expenditure and working capital is funded by internally generated funds and an overdraft facility. Interest rate exposure is managed on a Group basis by a series of treasury contracts as described below.

Treasury management

The funding arrangements of the Company are negotiated with banks by a Group treasury function and are monitored centrally. All funds generated by the Company's operations are controlled by the same Group function.

Liquidity

All the Company's liquidity requirements are covered by the Group's aggregate finance facilities, which exceed Group net debt.

Interest rate management

All the Company's borrowings are subject to variable interest rates. The Company holds no interest rate derivatives as these are managed on a Group basis as explained in further detail in the Annual Report of Northgate plc.

OUTLOOK

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

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this Directors' Report. The Directors have reviewed the Company's forecasts and projections taking account of reasonably possible downside sensitivities. The Company relies upon the support of its parent company, Northgate plc, and the going concern status of the Company is dependent upon the ongoing support of its parent.

The parent company has confirmed that it will provide sufficient financial support to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements. The Directors have considered this letter of support, have made enquiries of Group management and have concluded that the Company is a going concern. On this basis, the Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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 this report.

Approved by the Board of Directors and signed on behalf of the Board

KL Tasker-Wood
Director
11 September 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHGATE VEHICLE HIRE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Northgate Vehicle Hire Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHGATE VEHICLE HIRE LIMITED (CONTINUED)

With respect to the strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and Directors' report.

Responsibilities for the financial statements and the audit
Responsibilities of the Directors for the financial statements
As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHGATE VEHICLE HIRE LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
11 September 2019

INCOME STATEMENT
Year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Revenue: hire of vehicles		**295,998**	263,780
Revenue: sale of vehicles		**156,418**	149,139
TOTAL REVENUE	4	**452,416**	412,919
Cost of sales		**(373,312)**	(341,124)
GROSS PROFIT		**79,104**	71,795
Administrative expenses		**(45,249)**	(44,638)
OPERATING PROFIT	5	**33,855**	27,157
Interest income		**39**	-
Finance costs	7	**(15,762)**	(11,897)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**18,132**	15,260
Taxation	8	**(4,042)**	(3,217)
PROFIT FOR THE YEAR		**14,090**	12,043

All results arise from continuing operations.

There are no other items of comprehensive income for the current or preceding financial year. Therefore, no separate statement of comprehensive income has been presented.

BALANCE SHEET
As at 30 April 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	10	**10,194**	3,388
Property, plant and equipment			
Vehicles for hire	11	**465,962**	484,656
Other property, plant and equipment	12	**29,491**	29,314
Investments	13	**6,480**	6,480
		512,127	523,838
CURRENT ASSETS			
Inventories	14	**22,130**	20,934
Trade and other receivables	15	**156,245**	245,424
Cash and cash equivalents		**32,435**	4,507
		210,810	270,865
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(43,269)**	(73,281)
NET CURRENT ASSETS		**167,541**	197,584
TOTAL ASSETS LESS CURRENT LIABILITIES		**679,668**	721,422
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	**(564,567)**	(601,096)
PROVISIONS FOR LIABILITIES	18	**(5,841)**	(5,156)
NET ASSETS		**109,260**	115,170
EQUITY			
Share capital	19	**20,000**	20,000
Retained earnings		**89,260**	95,170
TOTAL SHAREHOLDERS' FUNDS		**109,260**	115,170

The financial statements on pages 9 to 23 were approved by the Board of Directors on 11 September 2019.
Signed on behalf of the Board of Directors:

KL Tasker-Wood
Director

Company number 01434157

STATEMENT OF CHANGES IN EQUITY
Year ended 30 April 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Total equity at 1 May 2017	20,000	83,127	103,127
Profit for the year	-	12,043	12,043
Total equity at 1 May 2018	**20,000**	**95,170**	**115,170**
Profit for the year	-	14,090	14,090
Dividends paid		(20,000)	(20,000)
Total equity at 30 April 2019	**20,000**	**89,260**	**109,260**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 April 2019

1 GENERAL INFORMATION
Northgate Vehicle Hire Limited is a private Company incorporated and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report and Directors' report on pages 2 to 4.

The financial statements are presented in UK Sterling because this is the currency of the primary economic environment in which the Company operates.

2 ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting
The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

IFRS 7, 'Financial Instruments: Disclosures'
Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16, 'Property, Plant and Equipment; and
(iii) paragraph 118(e) of IAS 38, 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period)
The following paragraphs of IAS 1, 'Presentation of Financial Statements':
- 10(d) (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
- 16 (statement of compliance with all IFRS)
- 38A (requirement for minimum of two primary statements, including statements of cash flows)
- 40A-D (requirements for a third balance sheet)
- 111 (cash flow information) and
- 134-136 (capital management disclosures)

IAS 7, 'Statement of Cash Flows'
Paragraph 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
Paragraph 17 of IAS 24, 'Related Party Disclosures' (key management compensation)
The requirements in IAS 24, 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The Directors have reviewed the Company's forecasts and projections taking account of reasonably possible downside sensitivities. The Company relies upon the support of its parent company, Northgate plc, and the going concern status of the Company is dependent upon the ongoing support of its parent.

The parent Company has confirmed that it is the current intention to provide sufficient financial support to enable the Company to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of the financial statements. The Directors have considered this letter of intent, have made enquiries of Group management and have concluded that the Company is a going concern. The Directors have considered this uncertainty and the intention of the parent to continue to support the Company and after making these enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

2 ACCOUNTING POLICIES (continued)

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

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

The company has two types of financial asset subject to IFRS 9's new expected credit loss model: trade receivables resulting from hire of vehicles and sale of used vehicles and: amounts due from fellow group undertakings.

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

Trade receivables

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

Amounts due from subsidiary undertakings

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

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

Improvements to IFRS 2015-2017 cycle contain amendments IAS 12 (income taxes) and IAS 23 (Borrowing Costs) which had no material impact on the company's results.

Intangible assets – software
Software assets are amortised on a straight line basis over their estimated useful lives, which do not exceed three years.

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

Property, plant and equipment
Property, plant and equipment is stated at historical cost, less accumulated depreciation and any provision for impairment. Depreciation is provided so as to write off the cost of assets to residual values on a straight line basis over the assets' useful estimated lives as follows:

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

2 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Vehicles for hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between three and twelve years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles. The Company is required to review its depreciation rates and estimated useful lives regularly to ensure that the net book value of disposals of tangible assets are broadly equivalent to their market value.

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

Fixed asset investments
Fixed asset investments are shown at cost less any provision for impairment.

Impairment
At the balance sheet date, the Company reviews the carrying amounts of its intangible and tangible assets and investments 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 to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss has been recognised in an earlier period, at each subsequent balance sheet date, the Company reassesses whether there are any indications that such impairment loss has decreased or no longer exists. In these circumstances, any impairment loss is reversed.

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

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

Revenue recognition
Revenue from the hire of vehicles is recognised under IAS 17 leases and as such is recognised evenly over the hire period. Other Company revenue is measured in accordance with IFRS 15 at the fair value of consideration received or receivable from contracts with customers in respect of sale of used vehicles and the supply of related goods and services in the normal course of business, net of value added tax and discounts.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

2 ACCOUNTING POLICIES (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company 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
Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provision of the instrument.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

2 ACCOUNTING POLICIES (continued)

Pensions
The Company operates defined contribution pension schemes. Contributions in respect of defined contribution arrangements are charged to the income statement as they become payable by the Company. Pension contributions in respect of one of these arrangements are held in trustee administered funds, independently of the Company's finances.

Consolidation
The Company has taken advantage of the exemption in the Companies Act 2006 s400 and has presented financial statements for the Company only, on the grounds that it is a wholly owned subsidiary undertaking of Northgate plc, which prepares Group financial statements.

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

Finance costs
Finance costs are recognised in the income statement using the effective interest rate method.

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in Note 2, the Directors have made the following judgment that has 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 twelve years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles, after taking account of costs required to sell the vehicles.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

4 REVENUE

Revenue is derived from the hire and sale of vehicles. The Company operates in all material respects in the United Kingdom and turnover relates to customers in the United Kingdom.

	2019 £'000	2018 £'000
Revenue from contracts with customers	156,418	149,139
Revenue from other sources	295,998	263,780
	452,416	412,919

5 OPERATING PROFIT

	2019 £'000	2018 £'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	108,251	96,787
Amortisation of intangible assets (included within administrative expenses)	540	1,195
Hire of plant and equipment and other assets	4,603	4,255
Cost of inventories recognised as an expense	179,327	172,267
Net impairment of trade receivables	5,244	2,468
Auditors' remuneration	206	206
Loss on sale of property, plant and equipment	103	68

Auditors' remuneration consists of audit fees payable in relation to the audit of the financial statements for the year ended 30 April 2019. The auditors undertook no non-audit services in the current or prior year.

6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors	2019 £'000	2018 £'000
Directors' emoluments	495	673
Remuneration of the highest paid director, excluding pension contributions of £57,950 (2018: £Nil)	349	307

Two directors (2018: two), included in the above, received accrued benefits under the defined contribution pension schemes. Total contributions for the year were £88,294 (2018: £55,417).

Employees	2019 Number	2018 Number
Average number of persons employed		
Direct operations	1,303	1,256
Administration	472	432
	1,775	1,688

The staff costs of these employees were as follows:	2019 £'000	2018 £'000
Wages and salaries	58,115	54,112
Social security costs	5,086	5,253
Other pension costs – defined contribution plans	1,968	1,658
	65,169	61,023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

7 FINANCE COSTS

	2019 £'000	2018 £'000
Interest on loans from group undertakings	15,762	11,897

8 TAXATION

	2019 £'000	2018 £'000
Current taxation		
UK corporation tax for the year	3,608	1,504
Adjustment in respect of prior years	(251)	(2,764)
	3,357	(1,260)
Deferred taxation		
Origination and reversal of timing differences	106	1,538
Adjustment in respect of prior years	579	2,939
	685	4,477
Total tax charge for the year	4,042	3,217

The tax assessed for the year differs (2018: differs) from the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	18,132	15,260
Tax on profit on ordinary activities at the standard rate of 19% (2018: 19%)	3,445	2,899
Expenses not deductible for tax purposes	269	241
Group relief	-	(98)
Adjustment in respect of prior years	328	175
Tax charge	4,042	3,217

In March 2016 the Chancellor's budget confirmed plans for the UK to lower its corporation tax rate to 17% for the year beginning 1 April 2020. The current rate of UK corporation tax is 19% for the year beginning 1 April 2019.

There are no other factors expected to materially affect the tax charge in future years.

9 DIVIDENDS

	2019 £'000	2018 £'000
Equity dividends on Ordinary shares:		
Interim dividend in respect of the year ended 30 April 2019 of £1 (2018: £Nil) per Ordinary share	20,000	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

10 INTANGIBLE ASSETS

	Software £'000
Cost	
At 1 May 2018	16,064
Additions	7,348
Disposals	(1,650)
At 30 April 2019	**21,762**
Amortisation	
At 1 May 2018	12,676
Charge for the year	540
Disposals	(1,648)
At 30 April 2019	**11,568**
Net book value	
30 April 2019	**10,194**
30 April 2018	3,388

Software includes assets in the course of construction with a net book value of £9,428,000 (2018: £2,520,000). No amortisation has been charged on these assets. Amortisation will be charged when the assets become available for use.

11 VEHICLES FOR HIRE

	£'000
Cost	
At 1 May 2018	652,141
Additions	207,705
Transfer to motor vehicles	(191)
Disposals	(218,475)
At 30 April 2019	**641,180**
Depreciation	
At 1 May 2018	167,485
Charge for the year	104,959
Transfer from motor vehicles	9
Disposals	(97,235)
At 30 April 2019	**175,218**
Net book value	
30 April 2019	**465,962**
30 April 2018	484,656

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

12 OTHER PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant equipment & fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 May 2018	40,280	12,311	3,759	56,350
Additions	1,848	1,317	736	3,901
Transfer from vehicles for hire	-	-	191	191
Disposals	(135)	(1,750)	(1,359)	(3,244)
At 30 April 2019	**41,993**	**11,878**	**3,327**	**57,198**
Depreciation				
At 1 May 2018	16,015	9,663	1,358	27,036
Charge for the year	1,392	1,254	646	3,292
Transfer to vehicles for hire	-	-	(9)	(9)
Disposals	(91)	(1,698)	(823)	(2,612)
At 30 April 2019	**17,316**	**9,219**	**1,172**	**27,707**
Net book value				
30 April 2019	**24,677**	**2,659**	**2,155**	**29,491**
30 April 2018	24,265	2,648	2,401	29,314

	2019 £'000	2018 £'000
Land and buildings by category		
Freehold	**20,609**	20,999
Short leasehold	**4,068**	3,266
Net book value	**24,677**	24,265

13 FIXED ASSET INVESTMENTS

	Shares in subsidiary under-takings £'000
Cost and net book value	
At 1 May 2018 and at 30 April 2019	**6,480**

At 30 April 2019, the Company had the following subsidiary undertakings, for all of which the ordinary shares were wholly owned:

Name	**Registered office**
Northgate Vehicle Hire (Ireland) Limited	One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland
Northgate Vehicle Sales Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Goode Durrant Administration Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ

In the opinion of the Directors, the value of the Company's investments in subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

14 INVENTORIES

	2019 £'000	2018 £'000
Vehicles held for resale	**17,679**	15,509
Spare parts and consumables	**4,451**	5,425
	22,130	20,934

15 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	**36,362**	32,354
Amounts due from fellow group undertakings	**107,115**	190,206
Other receivables	**949**	818
Corporation tax	**2,334**	6,040
Other taxes	**-**	6,212
Prepayments and accrued income	**9,485**	9,794
	156,245	245,424

Trade receivables are stated after provisions for impairment of £7,261,000 (2018: £4,209,000).

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade payables	**13,466**	42,868
Amounts owed to fellow group undertakings	**-**	1,430
Social security and other taxes	**9,278**	1,316
Accruals and deferred income	**20,525**	27,667
	43,269	73,281

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The only creditors falling due after more than one year are borrowings. Details of total borrowings, are as follows:

	2019 £'000	2018 £'000
Amounts falling due after more than one year		
Amount due to fellow group undertaking	**517,567**	554,096
Amount due to immediate parent company	**47,000**	47,000
	564,567	601,096
Due within two to five years		
Amount due to fellow group undertaking	**517,567**	554,096
Due after more than five years		
Amount due to immediate parent company	**47,000**	47,000

The amount due to a fellow group undertaking is an unsecured loan which bears interest at 2.25% above LIBOR and is repayable by 30 June 2020.

The amount due to the immediate parent company is unsecured and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 April 2019

18 PROVISIONS FOR LIABILITIES

Deferred tax

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 May 2017	1,171	(492)	679
Charged to the income statement	4,256	221	4,477
At 1 May 2018	**5,427**	**(271)**	**5,156**
Charged to the income statement	473	212	685
At 30 April 2019	**5,900**	**(59)**	**5,841**

19 SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
20,000,000 (2018: 20,000,000) Ordinary shares of £1 each	**20,000**	20,000

20 COMMITMENTS

Capital expenditure commitments:	2019 £'000	2018 £'000
Capital expenditure contracted for but not provided in the financial statements:		
- Fleet	**16,862**	27,406
- Other property, plant and equipment	**156**	72
- Intangible assets	**666**	1,029
	17,684	28,507

Financial commitments:
As at 30 April 2019 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 Land and buildings £'000	2018 Land and buildings £'000
Within one year	**4,608**	4,735
In the second to fifth years inclusive	**13,559**	14,892
After five years	**15,590**	16,904
	33,757	36,531

21 CONTINGENT LIABILITIES

The Company is a guarantor of certain of the borrowings of Northgate plc amounting to £430,137,000 (2018: £445,036,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 April 2019

22 ULTIMATE PARENT COMPANY

The immediate and ultimate controlling parent company is Northgate plc, a company incorporated in the United Kingdom and registered in England & Wales, which is the parent undertaking of the only Group to consolidate these financial statements. Copies of the financial statements of Northgate plc can be obtained from Northgate Centre, Lingfield Way, Darlington, DL1 4PZ.