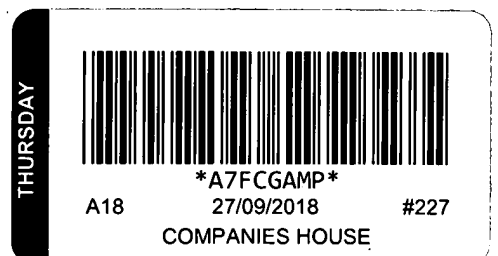


**Northgate Vehicle Hire Limited**  
**Report and Financial Statements**  
**Financial year ended 30 April 2018**

**Company number 01434157**



**REPORT AND FINANCIAL STATEMENTS YEAR ENDED 30 APRIL 2018**

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**REPORT AND FINANCIAL STATEMENTS YEAR ENDED 30 APRIL 2018**

**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 2018.

### REVIEW OF THE BUSINESS

The revenue from vehicle hire in the year was £263.8m (2017: £272.2m) and the revenue from vehicle sales was £149.1m (2017: £144.0m). The operating profit for the year was £27.2m (2017: £41.7m).

The decrease in revenue from vehicle hire reflects a 2.9% decline in average VOH in 2018 compared to 2017. The year on year VOH trend improved substantially through the course of the year, however, from a decline of 6.5% in the first quarter to organic growth of 3.25% in the fourth quarter, and this momentum was reflected in organic VOH of 42,200 at the end of the year, 6.9% higher than at the same time in the previous 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 36 to 39 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 16 and 17 of the Group's Annual Report, which does not form part of this report.

Signed on behalf of the Board



KL Tasker-Wood

Director

18 September 2018

## **DIRECTORS' REPORT**

The Directors present their Annual Report and the audited financial statements for the year ended 30 April 2018.

### **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. No dividend (2017: £Nil) was paid during the year.

### **DIRECTORS**

The Directors who served during the year and subsequently were:

MA Hunt (resigned 29 September 2017)

E Aston (resigned 6 June 2017)

KL Tasker-Wood

FM Hayes (appointed 8 June 2017)

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.

## **DIRECTORS' REPORT (CONTINUED)**

### **OUTLOOK**

Trading in the new financial year is broadly in line with the Directors' expectations in the first four months. The Directors will continue to focus on maximising fleet utilisation, cash management, cost control and will target growth where the appropriate return exists in the current financial year.

### **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 current economic conditions create uncertainty particularly over the level of demand for the Group's rental vehicles and for the disposal of vehicles.

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  
18 September 2018

## **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.

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## 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 2018 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 2018; 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

#### 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.



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**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 2018 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](http://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.

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**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  
Leeds  
18 September 2018

**INCOME STATEMENT**  
**Year ended 30 April 2018**

	Note	2018 £'000	2017 £'000
Revenue: hire of vehicles		263,780	272,168
Revenue: sale of vehicles		149,139	144,043
<b>TOTAL REVENUE</b>	4	<b>412,919</b>	416,211
Cost of sales		(341,124)	(332,883)
<b>GROSS PROFIT</b>		<b>71,795</b>	83,328
Administrative expenses		(44,638)	(41,597)
<b>OPERATING PROFIT</b>	5	<b>27,157</b>	41,731
Finance costs	7	(11,897)	(11,059)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>15,260</b>	30,672
Taxation	8	(3,217)	(6,587)
<b>PROFIT FOR THE YEAR</b>		<b>12,043</b>	24,085

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**

Aa at 30 April 2018

	Note	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	3,388	1,408
Property, plant and equipment			
Vehicles for hire	10	484,656	403,358
Other property, plant and equipment	11	29,314	29,057
Investments	12	6,480	6,480
		<b>523,838</b>	<b>440,303</b>
<b>CURRENT ASSETS</b>			
Inventories	13	20,934	23,330
Trade and other receivables	14	245,424	265,308
Cash and cash equivalents		4,507	11,911
		<b>270,865</b>	<b>300,549</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	<b>(73,281)</b>	<b>(590,046)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>197,584</b>	<b>(289,497)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>721,422</b>	<b>150,806</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	16	<b>(601,096)</b>	<b>(47,000)</b>
<b>PROVISIONS FOR LIABILITIES</b>	17	<b>(5,156)</b>	<b>(679)</b>
<b>NET ASSETS</b>		<b>115,170</b>	<b>103,127</b>
<b>EQUITY</b>			
Share capital	18	20,000	20,000
Retained earnings		95,170	83,127
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>115,170</b>	<b>103,127</b>

The financial statements were approved by the Board of Directors on 18 September 2018.

Signed on behalf of the Board of Directors:



KL Tasker-Wood  
Director

Company number 01434157

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 30 April 2018**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Total equity at 1 May 2016	20,000	59,042	79,042
Profit for the year	-	24,085	24,085
<b>Total equity at 1 May 2017</b>	<b>20,000</b>	<b>83,127</b>	<b>103,127</b>
Profit for the year	-	12,043	12,043
<b>Total equity at 30 April 2018</b>	<b>20,000</b>	<b>95,170</b>	<b>115,170</b>

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2018

### 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 current economic conditions create uncertainty particularly over the level of demand for the Group's rental vehicles and for the disposal of vehicles.

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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 30 April 2018

**2 ACCOUNTING POLICIES (continued)**

**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

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 is measured at the fair value of the consideration received or receivable in respect of the hire of vehicles, 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 vehicle hire is recognised evenly over the hire period. Revenue from sales of other related goods and services is recognised at the point at which the goods or services are provided.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 April 2018

### 2 ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

Revenue from the sale of used vehicles is recognised at the point of sale which is usually represented by the point at which the customer takes possession of the vehicle. Where cash is received in advance of customers collecting or taking delivery of vehicles, revenue is recognised subject to the bill and hold criteria of IAS 18 (Revenue) being 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.

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

#### 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.

#### 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.



## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 30 April 2018**

### **2 ACCOUNTING POLICIES (continued)**

#### **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 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 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.

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 fixed 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.

#### **Provision for bad and doubtful debts**

Trade receivables are stated in the balance sheet at their nominal value less any appropriate provision for irrecoverable amounts. In determining whether provision is required against any trade receivable, judgement is required in estimating the likely levels of recovery. In exercising this judgement, consideration is given to both the overall economic environment in which a debtor operates, as well as specific indicators that the recovery of the nominal balance may be in doubt, for example days' sales outstanding in excess of agreed credit terms or other qualitative information in respect of a customer.

#### **Taxation**

The Company carries out tax planning consistent with a Company of its size and makes appropriate provision, based on best estimates, until tax computations are agreed with the tax authorities. To the extent that tax estimates result in the recognition of deferred tax assets, those assets are only carried in the balance sheet to the extent that it is considered probable that taxable profit will be available against which the deductible temporary difference can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 April 2018

### 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.

### 5 OPERATING PROFIT

	2018 £'000	2017 £'000
<b>Operating profit is stated after charging:</b>		
Depreciation of property, plant and equipment	96,787	91,383
Amortisation of intangible assets (included within administrative expenses)	1,195	1,034
Hire of plant and equipment and other assets	4,255	3,616
Cost of inventories recognised as an expense	172,267	166,499
Net impairment of trade receivables	2,468	1,178
Auditors' remuneration	206	206
Loss on sale of property, plant and equipment	68	12

Auditors' remuneration consists of audit fees payable in relation to the audit of the financial statements for the year ended 30 April 2018.

### 6 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

<b>Directors</b>	2018 £'000	2017 £'000
Directors' emoluments	673	461
Remuneration of the highest paid director, excluding pension contributions of £Nil (2017: £Nil)	307	327

Two directors (2017: one director), included in the above, received accrued benefits under the defined contribution pension schemes. Total contributions for the year were £55,417 (2017: £23,750).

<b>Employees</b>	2018 Number	2017 Number
<b>Average number of persons employed</b>		
Direct operations	1,256	1,313
Administration	432	466
	1,688	1,779

<b>The staff costs of these employees were as follows:</b>	2018 £'000	2017 £'000
Wages and salaries	54,112	53,820
Social security costs	5,253	5,019
Other pension costs – defined contribution plans	1,658	1,378
	61,023	60,217

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 30 April 2018

**7 FINANCE COSTS**

	2018 £'000	2017 £'000
Interest on loans from group undertakings	<u>11,897</u>	<u>11,059</u>

**8 TAXATION**

	2018 £'000	2017 £'000
<b>Current taxation</b>		
UK corporation tax for the year	1,504	8,071
Adjustment in respect of prior years	<u>(2,764)</u>	<u>280</u>
	<u>(1,260)</u>	<u>8,351</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	1,538	(2,101)
Adjustment in respect of prior years	2,939	370
Rate adjustment	-	(33)
	<u>4,477</u>	<u>(1,764)</u>
<b>Total tax charge for the year</b>	<u>3,217</u>	<u>6,587</u>

The tax assessed for the year differs (2017: differs) from the standard rate of corporation tax in the UK. The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	<u>15,260</u>	<u>30,672</u>
Tax on profit on ordinary activities at the standard rate of 19.00% (2017: 19.92%)	2,899	6,110
Expenses not deductible for tax purposes	241	493
Income not subject to tax	-	(127)
Group relief	(98)	(506)
Rate adjustment	-	(33)
Adjustment in respect of prior years	175	650
<b>Tax charge</b>	<u>3,217</u>	<u>6,587</u>

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 2018.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 April 2018

## 9 INTANGIBLE ASSETS

	Software £'000
<b>Cost</b>	
At 1 May 2017	12,904
Additions	3,200
Disposals	(40)
<b>At 30 April 2018</b>	<b>16,064</b>
<b>Amortisation</b>	
At 1 May 2017	11,496
Charge for the year	1,195
Disposals	(15)
<b>At 30 April 2018</b>	<b>12,676</b>
<b>Net book value</b>	
<b>30 April 2018</b>	<b>3,388</b>
30 April 2017	1,408

Software includes assets in the course of construction with a net book value of £2,520,000 (2017 - £Nil). No amortisation has been charged on these assets. Amortisation will be charged when the assets become available for use.

## 10 VEHICLES FOR HIRE

	£'000
<b>Cost</b>	
At 1 May 2017	563,017
Additions	289,542
Transfer from motor vehicles	236
Disposals	(200,654)
<b>At 30 April 2018</b>	<b>652,141</b>
<b>Depreciation</b>	
At 1 May 2017	159,659
Charge for the year	93,267
Transfer from motor vehicles	242
Disposals	(85,683)
<b>At 30 April 2018</b>	<b>167,485</b>
<b>Net book value</b>	
<b>30 April 2018</b>	<b>484,656</b>
30 April 2017	403,358

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 30 April 2018

**11 OTHER PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings £'000</b>	<b>Plant equipment &amp; fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 May 2017	38,733	11,206	3,763	53,702
Additions	1,575	1,827	740	4,142
Transfer to vehicles for hire	-	-	(236)	(236)
Disposals	(28)	(722)	(508)	(1,258)
<b>At 30 April 2018</b>	<b>40,280</b>	<b>12,311</b>	<b>3,759</b>	<b>56,350</b>
<b>Depreciation</b>				
At 1 May 2017	14,556	8,949	1,140	24,645
Charge for the year	1,459	1,326	735	3,520
Transfer to vehicles for hire	-	-	(242)	(242)
Disposals	-	(612)	(275)	(887)
<b>At 30 April 2018</b>	<b>16,015</b>	<b>9,663</b>	<b>1,358</b>	<b>27,036</b>
<b>Net book value 30 April 2018</b>	<b>24,265</b>	<b>2,648</b>	<b>2,401</b>	<b>29,314</b>
30 April 2017	24,177	2,257	2,623	29,057

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Land and buildings by category</b>		
Freehold	20,999	21,549
Short leasehold	3,266	2,628
<b>Net book value</b>	<b>24,265</b>	<b>24,177</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 30 April 2018

**12 FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 May 2017 and at 30 April 2018	<u>6,480</u>

At 30 April 2018, 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

**13 INVENTORIES**

	2018 £'000	2017 £'000
Vehicles held for resale	15,509	18,983
Spare parts and consumables	<u>5,425</u>	<u>4,347</u>
	<u>20,934</u>	<u>23,330</u>

**14 TRADE AND OTHER RECEIVABLES**

	2018 £'000	2017 £'000
Trade receivables	32,354	29,257
Amounts due from fellow group undertakings	190,206	228,175
Other receivables	818	476
Corporation tax	6,040	-
Other taxes	6,212	-
Prepayments and accrued income	<u>9,794</u>	<u>7,400</u>
	<u>245,424</u>	<u>265,308</u>

**15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £'000	2017 £'000
Trade payables	42,868	7,683
Amounts owed to fellow group undertakings	1,430	552,694
UK corporation tax	-	3,801
Social security and other taxes	1,316	4,269
Accruals and deferred income	<u>27,667</u>	<u>21,599</u>
	<u>73,281</u>	<u>590,046</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 30 April 2018

**16 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, including those due within one year, are as follows:

	2018 £'000	2017 £'000
<b>Amounts falling due within one year</b>		
Amount due to fellow group undertaking	-	542,175
<b>Amounts falling due after more than one year</b>		
Amount due to fellow group undertaking	554,096	-
Amount due to immediate parent company	47,000	47,000
	<b>601,096</b>	<b>47,000</b>
<b>Due within two to five years</b>		
Amount due to fellow group undertaking	554,096	-
<b>Due after more than five years</b>		
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% above LIBOR and is repayable by 30 June 2020. In the prior year this loan was repayable on 30 June 2017 and was renewed during this year.

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

**17 PROVISIONS FOR LIABILITIES****Deferred tax**

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 May 2016	3,196	(753)	2,443
(Credited) charged to the income statement	(1,967)	236	(1,731)
Rate adjustment	(58)	25	(33)
<b>At 1 May 2017</b>	<b>1,171</b>	<b>(492)</b>	<b>679</b>
Charged to the income statement	4,256	221	4,477
<b>At 30 April 2018</b>	<b>5,427</b>	<b>(271)</b>	<b>5,156</b>

**18 SHARE CAPITAL**

	2018 £'000	2017 £'000
<b>Allotted, called up and fully paid:</b>		
20,000,000 Ordinary shares of £1 each	20,000	20,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 30 April 2018

### 19 COMMITMENTS

<b>Capital expenditure commitments:</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>

Capital expenditure contracted for but not provided in the financial statements:

- Fleet	27,406	18,677
- Other property, plant and equipment	72	35
- Intangible assets	1,029	-
	<b>28,507</b>	<b>18,712</b>

#### Financial commitments:

As at 30 April 2018 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2018</b>	<b>2017</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	4,735	3,941
In the second to fifth years inclusive	14,892	12,858
After five years	16,904	12,468
	<b>36,531</b>	<b>29,267</b>

### 20 CONTINGENT LIABILITIES

The Company is a guarantor of certain of the borrowings of Northgate plc amounting to £445,036,000 (2017: £319,972,000).

### 21 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.