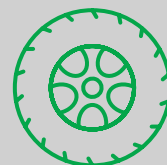
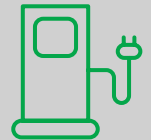
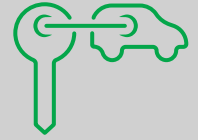


Integrated Mobility Solutions



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Redde Northgate is a leading integrated mobility solutions platform.

The Group operates across the UK, Ireland and Spain in three main areas: light commercial vehicle hire; vehicle sales in the secondary market; and accident and incident management services.

We have the expertise, experience and infrastructure required to provide businesses and personal customers with a comprehensive suite of long and short term mobility services and a range of automotive services, including providing support for accident or incident related claims.



OUR PURPOSE

Our purpose is to keep customers mobile, whether meeting their regular mobility needs or servicing and supporting them when unforeseen events occur.

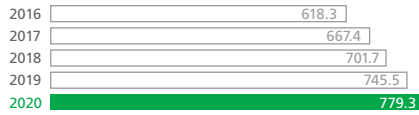


OUR VISION

Our vision is to be a leading supplier of mobility solutions and automotive services to a wide range of businesses and customers.

Highlights

REVENUE (£M)



£779.3m +4.5%

UNDERLYING EBIT (£M)



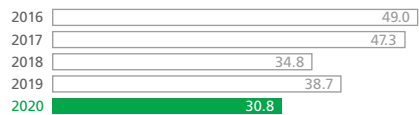
£74.8m -1.8%

UNDERLYING PROFIT BEFORE TAX (£M)



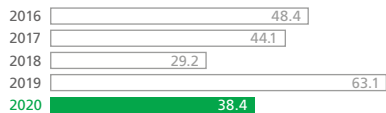
£59.0m -3.5%

UNDERLYING EPS (p)



30.8p -20.6%

UNDERLYING FREE CASH FLOW (£M)



£38.4m -39.2%

CLOSING NET DEBT (£M)



£575.9m +31.8%

DIVIDEND PER SHARE (p)



13.1p -28.4%

ABOUT OUR NON-GAAP MEASURES AND WHY WE USE THEM

Throughout this report we refer to underlying results and measures. The underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior period without the effects of one off or non-operational items.

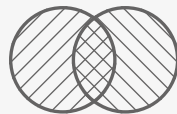
In particular we refer to disposal(s) profit. This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs). Underlying measures exclude certain one-off items such as those arising due to restructuring activities and recurring non-operational items, including certain intangible amortisation.

Exceptional items are explained in the Notes to the financial statements and a reconciliation of GAAP to non-GAAP measures is included on pages 29 and 30.



COVID-19 IMPACTS FY2020

- Net reduction in vehicles on hire of 6-7% during period from March to April 2020
- Temporary closure of disposal markets
- Lower volume of accident management activity
- Cost actions taken to limit the profit impact to around £7m
- Cash actions taken to protect liquidity
- Positive signs of trading recovery following year end



MERGER HIGHLIGHTS

- Complementary combination to create a comprehensive suite of mobility services
- Market-leading customer proposition
- Cost synergies underpinned by enhanced scale and optimisation potential
- Attractive revenue synergies
- Strong financial profile



STRATEGIC REVIEW

- Detailed review of the operating and organisational structures of both businesses forms part of the **Focus** stage of the Group strategy (See page 9)
- Consolidation of senior management structure across the combined UK operations
- Work commenced on network optimisation and accident management activities
- Annual cost synergies of £10m and other annual cost savings of £4m achieved to date

Creation of a leading integrated mobility solutions platform

Strong combined businesses and an enhanced customer proposition

COMBINATION OF TWO LEADING MOBILITY SOLUTIONS COMPANIES

NORTHGATE

A leading light commercial vehicle rental business

redde

A leading provider of incident and accident management, legal and other mobility related services

A leading integrated mobility solutions platform

TRENDING MARKET DYNAMICS

- Shift from vehicle ownership to rental
- Convergence of mobility solutions
- Services and support differentiators
- End-to-end customer interface

OUR APPROACH

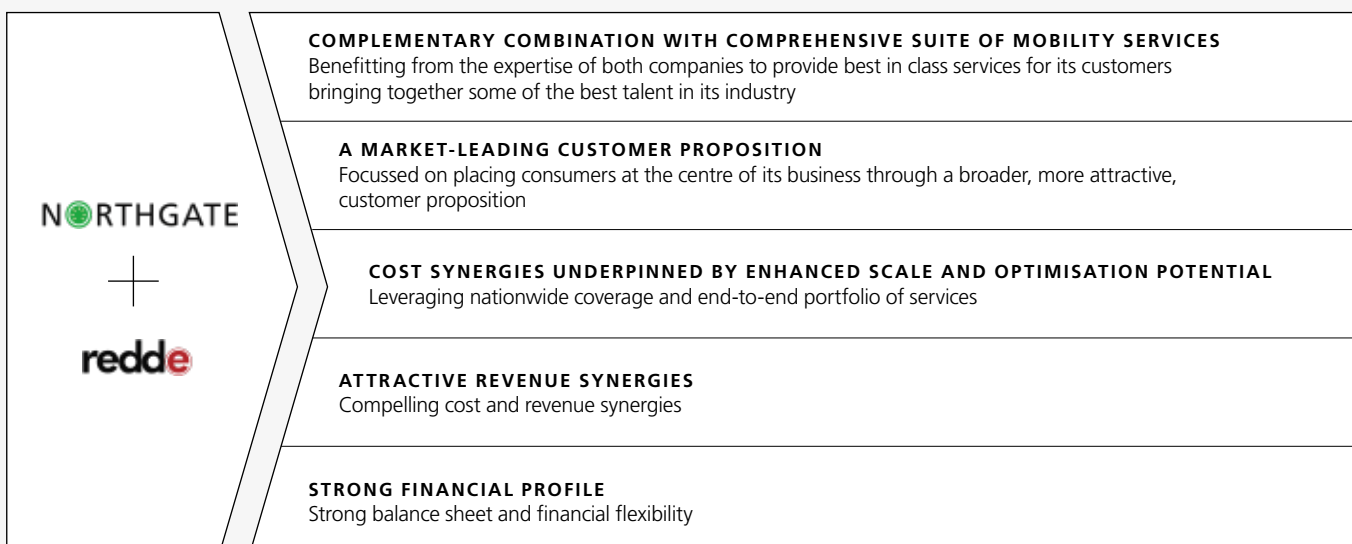
- Combined and complementary skill set for product supply and service delivery
- Breadth of offering across long and short term mobility solutions
- Significant scale operator

Our vision

To be a leading supplier of mobility solutions and automotive services to a wide range of businesses and customers

COMPELLING STRATEGIC RATIONALE

The Combined Group intends to move quickly to combine the existing businesses and create a combined business which harnesses the assets, best practices and skilled teams of both companies:

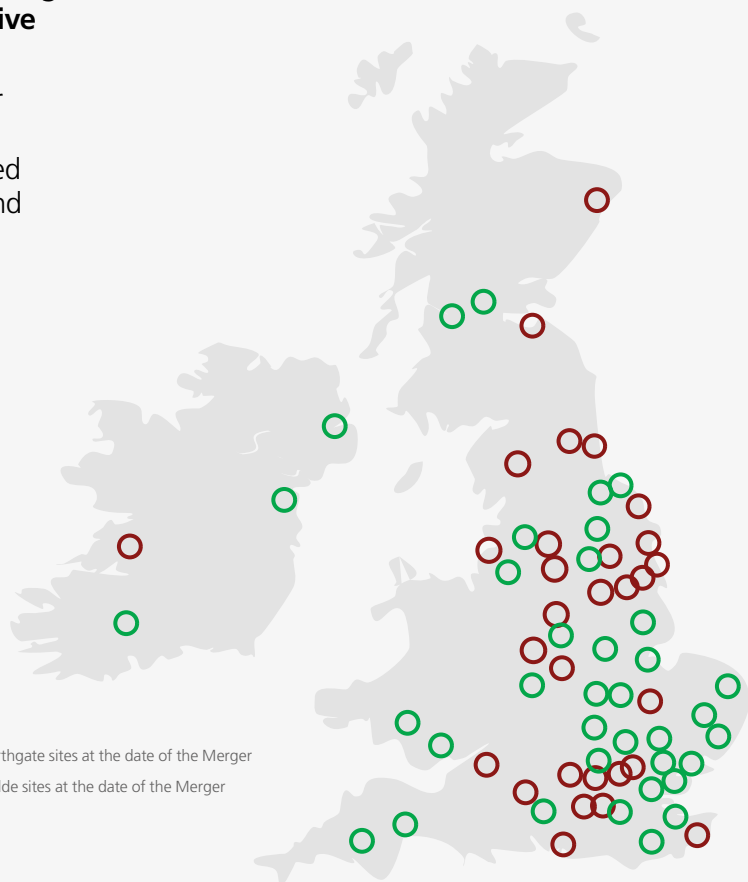


THE REDDE NORTHGATE MERGER

During February 2020 the Northgate and Redde businesses combined to create a leading integrated mobility solutions and automotive services business of scale.

Following the Merger, the Group now has over 5,400 employees across the UK, Ireland and Spain and has a combined network of enhanced scale and density with over 110,000 vehicles and 500,000 managed vehicles.

BRANCH NETWORK UK & IRELAND



5,400
employees

110,000
vehicles

500,000
managed vehicles

○ Northgate sites at the date of the Merger
○ Redde sites at the date of the Merger

A MARKET-LEADING CUSTOMER PROPOSITION

	FLEET CUSTOMERS	INSURERS	
OUTSTANDING SERVICE PROPOSITION			Increased scope of services
GREATER CUSTOMER CHOICE AND FULFILMENT ABILITY			Access to combined fleet
ENHANCED PROXIMITY AND RESPONSIVENESS			Increased geographic coverage
FLEET MANAGEMENT COST EFFICIENCIES			Improved margins
MARKET LEADING FLEET-MANAGEMENT CAPABILITY			Combination of existing capabilities

Creation of a leading integrated mobility solutions platform continued

Understanding the Group

The information included below formed a key part of the rationale behind the merger between Northgate and Redde.

STRONG FINANCIAL PROFILE

The Combined Group is anticipated to have a strong financial profile, with the following characteristics:



Diversified revenue mix



Attractive **margin** profile



Strong **cash flow** generation



Targeting **dividend cover** of around 2x underlying earnings

COMPELLING COST AND REVENUE SYNERGIES BEING ACHIEVED AHEAD OF TARGET

Cost synergies underpinned by enhanced scale and optimisation potential

Pre-tax cost synergies of at least £10m per annum identified prior to the Merger, with target run-rate phasing of £7m at the end of the first 12 months and £10m at the end of the second 12 months post-merger completion. Cost synergies expected to be delivered from the following areas:

Corporate and support functions (approximately 45% of total pre-tax cost synergies)

- Rationalisation and consolidation of corporate and support functions
- Removal of duplicate corporate costs
- Optimisation of procurement

Network (approximately 35% of total pre-tax cost synergies)

- Optimisation of combined network through better optimisation of density and removal of overlap

Accident and fleet management (approximately 20% of total pre-tax cost synergies)

- Rationalisation and consolidation of accident and fleet management

[→ Read more about Synergies](#)
See page 11

Attractive revenue synergies

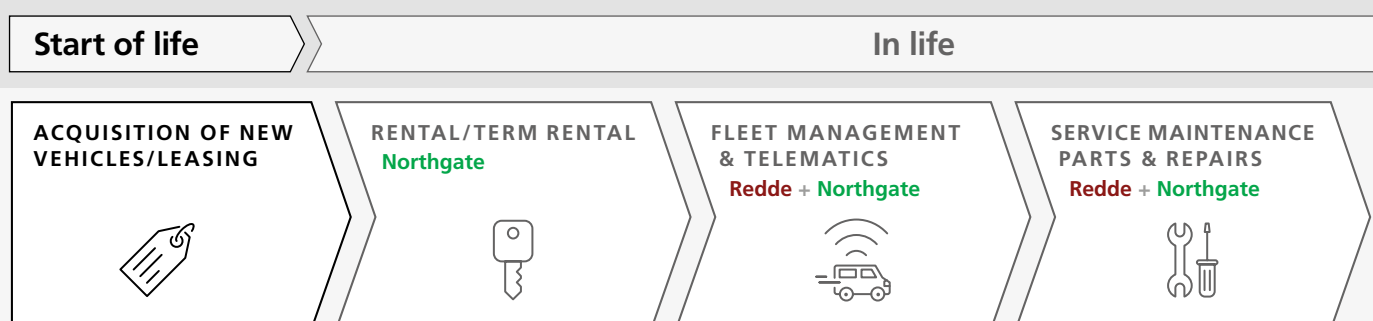
Revenue synergies are expected to be realised in the following areas:

- **Cross-selling** Northgate vehicle hire to Redde customers and cross-selling Redde fleet incident and accident management to Northgate customers
- **Service and maintenance** of Redde customer vehicles through the enlarged service network of the Combined Group
- **Accidents involving Northgate vehicles** – Northgate accidents channelled through Redde increasing its customer base
- **Launch UK flex car rental proposition** leveraging Redde's credit hire fleet operations alongside Northgate's considerable UK network

Integration costs

Pre-Merger estimation of integration costs of c.£10m with c.70% incurred in first 12 months following completion of the Merger with the balance in the following 12 months.

Advanced coverage across the automotive services life cycle



redde

A leading provider of incident and accident management, legal and other mobility related services

OPERATING BRANDS



- Comprehensive package of accident management, legal and other auto-related services
- c.10,000 owned or leased vehicles and c.500,000 vehicles under management
- Key partners are insurance companies, insurance brokers, dealerships, body shops, leasing companies and owners of large fleet

KEY COMPETITIVE STRENGTHS

- Specialist skills and systems to ensure expert and cost efficient management of claims
- Excellent service provision on an efficient and commercial basis
- Strong relationships with many insurers
- Well established contact centre and customer management

NORTHGATE

A leading light commercial vehicle rental business

OPERATING BRANDS



- The leading light commercial vehicle rental business, by fleet size, in the UK and Ireland, and Spain
- Owned fleet with over 100,000 light commercial vehicles
- Provision of vehicles for rent on a flexible or minimum-term basis
- Rental to commercial customers operating in a wide range of industries including construction, support services and distribution
- Additional capital light revenue streams including fleet management and telematics
- Sale of the vehicles at the end of rentable life either through retail or trade channels

KEY COMPETITIVE STRENGTHS

- Market leading position
- Strong supplier relationships
- Vertical integration of services
- Diverse long standing customer base

In life

End of life



Chairman's statement

Dear shareholders,

The year ended 30 April 2020 has presented many challenges and opportunities for the Group. The Merger with Redde creates a leading integrated mobility solutions platform, however, as with many businesses, COVID-19 impacted the Group in the latter part of the year.

AVRIL PALMER-BAUNACK
CHAIRMAN

BOARD PRIORITIES

- Focus on ensuring optimal integration across the Combined Group and achieving synergies
- Monitoring progress against strategic objectives
- Continuing to protect the welfare of our employees and customers and mitigating the financial impact of the COVID-19 pandemic on the Group

Performance

Until the end of February, trading for the Group was in line with market expectations for the year. However, performance across the business was impacted by COVID-19 during March and April. Revenue was impacted by a 6-7% reduction in vehicles on hire, as well as temporary support offered to rental customers, lower volumes of vehicle disposals from the closure of disposal markets and lower volumes of insurance related claims due to reduced traffic volumes and a slowdown in processing of claims by insurers and courts. Cost actions were taken which limited the reduction in PBT to approximately £7m, and further actions were taken to conserve cash. These steps clearly demonstrate the resilience and strength of the Group.

COVID-19

The COVID-19 pandemic has had a profound impact in all areas in which we operate. The Group took swift and decisive action to protect the welfare of our employees and customers and to mitigate the financial impact on the Group.

Our operations have remained open in all territories. We continued to deliver for the customers that needed us, particularly those providing essential services. The Northgate rental fleet was directly involved in delivering essential services during the pandemic, as well as indirectly supporting the wider supply chain. This included supporting sectors such as pharmaceuticals, human healthcare

such as blood delivery for Red Cross in Spain, housing and local councils, and large-scale retail distribution. The Redde businesses continued to support key parts of the UK economy, including deploying cars to support an NHS and key worker replacement vehicle scheme.

Revised health and safety processes have been put in place to protect colleagues and customers and to ensure we can continue to support our customers throughout this period.

We have made use of government support schemes, minimised variable costs where possible and deferred capital expenditure unless specifically needed to meet customer requirements. We will continue to apply strict financial discipline in managing capital expenditure and working capital.

The Group is in a strong financial position with substantial headroom against committed debt facilities and robust plans in place to manage liquidity.

Merger

Following the Merger, integration has progressed well under the leadership of the new management team.

The Group commenced a detailed review of the operations of our businesses to assess how they can work most effectively and efficiently together. This review underpins the integration programme and is designed to minimise disruption to customers and employees while delivering the expected opportunities and benefits to stakeholders.

The Focus phase of the Group strategy (See page 9) is expected to be completed by April 2021.

As at 31 August 2020 annual run rate cost synergies of £10m have been achieved, some 18 months ahead of the plan laid out at the time of the Merger, with implementation costs of £4m. The majority of these synergies have been achieved in corporate and support functions, although we have also commenced work to optimise the network and accident management activities.

Dividend

The Board has proposed a final dividend of 6.8p taking into consideration the importance of dividends to shareholders while recognising the uncertain environment that we are currently operating in. Along with the interim dividend of 6.3p paid to shareholders before the Merger, this brings the total dividend for the year to 13.1p compared to 18.3p in the prior year. In future, assuming that COVID-19 is not deeper or more prolonged than our current expectations, we expect to continue to operate in line with our dividend policy guidance of maintaining a dividend covered by around two times underlying earnings.



I am pleased with the strength and resilience demonstrated by the business during the current COVID-19 crisis.



Board changes

The composition of the Board has been changed following the Merger ensuring that the Board holds the appropriate mix of skills and experience to reflect the widened scope of activity across the Combined Group.

Kevin Bradshaw stepped down as CEO in November 2019 and, following the completion of the Merger in February 2020, the CEO of Redde plc, Martin Ward was appointed as CEO of the Group. Martin brings with him extensive industry

and business transformation experience which will enable him to lead the Combined Group to future success.

Our non-executive board members have been brought together from both former businesses, therefore the current Board brings together a great depth of knowledge and understanding in the sectors that we operate in and will provide valued insight to steer the future direction and success of the Group.

It is with great sadness that we recall the passing of our colleague, Steve Oakley, who joined the Board as a Non-executive Director following the Merger in February 2020. Prior to the Merger, Steve had been the CFO of Redde plc since 2011. He was instrumental in the success of the Redde business over recent years and, having worked closely with many of our people over a long period of time, will be greatly missed.

Our people and culture

On behalf of the Board I would like to thank all team members throughout the Group. This year has been one of unprecedented change and their dedication and support have allowed us to safeguard the business while continuing to deliver an outstanding service to our customers during these extraordinary times. While it is too early to discuss the Combined Group's culture and values in detail, the Board has been impressed by the consistently high standards of delivery and clear customer focus by employees across the business throughout this challenging year.

Outlook

I am pleased with the strength and resilience demonstrated by the business during the current COVID-19 crisis. We have a clear plan for managing the business through this period and will react and adapt our plans quickly to respond to changes in market dynamics.

While significant uncertainties remain given the current economic environment, I continue to have great confidence in the vision and strategy of the Group and the opportunity created by the Merger.

Avril Palmer-Baunack
Chairman



THE BOARD'S COMMITMENT TO ITS S172 DUTIES

The Board, individually and collectively, acts to promote the long term success of the Company for the benefit of its members as a whole.

Understandably, the main focus of activity during the period under review was the Merger.

The Board's actions and principal decisions made in relation to the Merger provide an appropriate and effective illustration of the ways in which the Board approached and met its s172(1) duties including:

- making long term decisions;
- having regard to employees' interests;
- fostering business relationships;
- assessing the Company's impact on community and environment;
- maintaining high standards of business conduct; and
- acting fairly between members.



Read our full s172 statement
See page 45

Chief Executive's review

Focusing on our strategic objectives

The main priority following the Merger of Northgate and Redde in February 2020, was to integrate the businesses, achieve our targeted synergies and capitalise on the new opportunities available to the Combined Group. Despite the COVID-19 lockdown happening within weeks following the Merger, we were able, in the months during lockdown, to execute the majority of our plans and deliver cost synergies and other savings well ahead of schedule and target. Clearly, new priorities took precedence during the lockdown with the main one being to ensure a safe and effective work environment for our employees and safe contact with our customers who required our services. I cannot emphasise how immensely proud I have been of the response from all our colleagues who stepped up to ensure that we could operate as effectively as possible and deliver our services during these very difficult times. Thank you to all.

COVID-19 also acted as a catalyst to speed up plans on tightening internal controls and procedures, as well as bringing greater scrutiny on capex and costs management spend, which ultimately led to the business generating significant additional cash which continued beyond the year end.

Our stated aim is to become the leading integrated mobility solutions provider and this will come about under our strategic framework of *Focus, Drive and Broaden*. We are in the *Focus* phase which builds the solid foundations for our next phase of delivering growth. One of the *Focus* priorities was to bring about a change to the capital model for funding vehicles. This has already commenced with our first transactions, taking several hundred vans on contract hire rather than purchasing outright, and we expect to be able to show the progress of this over time. The benefit of these changes is to lower up-front cash expenditure, which reduces bank debt, and match the timing of monthly operational costs to that of revenues, whilst generating a similar profit margin.

Post the lifting of lockdown restrictions, we have seen a good level of run rate recovery in both Northgate UK&I and Northgate Spain which has been better than expected, whilst in Redde there has been a more gradual pickup which has been slower than expected.

More recently, on 4 September 2020, we completed the acquisition of certain businesses and certain assets of Nationwide, which ties in with our strategy and vision to become the leading integrated mobility solutions provider, and I welcome our new colleagues to the Group.

I believe there is significant sustainable compounding growth and resilient value in the combined business which in many ways has emerged stronger following the COVID-19 lockdown. I am confident that the actions and measures we are taking are already creating value which will be further enhanced as we deliver on our strategic priorities. The Board is proposing a final dividend of 6.8p to shareholders.

MARTIN WARD
CHIEF EXECUTIVE OFFICER

Merger

On 21 February 2020 we completed the Merger, via a share exchange, of Northgate plc and Redde plc, two leading mobility solutions companies, forming Redde Northgate plc.

The Merger brought together Northgate plc, a leading light commercial vehicle rental business and Redde plc, a leading provider of incident and accident management, legal and other mobility-related services, creating a leading integrated mobility solutions platform.

The enlarged Group is positioned to benefit from several key market trends. These include; the shift from vehicle ownership to rental, the convergence of mobility solutions, the differentiation of propositions through end-to-end service offerings, big data in automotive services and the trend towards hybrid and electric commercial vehicles.

Redde Northgate is uniquely positioned to capitalise on these trends, and we will take decisive and proactive action to achieve our vision. This energy and proactivity has already been illustrated in several ways since the Merger: in our swift response to COVID-19 lockdowns and the measures put in place to effectively support customers and colleagues; in our delivery of the integration and cost synergies well ahead of target despite COVID-19; in our early wins as a Combined Group; and in our recent acquisition of certain businesses and certain assets of Nationwide Accident Repair Services ("Nationwide"), which will further complement the Group, building on the foundations created by the Merger.



Our vision is to be the leading supplier of mobility solutions and automotive services.





Strategic rationale for Merger

The compelling strategic rationale for the Merger included:

- Complementary combination bringing together a comprehensive suite of mobility services – Redde Northgate’s combined offering now spans the vehicle lifecycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale, and is now further bolstered in repair by the acquisition of Nationwide.
- A market-leading customer proposition – fleet customers benefit from greater choice and fulfilment ability through a combined network, and insurance customers benefit from enhanced service levels and a fleet more cost effectively serviced and maintained.
- Cost synergies – underpinned by enhanced scale and optimisation potential – and attractive revenue synergies.
- A strong financial profile – including a diversified revenue mix with good growth potential underpinned by market trends, attractive margin profile further enhanced through synergies and operational leverage from growth and strong cash flow generation expected to strengthen the balance sheet over time.

Purpose and vision

Our purpose is to keep customers mobile, whether through meeting their regular mobility needs or by servicing and supporting them when unforeseen events occur.



110,000

owned fleet vehicles across
over 100 branches

Our vision is to be the leading supplier of mobility solutions and automotive services to a wide range of businesses.

We have a combined and complementary skill set for product supply and service delivery, a breadth of offering across long and short-term mobility solutions and are a significant scale operator with a fleet of over 110,000 vehicles and 500,000 managed vehicles and over 170 branches.

Our markets

Redde Northgate principally operates across three markets within mobility solutions and automotive services: LCV rental and term hire, used LCV sales and accident management.

LCV rental and term hire

In Northgate’s two territories there are over 8 million Light Commercial Vehicles (LCVs) on the roads of which approximately 1 million were operated on hire or leased terms. The rental and term hire segments present the greatest opportunities for future growth within the LCV sector, driven by the major structural shift in the market from vehicle ownership to ‘usership’. Customers are increasingly attracted to a rental proposition that avoids the high initial capital outlay of vehicle ownership and brings them certainty of future cash outflows.

We expect COVID-19 could both increase demand and market size and also further accelerate the ownership to ‘usership’ trend, as customers seek flexibility and lower initial capital outlay due to the weaker economic environment. Northgate’s fleet is currently less than 10% of this market and around 1% of LCVs on the road, although its market share in the specific segments where each territory focuses is between 20 and 30%.

Used LCV sales

Northgate also has a successful used LCV sales business, operating physically from its extensive vehicle disposal network and also, increasingly, via online auction. The used vehicle market offers opportunities from own fleet sales but also from selling other customers’ vehicles. As an example of the opportunities in this market, the Group has recently licensed its eAuction technology to an OEM to enable their sale of used vehicles. This market, which was initially closed by COVID-19 lockdowns, has re-opened with stronger residual values than expected.

Accident management

Within accident management Redde principally operates in the credit hire, accident and incident management and legal services markets. The Group works with both fleet operators and insurers to provide services to customers who have had an accident. Credit hire providers supply replacement vehicle hire and repair services primarily to non-fault customers who have been involved in traffic accidents, normally at no direct cost to the individual, by seeking compensation from the at-fault party’s insurers. Accident and incident management companies handle the claim, repair and other processes relating to an accident or incident. Redde’s legal services business assists customers with legal services covering personal injury, as well as employers’ liability, wills and probate, clinical negligence and public liability legal advice. The UK crash repair market is a key indicator for the overall accident management market with a report prepared by TrendTracker in January 2019 suggesting expected growth of over 14% over the next five years to 2023. The Group’s position in this market is further bolstered by the Nationwide acquisition.

Strategy

To achieve the Group’s vision, the Board and management team, who together have a proven track record of delivering strategic initiatives, plan to evolve the strategy of the enlarged Group through three phases:

1. **Focus:** complete the integration of the two businesses alongside initiation of the delivery of the anticipated cost synergies, development of the enlarged Group’s products and services, and start to leverage the platform to enable revenue growth based on the broader offering;
2. **Drive:** complete the initiatives around the cost synergies, product and service portfolio and platform, and initiate service diversification into complementary markets alongside exploring further market and geographic growth opportunities; and
3. **Broaden:** accelerate the service diversification and exploration of market and geographic growth opportunities.

We expect the *Focus* phase to last until April 2021, and the *Drive* and *Broaden* phases to follow thereafter.

Chief Executive's review continued

Within the *Focus* phase, as part of the development of the enlarged Group's products and services, we are reviewing the existing Northgate strategy which was in place for FY2020 and included four principal market objectives:

1. Defend and grow our share of flexible rental markets;
2. Selectively gain share in minimum term markets;
3. Broaden our provision of capital-light fleet solutions; and
4. Optimise and increase participation in the disposal market.

During FY2020 Northgate followed this strategy and the Merger was an example of the Group broadening provision of capital-light fleet solutions.

The *Focus* phase includes a review of the Group's capital and funding model and has also been re-planned to include our response to COVID-19.

The recent transaction with Nationwide is an example of a *Broaden* initiative, the initiative was accelerated into this phase due to the timing of Nationwide going into Administration.

COVID-19 update

COVID-19 has had a profound impact in all countries in which Redde Northgate operates, and the Board took decisive actions to put measures in place to protect the welfare of our employees and customers and to mitigate the financial impact of the pandemic on the Group.

These measures included implementing new guidelines and controls to enable employees to work with social distancing in branches and offices; furloughing employees across all areas of the business as necessary; limiting capital expenditure on new fleet purchasing for essential requirements only; using nearly new vehicles to stand in for new purchases where suitable; voluntary pay reductions across the Board, senior leadership team and managers; introducing other cost control measures, including a freeze on recruitment and pay reviews, and limiting all non-essential spend and capital expenditure projects.

The Group has also provided flexibility to its rental customers to support them through these difficult times. Our COVID-19 package of support, assessed on an individual basis, has helped many customers retain rental vehicles during the current COVID-19 uncertainty on terms that meet their needs.

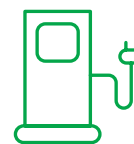
The revenues and profits of all three businesses were impacted by COVID-19. These impacts led to a reduction in FY2020 PBT of approximately £7m, and included:

- A comprehensive customer support package, leading to a temporary reduction in revenues of £3-4m per month whilst in place;
- A reduction in vehicles on hire ("VOH") with net vehicles returned to branches from lockdown up until the end of April of 6% in Northgate UK&I and 7% in Northgate Spain;
- Lower volumes of vehicle sales from the temporary closure of disposal markets;
- Lower volumes of accidents and incidents in the Redde businesses; and
- Cost actions, including furlough, pay reductions and limiting capital expenditure, to partially mitigate the financial impact on the Group.

During the crisis, we also initiated a number of additional schemes to support our communities. These have included deploying cars to support an NHS and key worker replacement vehicle scheme launched by a long-standing insurer partner and providing vehicles to the Red Cross in Spain at cost.

In the first four months of FY2021 performance indicators across the Group have fully recovered or substantially improved, including:

- Customer support packages reduced to a minimal level;
- A recovery in VOH, such that VOH in Northgate UK&I is now marginally below pre-COVID levels and Northgate Spain is broadly in line with pre-COVID levels;
- The re-opening of vehicle disposal channels over the course of May such that they were fully operational from June, with recent significant improvement in residual values compared to prior year;



£10m

Annual run rate synergies achieved to date.

£4.5m

Increase in Group revenue

- Accident and incident volumes have started to increase as traffic volumes pick up; and
- A reduction in furloughed colleagues.

The Board is pleased with the performance since year end and, whilst significant uncertainties remain given the current economic environment and risks of future lockdowns, the Board remains confident of the vision and strategy of the Group and the opportunities created by the Merger and is cautiously optimistic on performance for the remainder of FY2021.

Integration and cost synergies

A key component of the *Focus* phase of the strategy is to complete the integration of the two businesses.

Following the Merger, integration plans started well with a new Group Management team being appointed for the UK & Ireland businesses and continuity of the Northgate Spain leadership team. An Integration Management Office was established to drive the integration programme.

The Board and management carried out a detailed review of the operations of both businesses to assess how they can work most effectively and efficiently together. This review underpins the integration programme and is designed to minimise disruption to customers and employees whilst delivering the expected opportunities and benefits for the enlarged Group's stakeholders.

We expect to deliver both cost synergies and revenue synergies as part of the Merger. The cost synergies are being delivered at pace in three principal areas:

- Corporate and support functions – from rationalisation and consolidation of corporate and support functions, removal of duplicate corporate costs and optimisation of procurement;
- Network – the Group will retain extensive operations across the UK, Ireland and Spain, and these are being reviewed to identify the optimal network by removing overlap and enhancing overall scale along with greater density to align with the needs of the Group's portfolio of services and its efficient delivery to customers; and
- Accident and fleet management – rationalisation and consolidation of accident and fleet management operations.

Excellent progress has been made in integrating the businesses and annual run rate cost synergies achieved to date are £10.2m, with implementation costs of £3.7m, thus achieving our second year target 18 months ahead of schedule. The majority of these synergies have been achieved in corporate and support functions, although we have also started the work on our network optimisation activities. Some of the highest value synergies included the consolidation of a single Board, creating a new Group Management team across UK & Ireland with a reduced number of leadership roles, and a reduction in support function costs and headcount.

Given that this is well ahead of our initial cost synergy targets set out in the shareholder Circular, we are increasing our first year synergy target, taken for this purpose to be as at end of April 2021, from £7m of annual run rate cost synergies to £12m of annual run rate cost synergies and increasing the second year synergy target, taken for this purpose to be as at end of April 2022, from £10m to £15m.

Whilst COVID-19 has had many impacts on the Group as a whole, we have ensured it had limited impact on our integration work, and at times we have used it to accelerate decisions ahead of our initial timeline, for example around network overlap.

Additionally, in implementing the review, a further £3.8m of permanent annual costs savings have been delivered to date. These permanent savings are not classed as synergies because they are not contingent on the Merger having happened and could have been achieved independently and include the closure of six Van Monster sites.

Therefore, together a total annual run rate of £14.0m of cost synergies and permanent cost savings have been achieved so far since the Merger in February, and a target of a further £5m of synergies has been set for FY2022.

Revenue synergies

The Merger is expected to generate revenue synergies as well as cost synergies, benefitting from the complementary nature of the two businesses and the customers' need for a broader end-to-end experience with more service and product differentiators.

Revenue synergies are expected to be realised from several areas including:

- Cross-selling of products, for example the cross-selling of Northgate vehicle hire to FMG customers or the cross-sell of FMG fleet incident and accident management to Northgate customers;
- Channelling accidents involving Northgate vehicles through Redde; and
- Broadening of mobility solutions to our customers, through the launch of additional mobility products.

Since the Merger the Group has made good progress in developing its plans for revenue synergies, which have included winning new contracts with three of Northgate's major customers and, leveraging Redde's expertise, Northgate preparing to launch a new accident and incident management product later in FY2021.

Group performance

Revenue (excluding vehicle sales) was 13.1% higher than the prior year. The increase was attributable to Redde, which is included in Group trading following completion of the Merger on 21 February 2020. Total Group revenue, including vehicle sales, was 4.5% higher, although revenue from Northgate businesses was 4.5% lower, with hire revenue flat including the impact of off hires during lockdown and vehicle sales revenue lower due to temporary closure during lockdown. In Northgate UK&I VOH declined 3.2% offset by pricing improvements resulting in hire revenue being broadly flat. Northgate Spain VOH grew 3.6% offset by pricing reductions, partly due to competition and partly due to mix, resulting in hire revenue 1.1% higher year on year. Vehicle sales revenue was lower principally due to volumes of units sold which were 14.9% lower year on year, due to reduced volumes in March and April.

In Redde, total hire cases and repair cases in March and April were substantially lower due to COVID-19, as lockdown resulted in accident and incident volumes declining steeply with fewer vehicles on the roads and a sharp reduction in road miles driven.

Underlying EBIT from the Northgate businesses (excluding corporate costs) was 4.7% lower at £77.6m (2019: £81.5m), with rental profit 5.0% higher at £67.6m (2019: £64.3m) and disposal profit¹ 41.4% lower at £10.0m (2019: £17.1m). Substantial rental margin improvements were made in the Northgate UK&I which improved to 9.9% (2019: 7.8%), offset by continuing rental margin pressure in Northgate Spain which declined to 17.8% (2019: 19.7%), such that overall Group rental margin improved 0.6 ppts, from 12.4% (FY2019) to 13.0%. Disposal profits were £7.1m lower driven by both reduced volumes of disposals in the year and the impact of depreciation unwind of around £5m. There were no changes to existing depreciation rates during the year but the change made in FY2019 is expected to unwind through disposal profit until FY2023 as illustrated in the table in the Financial Review. Underlying EBIT relating to Redde was £3.3m (2019: £nil) and corporate costs were £6.1m (2019: £5.3m).

1. Defined as the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).

Chief Executive's review continued

During the year the business incurred exceptional costs of £42.3m with £18.3m relating to the Merger and £14.9m relating to the impairment of software intangibles, with the balance from restructuring expenses and refinancing expenses. The Group is in dispute with the provider of certain IT and software development services in relation to the delivery of the planned development of Northgate's new IT system and has therefore paused the project. Given the uncertainty over the outcome of this dispute a decision has been made to write down the carrying values of the related assets.

Underlying earnings per share of 30.8p (2019: 38.7p) was 20.6% lower including the impact of COVID-19 in March and April with lower EBIT across all businesses and a higher number of shares due to the Merger. Redde's profits in March and April were substantially lower than was expected pre COVID-19. Statutory earnings per share of 5.0p decreased from 38.6p in the prior year, due to both the underlying impacts and the exceptional costs taken in the year.

Free cash flow improved to £21.6m (2019: £20.5m) and was delivered primarily from lower total capex, which included the COVID-19 actions in March and April. Steady state cash generation² increased 29.5% to £86.9m. Year end net debt of £575.9m was 31.8% higher than prior year but included £63.0m relating to IFRS16 liabilities. On a like-for-like basis excluding IFRS16 and Redde, net debt was £459.5m (2019: £436.9m) 5.2% higher. Leverage remained stable at 1.62x at year end (2019: 1.64x), within our target range post Merger of 1.0 – 2.0x.

The Board has considered the importance of dividends to its shareholders and, after careful consideration of the factors impacting this decision, has concluded to maintain a final dividend. For the year ended 30 April 2020, the Board is proposing a final dividend of 6.8p (2019: 12.1p) which, together with the interim dividend of 6.3p (2019: 6.2p), gives a full year dividend of 13.1p (2019: 18.3p), a decrease of 5.2p or 28% on 2019. If approved by shareholders, the final dividend will be paid on 3 November 2020 to shareholders on the register on 25 September 2020.

People

We have made several Board changes since the Merger, including both the consolidation of Board members as announced on 24 March 2020 and the passing of former director Steve Oakley, announced with great sadness on 18 May 2020.

In addition, with the creation of the new Group Management team structure across UK & Ireland, we have removed the need for an MD of Northgate UK&I, and appointed a new MD of Redde, effective from May 2020.

The MD of Northgate Spain continues to be Jorge Alarcon, who joined Northgate on 22 August 2019, bringing with him a wealth of experience of the industrials and services markets in Spain.

Impact of the UK leaving the European Union without a new free trade agreement

The Group continues to monitor the potential impact on its business of the UK leaving the European Union without a new free trade agreement in place on 31 January 2021. The greatest risks identified would be a disruption to the supply of new vehicles and vehicle components imported into the UK from the EU, including additional import costs which may be imposed:

- Around 90% of vehicles purchased or leased by the Group from UK OEMs are imported from the EU. Assurances have been sought from these OEMs, who are confident that there will be no material long-term disruption. Any potential short-term supply disruption can also be mitigated by Northgate itself, by slowing the rate of vehicle de-fleets in order to maintain vehicle availability for customers as has been seen in the response to COVID-19.
- Components for vehicles manufactured in the UK are also imported from the EU. However, normal OEM stock levels are considered to be sufficient to address any potential short-term supply issues.
- The introduction of import costs could potentially create some margin pressure in the short-term. However, the Company believes that in the longer-term, it will be able to pass through to end-users any significant additional costs that might be imposed on imported vehicles.

A potential upside for Northgate in the event of supply disruptions or higher purchase costs, would be the likely increase in rental demand and stronger residual values that would result.

OUR FY2020 PERFORMANCE

Northgate UK&I			
Year ended 30 April			
KPI	2020 (‘000)	2019 (‘000)	Change %
Average VOH	46.9	48.4	(3.2%)
Closing VOH	43.5	47.1	(7.5%)
Average utilisation %	88%	88%	–
Year ended 30 April Profit & loss (Underlying)			
	2020 £m	2019 £m	Change %
Revenue – Vehicle hire	313.9	315.6	(0.5%)
Revenue – Vehicle sales	137.1	166.5	(17.6%)
Total Revenue	451.0	482.0	(6.4%)
Rental profit	31.2	24.6	26.5%
Rental Margin %	9.9%	7.8%	2.1 ppts
Disposals profit	6.7	10.8	(37.3%)
EBIT	37.9	35.4	7.1%
EBIT Margin % ³	8.4%	7.3%	1.1ppts
ROCE %	6.6%	6.4%	0.2ppts

Rental business

Hire revenues in the Northgate UK&I business declined 0.5% compared to the prior year to £313.9m (2019: £315.6m), driven by average VOH which declined 3.2%, offset by improved pricing. Regular rate increases were introduced in FY2019 and rates were again increased in FY2020 across our full range of rental products and continued to be well planned, communicated and executed. Closing VOH declined 7.5% to 43,500 and included a reduction of 5.9% from lockdown until the end of April.

At the year end, Northgate’s minimum term proposition accounted for around 33% (2019: 24%) of average VOH. The average term of these contracts is approximately three years, providing both improved visibility of future rental revenue and earnings, as well as lower transactional costs.

The rental margin has continued to grow since H2 2018 having steadily improved for the past four half year periods, increasing from 6.0% in H2 2018, to 7.1% in H1 2019 to 8.5% in H2 2019, to 9.8% in H1 2020 and 10.0% in H2 2020. This improvement reflects the more competitive pricing introduced to the market as well as the execution of the strategic priorities.

The net impact of the lower hire revenues and higher rental margin was a 26.5% increase in Northgate UK&I rental profits to £31.2m (2019: £24.6m).

Management of fleet and vehicle sales

The total Northgate UK&I year end rental fleet size of 51,400 vehicles declined from 54,600 in the prior year. The contraction of 5.8% was similar to the reduction in closing VOH of 7.5%. 14,600 vehicles were purchased during the year and approximately 17,800 vehicles were de-fleeted. The average age of the fleet at the end of the year was two months higher than at the same time last year. This was partly due to the impact of the fleet optimisation policy and partly due to managing the fleet to mitigate impacts of COVID-19 in the last two months of the year, action which led to reduced purchases and de-fleets and thus increased the average age of the fleet.

A total of 17,200 vehicles were sold in Northgate UK&I during the year, 18.1% lower than prior year. The sales in March and April were impacted by COVID-19 and the temporary closure of disposal markets.

Disposal profits of £6.7m (2019: £10.8m) declined 37.3% versus the prior year, as a result of both the reduced sales volumes and a 24% reduction in the average profit per unit (PPU) on disposals to £391 (2019: £512) due to the £1.4m unwind of depreciation rate changes (approximately £80 of the PPU reduction) and lower sales volumes, particularly during COVID-19 when sales volumes were close to nil.

EBIT and ROCE

Underlying EBIT of £37.9m grew 7.1% over the prior year (2019: £35.4m) driven by higher rental profits, offset by lower disposal profits as explained above.

The ROCE in Northgate UK&I was 6.6% (2019: 6.4%) reflecting an increase in EBIT partially offset by an increase in capital employed due mainly to higher year end stock due to the closure of disposal markets in April and lower creditors due to reduced vehicle purchases during lockdown.

A higher EBIT and ROCE was expected before the impact of COVID-19.

Capex and cash flow

Year ended 30 April	2020 £m	2019 £m	Change %
Underlying EBITDA	158.1	151.9	4.1%
Net Replacement Capex	129.8	122.8	5.7%
Underlying EBITDA less Net Replacement Capex	28.3	29.1	(3.0%)
Growth Capex (incl. inorganic)	(0.8)	21.0	(103.8%)

Underlying EBITDA improved by 4.1% to £158.1m (2019: £151.9m) mainly due to a £2.5m increase in underlying EBIT as well as an increase in depreciation as a result of IFRS 16 of £3.8m.

Net replacement capex⁴ in the year was £129.8m, 5.7% higher than in 2019, driven mainly by OEM price inflation and vehicle mix. Underlying EBITDA less Net replacement capex reduced by 3.0% to £28.3m (2019: £29.1m) reflecting increased EBITDA offset by higher replacement capex in the year. Growth capex was a contraction of £0.8m, which includes a working capital outflow of £2.3m and net underlying contraction capex of £3.1m, relating to the reduction in fleet of 500 vehicles.

2. Defined as Underlying EBITDA less Net replacement capex. Steady state cash generation is stated before cash flows for interest, taxation and other financing costs.

3. Calculated as underlying EBIT divided by total revenue.

4. Net replacement capex is total capex less growth capex. Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction.

Chief Executive's review continued

Northgate Spain

Year ended 30 April KPI	2020 (£'000)	2019 (£'000)	Change %
Average VOH	46.4	44.8	3.6 %
Closing VOH	43.1	46.0	(6.1%)
Average utilisation %	91%	91%	–
Year ended 30 April Profit & loss (Underlying)	2020 £m	2019 £m	Change %
Revenue – Vehicle hire	204.2	202.1	1.1 %
Revenue – Vehicle sales	56.7	61.4	(7.6%)
Total Revenue	260.9	263.4	(1.0%)
Rental profit	36.4	39.7	(8.3%)
Rental Margin %	17.8%	19.7%	(1.9) ppts
Disposals profit	3.3	6.4	(48.3%)
EBIT	39.7	46.1	(13.8%)
EBIT Margin % ³	15.2%	17.5%	(2.3) ppts
ROCE %	8.8%	10.6%	(1.8) ppts

Rental business

Hire revenue in Northgate Spain grew 1.1% to £204.2m (2019: £202.1m) driven by growth in average VOH of 3.6% but offset by average hire rates which were 2.5% lower. This was due both to mix, with the proportion of minimum term higher in FY2020, and continuing pricing pressure from competition. At constant exchange rates, removing the headwind of foreign exchange, the reported growth in rental revenue was 1.7%.

Closing VOH declined 6.1% to 43,100 since 30 April 2019. This decline included a reduction of 6.5% from lockdown until the end of April. Closing VOH grew in H1 FY2020 by 3.0% from 46,000 at end of FY2019 to 47,400 in October 2019, but then fell back to broadly flat by the end of February due to weakening economic outlook and some seasonality. There continues to be a structural shift away from LCV ownership to 'usership', most notably into minimum term hire which at year end accounted for 37% (2019: 31%) of average VOH, but there were signs even before COVID-19 of weaker macro-economic conditions in Spain.

The FY2020 rental margin of 17.8% (2019: 19.7%) declined year-on-year driven primarily by the 2.5% decline in average hire rates. Cost inflation was offset by some cost saving initiatives such that overall cost reductions improved margin by 0.6%.

The net impact of the increased hire revenue and lower rental margin was an 8.3% decline in Northgate Spain rental profits to £36.4m (2019: £39.7m). Rental profits declined 7.7% at constant exchange rates.

Management of fleet and vehicle sales

The total rental fleet size in Northgate Spain increased by 0.9% to 51,500 vehicles, driven by the growth in VOH in the period up until COVID-19. 11,200 vehicles were purchased during the year and approximately 10,800 vehicles were de-fleeted. The average age of the fleet at the end of the year was two months higher than at the same time last year, partly due to fleet optimisation policy and partly due to actions taken in response to the pandemic in the last two months of the year. This resulted in fewer purchases and de-fleets and thus increased the average age of the fleet.

A total of 9,900 vehicles were sold by Northgate Spain during the year, 14.7% less than in the previous year. The sales in March and April were impacted by COVID-19 and the temporary closure of disposal markets.

Disposal profits of £3.3m (2019: £6.4m) declined 48.3% versus the prior year, driven by both reduced sales volumes above and a 39% reduction in the average profit per unit (PPU) on disposals to £334 (2019: £551) due to the £4.0m unwind of previous

depreciation rate changes (approximately £400 of PPU reduction) offset by some mix impacts and some improvements in the operations implemented in the year.

EBIT and ROCE

The decline in both rental profit and disposal profit explained above led to a decline in EBIT of 13.8% to £39.7m (2019: £46.1m). At constant exchange rates, operating profits in Northgate Spain declined 13.3%.

The ROCE in Northgate Spain was 8.8% (2019: 10.6%) reflecting primarily the decline in EBIT but also the increase in capital employed driven by the growth and mix of the fleet.

A higher EBIT and ROCE was expected before the impact of COVID-19.

Capex and cash flow

Year ended 30 April	2020 £m	2019 £m	Change %
Underlying EBITDA	125.6	121.8	3.1%
Net Replacement Capex	69.6	78.5	(11.4%)
Underlying EBITDA less Net Replacement Capex	56.0	43.3	29.3%
Growth Capex (incl. inorganic)	17.5	21.7	19.1%

Underlying EBITDA increased by 3.1% to £125.6m (2019: £121.8m) and Net replacement capex⁴ was £69.6m, 11.4% lower than in 2019, with OEM price inflation offset by vehicle ageing impacts such that Underlying EBITDA less Net replacement capex grew by 29.3%, to £56.0m (2019: £43.3m). Growth capex was £17.5m, 19.1% lower than the prior year due to lower growth in the fleet.

Redde

The Merger completed on 21 February 2020 therefore the tables below relate to financial performance since that date.

Year ended 30 April Profit & Loss (underlying)	2020 £m
Revenue – Claims and services	67.4
Gross profit	10.0
Gross margin %	14.9%
EBIT	3.3
EBIT margin % ³	4.9%

Revenue, Gross margin and EBIT

Revenue for the period post Merger was £67.4m and gross profit was £10.0m with a gross margin of 14.9%, EBIT of £3.3m and EBIT margin of 4.9%.

These results were all substantially below Board expectations set pre COVID-19, due to the lower volumes of accidents and incidents impacting the Redde businesses over March and April.

Overall revenue for the two months was on average around 27% below expectations for the period, gross profit around 25% below expectation and gross margin was broadly in line with expectations. EBIT was around 55% below expectations as overheads, whilst partially reduced through cost actions, still created a substantial headwind to margins. EBIT margin was around 3.1 ppts below expectations for the period.

Management of fleet

The total fleet size in Redde closed the year at 9,000 vehicles, reduced from the level in Redde's June 2019 accounts of 10,700 vehicles due to the loss of contract with a large insurer as previously announced by Redde.

The average fleet age was 15 months reflecting the lower fleet holding period than in the Northgate businesses due to the different usage of the vehicles and business economics.

The Redde fleet continues to operate through a hybrid solution of ownership, contract hire and, during peak periods, cross-hiring from daily rental companies.

Capex and cash flow

Year ended 30 April	2020 £m
Underlying EBITDA	6.3
Total net capex ⁵	1.0
Statutory debtor days	123 days

Underlying EBITDA was £6.3m for the period.

Debtor days were 123 days at 30 April 2020. This measure is based upon net trade receivables and contract assets, other receivables and accrued income as a proportion of the related underlying sales revenue for the past 12 months multiplied by 365 days.

Capital expenditure typically follows seasonal trends in business demand with a net reduction in fleet size anticipated for the period. Net capital expenditure was £1.0m with principal repayments on finance leases being higher than the disposal of surplus vehicles during COVID-19.

Martin Ward,
Chief Executive Officer

5. Redde net capex has been adjusted to include the principal element of lease payments under HP.

Our markets

Understanding our world

All of our markets have been affected by the COVID-19 pandemic and the unprecedented actions taken by Governments and businesses to contain the virus. While this adversely affected trading in March and April 2020 and into FY2021, in our view will not change the long term attractiveness of our markets. The Merger also continues to

present a strong commercial and strategic opportunity to create long term value for all the Group's stakeholders.


Throughout the pandemic we have continued to deliver for the customers that needed us, particularly those providing essential services. The Northgate rental fleet was directly involved in delivering essential


services during the pandemic, as well as indirectly supporting the wider supply chain. We worked in key sectors including pharmaceuticals, human healthcare such as blood delivery, housing and local councils, and large scale retail distribution. The Redde businesses also continued to support key parts of the UK economy.


Market information relating to Northgate

The markets in which Northgate's businesses operates are undergoing significant structural changes, not least with the continuing shift away from vehicle ownership to rental. Northgate's businesses are well placed to capitalise on this and other changes.

LCV HIRE	USED LCV SALES	FLEET TELEMATICS AND FLEET MANAGEMENT	SUSTAINABILITY AND THE LOW CARBON ECONOMY
<p>LCVs are hired principally by enterprises for commercial transport roles on a variety of terms including flexible rental or minimum term rentals, primarily as a means of securing transportation without incurring the capital cost of vehicle ownership or longer term lease obligations.</p> <p>Market size In the UK, Republic of Ireland and Spain (the Combined Group's existing geographic markets) approximately 8 million LCVs were in operation in 2018, of which approximately 1 million were operated on hire or leased terms.</p> <p>Market drivers We believe that the LCV hire market in the UK and Spain will maintain a growth rate of approximately 3% per annum by fleet size in the next year.</p> <p>The principal drivers in the recent evolution of the LCV hire market include:</p> <ul style="list-style-type: none"> – increased demand for 'last mile' delivery associated with the continuing growth of internet and mobile commerce; – enhanced environmental regulation, including emissions-based taxes and tolls such as the London Ultra-Low Emission Zone, driving the need for a more modern fleet with cleaner engines, which results in more frequent fleet turnover, further disincentivising vehicle ownership by businesses; and – balance sheet management by businesses seeking to reduce their capital employed in depreciating assets. <p>The LCV hire market is highly fragmented, with local, regional, national (operating in nationwide chains or from central or regional depots) and international market participants, principally competing on price, vehicle availability, quality and features, hire terms and brand recognition. In the UK, Republic of Ireland and Spain, Northgate is one of the largest participants in LCV hire by supply of vehicles.</p>	<p>Many participants in the LCV hire market also engage in substantial sales in the secondary market of their fleets as a means of releasing capital for fleet renewal and as a revenue stream in its own right, as does Northgate through its Van Monster brand.</p> <p>Market size In the UK, the overall used vehicle sales market splits into three key segments: used car auctions; online marketplaces; and dealer sales. Dealer sales are estimated to equate to £50 billion in annual revenue, of which approximately £10 billion is business-to-business sales, including approximately £6 billion in LCV sales, which are driven by c.900,000 used van sales per year.</p> <p>Market drivers The online auction segment of the market is largely consolidated in the UK but, in contrast, dealers' sales are fragmented with more than 9,000 dealers and more than 25% of the used cars market.</p> <p>Given that this market segment is fragmented, there are opportunities to further consolidate the market, making it more efficient and transparent.</p>	<p>Northgate is evolving its fleet solutions to offer customers a comprehensive range of additional services alongside their vehicle hire, including fleet management and telematics. Fleet telematics and fleet management relates to the monitoring and tracking of a fleet of commercial vehicles, typically to optimise their use.</p> <p>Telematics market size and drivers The estimated size of the fleet telematics market is approximately £350 million in annual revenue with around 30% of B2B vehicles estimated to have some form of fleet telematics hardware installed.</p> <p>The market is driven by penetration and price, with LCVs and HGVs estimated to have higher penetration of third party telematics than other vehicle types. Uptake in fleet telematics is forecast to grow with a compound annual growth rate of 20% to 2025.</p> <p>Fleet management market size and drivers The fleet management systems market is estimated to have a size of approximately £200 million in annual revenue. The market is driven by fleets with over 25 vehicles, which represents approximately 65% of vehicle fleets. Vehicles under fleet management are estimated to have grown by approximately 11% per annum between 2015 to 2017.</p>	<p>Northgate is progressively aligning its fleet policy with changing market demands, to be at the forefront of electric and zero emission penetration into the market.</p> <p>Northgate continues to work with OEMs to ensure it has as full an allocation as possible of these vehicle types for customers.</p> <p>In Spain, Northgate has continued to invest in electric vehicles, which now comprise around 1.5% of the fleet. It is also exploring LPG as an alternative fuel with near zero emissions, an increasingly attractive proposition in Spain. In passenger car purchases, Northgate is now 100% petrol rather than diesel.</p> <p>In the UK, the challenges of infrastructure, and reductions in payload, coupled with the higher cost of investment, are currently restricting the demand for commercial vehicles running on alternative fuels. However, changes in regulations and widening of low emission zones will influence demand.</p>

 [Read more on our strategic priorities](#)
See pages 20 and 21

 [Read more on how we manage risk](#)
See pages 31 to 36

 [Read more on our stakeholder engagement](#)
See pages 39 to 40

Market information relating to Redde

Redde is a leading supplier to the motor insurance industry and aims to be the preferred claims outsourcing partner for UK motor insurers.

Redde's accident management services include credit hire, fleet accident and incident management and legal services.

Redde's one-stop shop approach provides the potential to further grow and develop a wider range of vehicle incident and accident management services for business and insurance partners. This will in turn support its position as a leading provider of vehicle mobility, rapid roadside recovery, repair, legal and other support services.

Trending market dynamics for Redde Northgate

The markets in which Northgate and Redde operate are subject to a number of trending dynamics as participants seek to grow through expanding their business model and providing new services and solutions as a means of driving differentiation to competitors and gaining exposure to more aspects of the value chain.

These dynamics include:

- shifts by businesses and customers from owning to renting vehicles;
- the convergence of mobility solutions;
- increasing use of offering services and support to differentiate customer propositions relative to competitors; and
- interacting and providing customers with a broader end-to-end experience.

We believe we are well placed to benefit from these trends, which will help inform the strategic review of operations.

ACCIDENT MANAGEMENT

In the UK, in 2017 accident management companies handled an estimated £2.1 billion in claims with approximately 40% of those relating to commercial vehicles, amounting to a total claims value of £830 million.

Redde's fleet and incident management business focuses on growing its customer base, including the on-boarding of insurer and large commercial brokers for the provision of third party claims intervention services, reducing the cost of claims for its customers.

CREDIT HIRE

Credit hire providers supply replacement vehicle hire and repair services primarily to non-fault customers who have been involved in traffic accidents, normally at no direct cost to the individual, by seeking compensation from the at-fault party's insurers.

The size of the credit hire market is estimated to be approximately £680 million, of which approximately 22% (approximately £150 million) is serving end business customers.

The UK crash repair market is a key indicator for the overall accident management market, with a report prepared by TrendTracker in January 2019 suggesting expected growth of over 14% over the next five years to 2023 following growth of 28.5% over the five years to December 2018.

LEGAL SERVICES

Redde assists its customers with legal services covering personal injury services as well as employers' liability, wills and probate, family law, clinical negligence and public liability legal advice.

The UK Government has announced reforms of RTA soft tissue injury compensation levels that are scheduled to come into effect in April 2020. In response, Redde has invested in IT systems to provide a customer portal that will integrate with the proposed Ministry of Justice portals and provide efficiencies to deal with low-value claims after the reforms take effect.

While non-RTA cases, including Redde's employers' liability and medical negligence practice, take longer to settle than RTA claims and require greater cash investment as they progress, they are not affected by the RTA soft tissue injury compensation regulations.

Our business model

What makes us unique


We support our customers' businesses at every stage of the business lifecycle, helping them grow and succeed.

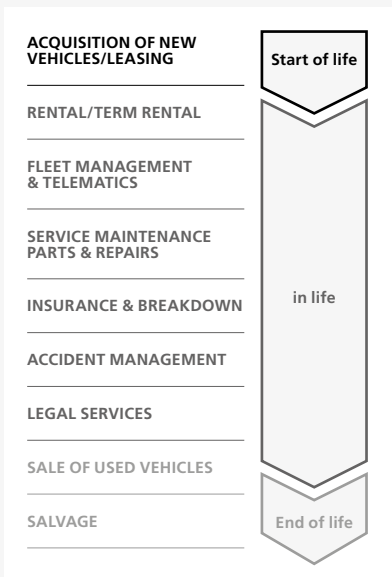
NORTHGATE BUSINESS MODEL

The business model presented here is for the Northgate business relating to the ten months of Northgate's trading as a stand-alone business during the year to 30 April 2020, prior to the Merger with Redde in February 2020.

While a new business model for the Group will be based around the scope and strategy of the business review as part of the **Focus** phase of the Group strategy described on page 9, the involvement of the combined businesses now spans the vehicle lifecycle across supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale.

This creates the platform onto which further value accretive services can be overlaid, delivering customer value across a broader range of services utilised by a vehicle through its life.

 Read more about the Group's services platform spanning the vehicle lifecycle See pages 4 and 5



Making the most of our key resources...

...to support our main activities...

VEHICLES

- We offer a full range of LCV models, operating a fleet of over 110,000.

RELATIONSHIPS

- Our close relationships with manufacturers help supply a key resource and allow us to meet customer demand.
- Our skilled and experienced employees enable us to offer market-leading levels of customer service. For further information on our KPIs, please refer to pages 22 and 23.

LEADERSHIP

- We have the leadership to mobilise for, and capitalise on, an outstanding market opportunity.

NETWORK

- We have national networks of workshops across our territories enabling us to service and maintain our fleet, meaning we keep our customers' vehicles on the road.

CAPITAL

- We work with our lenders and investors to access the funds we need to grow the business sustainably.

WE BUY



Our scale means we can negotiate directly with manufacturers, enabling us to access the best terms and the widest range of vehicles for our customers.

WHAT MAKES US DIFFERENT?

We operate a fleet of over 110,000 vehicles, across two markets, taking advantage of our vast offering to ensure we meet customer demand.





Read more on corporate social responsibility and the Board's engagement with stakeholders
See pages 39 to 44

...to create sustainable value for our stakeholders

WE RENT



Vehicle rental is our main business. We look to maximise value from our vehicles by maintaining high levels of utilisation. Our diverse product offering ensures we can provide solutions to a range and mix of commercial fleet needs.

WHAT MAKES US DIFFERENT?

Customers hire vehicles when they need them, for as long as they need. For customers who have more certainty of their fleet needs, commitment can start at just 12 months, with servicing and maintenance included in the price, and flexible options within the contracted period.

WE SELL



At the end of a vehicle's rental life, we maximise returns by selling vehicles through the optimal disposal channel, including our Van Monster brand. We efficiently recycle this capital to support our strategic objectives.

WHAT MAKES US DIFFERENT?

We have retail operations in all territories, from a trusted name, with high levels of repeat customers. We also offer finance and other support.

Reinvesting to maintain our competitive advantage

SUPPLIERS

We aim to be a responsible business partner and maintain close working relationships with our suppliers. This allows us to execute our strategy efficiently while also having a positive impact on our suppliers' businesses.

CUSTOMERS

We help our customers drive their businesses forward by supporting their fleet needs as their operations change.

COMMUNITY

We strive to be a good neighbour, and to give back to the communities in which we operate. We support our employees in championing local causes close to their hearts and we encourage them to get involved in their local communities. We recognise the need for business to respect the environment, and so we build environmental sustainability into our business model.

EMPLOYEES

We are proud of the development opportunities we offer our people, and we are continually looking to develop our team members as our business grows. We offer employees the opportunity to learn and grow within the business, as well as to participate in the success of their hard work through our share schemes.

SHAREHOLDERS AND INVESTORS

We provide investors with regular updates so they can make informed investment decisions. We encourage two way communication with analysts, shareholders and lenders to ensure we are allocated capital efficiently and at a rate that enables us to provide returns to our shareholders and lenders. For further information on our KPIs, please refer to pages 22 and 23.

Our strategy

Measuring our strategic progress

Strategic review of the Combined Group

A detailed review of the operations of both businesses to assess how they can work most effectively and efficiently together commenced on completion of the Merger. This provided the basis for the development of an integration programme designed to minimise disruption to customers and employees while delivering the expected opportunities and benefits to the enlarged Group's stakeholders.

The Combined Group will retain extensive operations across the UK, Ireland and Spain, identifying the optimal network by removing overlap and enhancing overall scale along with greater density to align with the needs of the Combined Group's portfolio of services and its efficient delivery to customers.

This will be achieved by ensuring that vehicles are closer to customers, resulting in lower delivery and collection costs. In respect of head office and corporate functions, where overlap and duplication

does exist, following a review of the options available, activities will be consolidated and rationalised to allow for the better integration of the Combined Group.

The strategic review forms part of the **Focus** phase of the Group strategy which is expected to last until April 2021.

The Board and management, who have a proven track record of delivering on strategic initiatives, plan to evolve the strategy of the Combined Group through three phases:



1. FOCUS

Complete the integration of the two businesses alongside initiation of the delivery of the anticipated cost synergies, development of the enlarged Group's products and services, and start to leverage the platform to enable revenue growth based on the broader offering.



2. DRIVE

Complete the initiatives around the cost synergies, product and service portfolio and platform, and initiate service diversification into complementary markets alongside exploring further market and geographic growth opportunities.



3. BROADEN

Accelerate the service diversification and exploration of market and geographic growth opportunities.

SUPPORTED AND MOBILISED BY OUR STRATEGIC PILLARS

LEADERSHIP

Our strong leadership teams in each business will ensure we can achieve our strategic opportunities. Our leadership drives cultural change and will therefore help us to achieve growth.

CULTURE

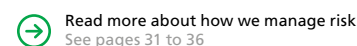
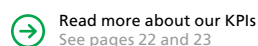
Culture is an integral part of our business and enables our people to align behind our growth strategy.

SYSTEMS

Our growth will be supported through our business infrastructure. In particular, our processes and systems are being updated to drive our business and our service offering.

SCALE

The Group has a vast service offering and, combined with a large geographical presence, this ensures we are well placed to achieve growth. We can leverage our scale to achieve our growth strategy.



The strategy presented here is for the Northgate business relating to the ten months of Northgate's trading as a stand-alone business during the financial year to 30 April 2020, prior to the Merger.

WE AIM TO USE OUR COMPETITIVE ADVANTAGE TO MAKE THE MOST OF THE CLEAR GROWTH OPPORTUNITIES WE HAVE IDENTIFIED IN ALL OUR MARKETS.

STRATEGY

WHY THIS IS IMPORTANT

WHAT WE ACHIEVED

1

FLEXIBLE RENTAL – DEFEND AND GROW SHARE

Flexible rental is Northgate's core market, and as a market leader it is important we defend it. Our network and people are set up to succeed in this market. We can win market share using the competitive advantage of our scale and our unique understanding of customer requirements.

- We have defended our position in this market, through emphasising our superior service levels and product offer, while ensuring that pricing remains competitive.
- In both Northgate UK&I and Northgate Spain, there was a decline in the flexible rental vehicles on hire primarily as a result of the effects of COVID-19.

2

MINIMUM TERM HIRE – SELECTIVELY GAIN SHARE

With a low share of a fragmented market, there is significant opportunity for us to grow, and we can serve this market with limited variations to our operating model. We offer a range of minimum term commitments with levels of service typically associated with flexible rental, these are attractive propositions to cross-sell within our existing flexible customer base. Most medium and large fleets have a requirement for both flexible and minimum term rentals. Minimum term is also the natural landing point for customers who transition from vehicle ownership to term hire. Customers no longer feel the need to own their vehicles outright and are attracted to the upfront cash flow advantage, predictable cash flows, and the potential for whole-life costs to be lower than ownership.

- We have continued to see significant share gain in this market as a result of our compelling offers, which attract customers who no longer feel the need to own their vehicles outright and allow greater flexibility for customers through the life of the contract.
- In both Northgate UK&I and Northgate Spain, we have built on the momentum generated in late FY2019 in vehicles on hire, with strong growth this year.

3

BROADEN OUR PROVISION OF CAPITAL-LIGHT FLEET SOLUTIONS

There are a number of complementary service solutions across the lifecycle of B2B vehicle rental. Expansion into these areas in an organic or inorganic way would allow Northgate to provide a comprehensive LCV rental proposition to our customers. Many of these adjacencies provide technology-led solutions to enable customers to manage all aspects of their fleet in the most efficient and cost-effective way.

- As announced in the prior year this was a strategic priority of the Group. We have successfully broadened the Group's provision of capital-light fleet solutions through the Merger with Redde.

4

OPTIMISE AND INCREASE PARTICIPATION IN THE DISPOSAL MARKET

We can make the most of our scale through our national Van Monster network in the UK & Ireland, and Northgate Occasion in Spain and thus offer customers the widest range of vehicles and service in the market. This allows us to maximise cash returns on sales of vehicles, reduce the overall holding cost of our vehicles and ensure we can invest in rental fleet.

- In the disposal markets and particularly through Van Monster, we continue to explore the opportunities that exist to make markets in used LCVs in each territory more efficient and more transparent.
- In the UK, Van Monster successfully launched a dedicated LCV Auction platform, Van Monster Remarketing, supporting all sizes of business in selling their vehicles to the motor trade.
- In both territories we have increased our retail sales penetration as a percentage of sales.

KPIs for the year under review

Key performance indicators

The Group KPIs presented here are based on the KPIs of the previous Northgate business and represent the KPIs used throughout the majority of the financial year.

→ Read more on strategy
See pages 20 and 21

→ Read more on our performance
See pages 24 and 30

→ Read more on managing risk
See pages 31 to 36

FINANCIAL

EARNINGS

Underlying PBT and EPS are key measures of profitability. They also are key remuneration metrics. Underlying PBT and EPS are stated excluding exceptional costs in order to better compare performance year on year.

RETURN ON CAPITAL EMPLOYED (ROCE)

In a capital intensive business ROCE is an important measure of performance. ROCE measures how efficiently the Group allocates capital to deliver returns to our shareholders.

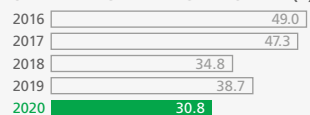
PERFORMANCE

UNDERLYING PROFIT BEFORE TAX (£M)



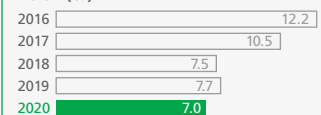
£59.0 -3.5%

UNDERLYING EARNING PER SHARE (P)



30.8p -20.6%

ROCE (%)



7.0% -70bps

TARGET

Our target is to grow the underlying PBT of the Group. The earnings profile in the coming years will be impacted by changes to depreciation rates.

Our target is to grow the underlying earnings per share of the Group. The earnings profile in the coming years will be impacted by changes to depreciation rates.

We aim to maintain ROCE above our weighted average cost of capital.

STRATEGIC LINK

Monitoring the PBT of the Group measures the success of all of our strategic objectives.

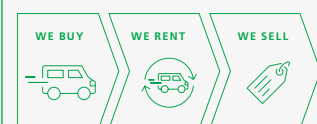
Monitoring EPS allows the Board to better plan how to allocate capital, including returns to shareholders.

Monitoring ROCE allows the Group to identify the efficiency of the business model and allocate resources to the best growth opportunities.

RISK FACTOR



BUSINESS MODEL LINK



REMUNERATION LINK

75% of executive Director annual bonus is based on PBT targets. 50% of FY2021 executive Director long term incentive awards are measured against PBT.

33% of legacy executive Director long term incentive targets are based on EPS targets. 50% of FY2021 executive Director long term incentive targets are based on EPS targets.

75% of FY2020 executive Director annual bonus was awarded subject to a minimum ROCE target being achieved. 33% of legacy executive Director long term incentive targets are based on ROCE targets.

OPERATIONAL

VEHICLES ON HIRE

Growing average vehicles on hire is critical to the success of our business. Placing vehicles on hire with customers at profitable rates is a critical driver of our earnings.

ASSET MANAGEMENT

Utilisation needs to be optimised in order to be operationally efficient but must also be balanced against the need to have fleet available to meet customer demand. Utilisation is a measure of the proportion of available fleet on hire with customers.

STAFF RETENTION

Attracting, retaining and developing the right people is key to the successful delivery of our strategy. Staff turnover is a key measure for monitoring performance in this area.

PERFORMANCE

AVERAGE VEHICLES ON HIRE (000)



93.3 +0.1

UTILISATION (%)



89% +0ppts

STAFF TURNOVER (%)



24% +0ppts

TARGET

Our target is to grow vehicles on hire at profitable margins in order to maximise sustainable returns to investors.

We aim to maintain utilisation at current levels or above.

We aim to manage staff turnover at current levels or below reflecting the impact of self help actions in Northgate UK&I.

STRATEGIC LINK

Monitoring Group vehicles on hire is critical to assessing the demand for our services and our market proposition.

Monitoring utilisation allows the Group to assess how effectively we use our fleet and manage our operational efficiency.

Monitoring staff turnover allows the Group to manage the impact our operations have on one of our key stakeholders.

RISK FACTOR



BUSINESS MODEL LINK



REMUNERATION LINK

25% of executive Director annual bonus is based on personal objectives including operational measures.

KEY TO PRINCIPAL RISK FACTORS

- 1 Economic environment
- 2 Market risk
- 3 Vehicle holding costs
- 4 The employee environment
- 5 Legal compliance
- 6 IT systems
- 7 Access to capital

Financial review

The revenues and profits across all of the business have been impacted by COVID-19. We are pleased that the actions taken have protected the business. Whilst significant uncertainties remain, we are confident that this provides a stable platform to take advantage of future growth opportunities.

PHILIP VINCENT
CHIEF FINANCIAL OFFICER

HIGHLIGHTS

- Revenue increased by 4.5% to £779.3m
- COVID-19 effected trading in March and April, impacting all metrics. Underlying EBIT, underlying PBT and underlying EPS were 1.8%, 3.5% and 20.6% lower respectively
- Continued strong cash flow with free cash flow of £21.6m (2019: £20.5m)
- Debt facilities increased in the year with headroom of £234m at 30 April 2020
- The Group acquired Redde plc on 21 February 2020 for a fair value consideration of £318.4m. Our purchase price allocation exercise identified acquired intangible assets of £186.6m with £35.5m of associated deferred tax liability and other net assets of £54.8m. This has resulted in a goodwill balance of £112.5m.
- IFRS16 leases adopted in the year leading to the recognition of lease liabilities and corresponding assets in the balance sheet of £48.5m on transition

Group summary

A summary of the Group's financial performance is as follows:

Year ended 30 April	2020 £m	2019 £m	Change £m	Change %
Revenue	779.3	745.5	33.9	4.5%
EBIT	29.9	75.5	(45.6)	(60.4%)
Profit before tax	13.5	60.4	(46.9)	(77.7%)
EPS	5.0p	38.6p	(33.6p)	(87.1%)
Underlying EBIT	74.8	76.2	(1.4)	(1.8%)
Underlying profit before tax	59.0	61.1	(2.1)	(3.5%)
Underlying EPS	30.8p	38.7p	(8.0p)	(20.6%)
Dividend per share	13.1p	18.3p	(5.2p)	(28.4%)
Free cash flow	21.6	20.5	1.1	5.5%
Underlying free cash flow	38.4	63.1	(24.8)	(39.2%)

Revenue

Group revenue increased by 4.5% to £779.3m, 4.8% at constant exchange rates.

Group revenue comprised:

Year ended 30 April	2020 £m	2019 £m	Change £m	Change %
Vehicle hire	518.2	517.6	0.5	0.1%
Vehicle sales	193.8	227.8	(34.1)	(14.9%)
Claims and services	67.4	–	67.4	n/m

Vehicle hire revenue of £518.2m was in line with the prior year but was impacted by COVID-19 in March and April.

Group vehicle sales revenue declined by 14.9% reflecting lower sales volumes, impacted during lockdown when disposal markets were closed in all territories.

Total Group revenue grew 4.5%, with the increase year on year attributable to Claims and Services income in the Redde business, following the Merger on 21 February 2020.

Underlying EBIT

Underlying Group EBIT decreased by 1.8% (1.5% at constant exchange rates) to £74.8m and is stated before exceptional costs (£41.8m).

Underlying Group EBIT comprised:

Year ended 30 April	2020 £m	2019 £m	Change £m	Change %
Group rental profit	67.6	64.3	3.2	5.0%
Group disposals profit	10.0	17.1	(7.1)	(41.4%)
Northgate businesses	77.6	81.5	(3.9)	(4.7%)
Redde operating profit	2.4	–	2.4	–
Corporate costs	(6.1)	(5.3)	(0.8)	(15.7%)
Associate income (Redde)	0.9	–	0.9	–
Total	74.8	76.2	(1.4)	(1.8%)

Group vehicle rental profit increased £3.2m reflecting improved profit margins in Northgate UK&I (+£6.5m) partly offset by a decrease in Northgate Spain (-£3.3m).

The reduction in Group disposal profit by 41.4% to £10.0m resulted primarily from fewer vehicle sales, largely as a result of the suspension of the disposal market during COVID-19 lockdown period in the final two months of the year and included a £5.4m decrease relating to the unwind of previous depreciation rate changes.

The Group EBIT in FY2020 has benefitted from £3.3m of contributions from operating profit of £2.4m and £0.9m of associate income arising from the Redde business in the period following the Merger.

Business combinations

The Company acquired Redde plc on 21 February 2020 via a share exchange at an agreed ratio resulting in total fair value consideration of £318.4m. A purchase price allocation exercise has been undertaken in order to identify and recognise intangible assets with finite useful lives amounting to £186.6m with £35.5m of associated deferred tax liability and other net assets of £54.8m resulting in goodwill of £112.5m.

The valuation methodologies used for estimating fair values of consideration and net assets acquired were based on accepted valuation techniques and intangible assets are estimated to have useful lives ranging from five to fifteen years.

Goodwill arising on acquisition has been subsequently tested for impairment at 30 April 2020 based on updated cash flow forecasts which have been prepared taking into account the expected impacts of COVID-19, and no adjustment for impairment losses was required.

Impact of IFRS 16 adoption

IFRS 16 has been adopted for the first time from 1 May 2019. The Group has recognised lease liabilities in relation to land and buildings and vehicles which would have previously been classified as 'operating leases' under the principles of IAS 17.

Adoption of this new standard on 1 May 2019 led to the recognition of 'Right-of-use' assets and corresponding Lease liabilities in the balance sheet of £48.5m. The resulting depreciation and interest costs replaced costs that would formerly have been recognised as operating lease expenses within the consolidated income statement. The adoption of the standard has resulted in an increase in depreciation costs of £7.9m and finance costs of £1.2m. Other operating expenses have decreased by £8.9m giving a net decrease in profit before tax of £0.3m and a net decrease in underlying EPS of 0.1p.

Depreciation rate changes

The accounting requirements to adjust depreciation rates due to changes in expectations of future residual values of used vehicles make it more difficult to identify the underlying profit trends in the business. When a vehicle is acquired it is recognised as a fixed asset at its cost net of any discount or rebate receivable. The cost is then depreciated evenly over its rental life, matching its pattern of usage.

Matching of future market values to net book value on the disposal date requires significant judgement for the following key reasons:

1. Used vehicle prices are subject to short term volatility which makes it challenging to estimate future residual values;
2. The exact disposal age is not known at the point at which rates are set and therefore the book value at disposal date is not certain; and
3. Mileage and condition are the key factors in influencing the market value of a vehicle. This can vary significantly through a vehicle's life depending upon how the vehicle is used.

Due to the above uncertainties, a difference normally arises between the net book value of a vehicle and its actual market value at the date of disposal. Where those differences are within an acceptable range these are adjusted against the depreciation charge in the income statement. Where these differences are outside of the acceptable range, changes are made to depreciation rate estimates to better reflect market conditions and the usage of vehicles.

In FY2020 the impact of previous rate changes is a £5.4m year on year reduction in disposal profits arising due to disposed vehicles having a higher NBV as result of the lower depreciation rates.

The impacts of previous rate changes on FY2020 operating profit, and the estimated impact on future years of the previous changes, is set out below:

Year:	Cumulative impact	Year on year impact		
	Group £m	Group £m	Northgate UK&I £m	Northgate Spain £m
30 April 2013	5.3	5.3	5.3	–
30 April 2014	4.3	(1.0)	(1.0)	–
30 April 2015	15.7	11.4	8.4	3.0
30 April 2016	12.0	(3.7)	(5.9)	2.2
30 April 2017	6.3	(5.7)	(4.1)	(1.6)
30 April 2018	2.1	(4.2)	(2.7)	(1.5)
30 April 2019	17.4	15.3	4.1	11.2
30 April 2020	12.0	(5.4)	(1.4)	(4.0)
30 April 2021*	6.6	(5.4)	(1.4)	(4.0)
30 April 2022*	1.2	(5.4)	(1.4)	(4.0)
30 April 2023*	–	(1.2)	–	(1.2)

* These are management estimates based on indicative fleet size and assuming an equalised level of defleeting in each year.

Financial review continued

Interest

Net underlying finance charges stated before exceptional finance costs of £0.6m, increased by 4.9% to £15.8m (2019: £15.1m) as a result of higher net debt. The net cash interest charge for the year was £14.5m (2019: £14.1m) as a result of higher borrowings and inclusion of HP for the first time this year. Non-cash interest was £1.3m (2019: £1.0m).

Underlying profit before tax

Underlying profit before tax was £59.0m (£59.2m at constant exchange rates), £2.1m lower than in FY2019 (2019: £61.1m).

Taxation

The Group's underlying tax charge was £11.5m (2019: £9.5m) and the underlying effective tax rate was 19% (2019: 16%). The statutory effective tax rate was 43% (2019: 15%), impacted mainly by non-deductible Merger expenses.

Earnings per share

Underlying EPS was 30.8p compared to 38.7p in the prior year. Statutory EPS was 5.0p compared to 38.6p in the prior year.

Underlying earnings for the purpose of calculating EPS were £47.5m (2019: £51.6m). The weighted average number of shares for the purposes of calculating EPS was 154.5m (2019: 133.2m).

Exceptional items

During the year the Group incurred exceptional costs of £42.3m (2019: £nil).

Intangible impairment

The Group is in dispute with the provider of certain IT and software development services in relation to the delivery of the planned development of Northgate's new IT system and has therefore paused the project. Given the uncertainty over the outcome of this dispute a decision has been made to write down the carrying values of the related assets. The Group therefore incurred exceptional costs in relation to this impairment of £14.9m (2019: £nil).

Restructuring expenses

The Group incurred total exceptional restructuring costs of £8.6m (2019: £nil), of which £4.7m arose in Northgate UK&I (2019: £nil), £1.5m in Northgate Spain (2019: £nil) and £2.4m in Corporate (2019: £nil).

Restructuring costs of £4.7m (2019: £nil) were incurred in relation to restructuring activities that were undertaken both during the year and following the acquisition of Redde plc, as part of the integration of the Combined Group. These costs primarily related to a reduction in headcount and associated redundancy and loss of office costs.

As part of the post-acquisition reorganisation, an exceptional impairment of property, plant and equipment of £1.3m (2019: £nil) and an onerous contract provision of £0.4m (2019: £nil) were incurred in relation to property.

Exceptional share based payment charges of £1.7m (2019: £nil) were incurred in relation to outstanding EPSP awards previously made to continuing employees that were forfeited following the completion of the acquisition of Redde plc.

Exceptional costs of £0.6m (2019: £nil) were incurred in relation to the closure of certain sites.

Merger expenses

The Group incurred expenses of £18.3m (2019: £nil) in executing the Merger transaction.

Refinancing expenses

The Group incurred exceptional finance costs of £0.6m (2019: £nil) in relation to debt partially extinguished as part of the refinancing of Group bank facilities.

Dividend and capital allocation

Subject to approval, the final dividend proposed of 6.8p per share (2019: 12.1p) will be paid on 3 November 2020 to shareholders on the register as at close of business on 25 September 2020.

Including the interim dividend paid of 6.3p (2019: 6.2p), the total dividend relating to the year would be 13.1p (2019: 18.3p). The dividend is covered 1.9x by underlying earnings.

The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth. Capital will be allocated within the business in accordance with the framework outlined below:

1. Dividend: appropriate dividend distribution.
2. Core business growth: organic capital investment to grow the core business at returns substantially ahead of WACC.
3. Disposal: potential disposal of non-core assets where investment returns can be maximised through sale.
4. Inorganic: bolt-on acquisitions into product or geographic adjacencies at returns substantially ahead of WACC.

The Group plans to maintain a balance sheet within a target leverage range of 1.0x to 2.0x net debt to EBITDA, and during periods of significant growth net debt would be expected to be towards the higher end of this range. This is consistent with the Group's objective of maintaining a balance sheet that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Cash flow

A summary of the Group's cash generation is as follows:

Year ended 30 April	2020 £m	2019 £m
Cash generated from operations	264.4	283.2
Net capital expenditure	(213.7)	(243.9)
Net taxation and interest payments	(24.8)	(15.7)
Net share purchases and refinancing costs	(4.9)	(3.2)
Distributions from associates	0.6	–
Free cash flow	21.6	20.5
Dividends	(24.3)	(23.4)
Net cash consumed	(2.7)	(3.0)

A total of £362.0m was invested in new vehicles compared to £403.5m in the prior year. The Group's new vehicle capital expenditure was partially funded by £156.3m generated from the sale of used vehicles (2019: £174.5m). Other net capital expenditure amounted to £7.9m (2019: £14.9m).

The cash flow generation of the Group in any year is influenced by the capital expenditure to grow the business or cash generated by adjusting the fleet size downwards if VOH reduce. If the impact of increasing or reducing the rental fleet size in the year is removed from net capital expenditure, the underlying free cash generation of the Group was as follows:

	2020 £m	2019 £m
Year ended 30 April		
Free cash flow	21.6	20.5
Add back: Growth capex	16.8	42.6
Underlying free cash flow	38.4	63.1

Net debt reconciles as follows:

	2020 £m	2019 £m
Year ended 30 April		
Opening net debt	436.9	439.3
IFRS 16 transition	48.5	–
Net debt acquired in Merger	84.1	–
Net cash consumed	2.7	3.0
Other non-cash items	1.8	0.6
Exchange differences	1.8	(6.0)
Closing net debt	575.9	436.9

Free cash inflow was £21.6m (2019: £20.5m) after net capital expenditure of £213.7m (2019: £243.9m). If the impact of growth capex in the year is removed from net capital expenditure in each year, the underlying free cash flow of the Group was £38.4m (2019: £63.1m).

Net cash consumption was £2.7m (2019: £3.0m). After the introduction of IFRS 16 lease liabilities of £48.5m (2019: £nil) and net debt acquired from Redde of £84.1m (2019: £nil), closing net debt was £575.9m (2019: £436.9m).

Borrowing facilities

As at 30 April 2020 the Group had headroom on facilities of £234m, with £477m drawn (net of available cash balances) against total committed facilities of £711m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing
UK bank facilities	610	386	224	Nov-23	2.1%
Loan notes	87	87	–	Aug-22	2.4%
Other loans	14	4	10	Nov-20	2.4%
	711	477	234		2.3%

The other loans consist of £13m of local borrowings in Spain and £0.5m of preference shares.

During the year the existing Northgate UK bank facilities were refinanced increasing those facilities by £51m. UK bank facilities of £55m were acquired from Redde on completion of the Merger.

The above drawn amounts reconcile to net debt as follows:

	Drawn £m
Borrowing facilities	477
Unamortised finance fees	(5)
Leases arising following adoption of IFRS 16	63
Leases arising under HP obligations	41
Net debt	576

The overall cost of borrowings at 30 April 2020 is 2.3% (2019: 2.5%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.35% to a maximum of 3.1%. The net debt to EBITDA ratio at 30 April 2020 corresponds to a margin of 1.85% (2019: 2%).

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 2.4% (2019: 2.6%). The split of net debt by currency is as follows:

	2020 £m	2019 £m
Year ended 30 April		
Euro	370	296
Sterling	211	143
Borrowings and lease obligations before unamortised arrangement fees	581	439
Unamortised finance fees	(5)	(2)
	576	437

There are three financial covenants under the Group's facilities as follows:

	Threshold	April 2020	Headroom	April 2019
Interest cover	3x	5.3x	£30m (EBIT)	5.3x
Loan to value	70%	48%	£243m (Net debt)	43%
Debt leverage	2.75x	1.6x	£132m (EBITDA)	1.6x

The covenant calculations have been prepared in accordance with the requirements of the facilities that they relate to.

Balance sheet

Net assets at 30 April 2020 were £871.6m (2019: £563.6m), equivalent to net assets per share of 354p (2019: 423p). Net tangible assets at 30 April 2020 were £569.8m (2019: £548.5m), equivalent to a net tangible asset value of 232p per share (2019: 412p per share).

As outlined above, on acquisition of Redde, net assets of £318.4m were recognised on the balance sheet, including £112.5m of goodwill, £186.6m other intangible assets and £19.3m of other net tangible assets.

Gearing at 30 April 2020 was 101.1% (2019: 79.6%) and ROCE was 7.0% (2019: 7.7%).

The expected impact of COVID-19 has been considered in the impairment testing of each category of assets and adjustments have been made if required.

Treasury

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

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group treasury does not engage in speculative activity and it is Group policy to avoid using more complex financial instruments.

Financial review continued

Credit risk

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit agencies. Group credit exposure for material deposits is limited to banks which maintain an A rating. Individual aggregate credit exposures are also limited accordingly.

Liquidity and funding

The Group has sufficient funding facilities to meet its normal funding requirements in the medium term as discussed above. Covenants attached to those facilities as outlined above are not restrictive to the Group's operations.

Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Operating subsidiaries are financed by a combination of retained earnings and borrowings.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure.

Interest rate management

The Group's bank facilities, other loan agreements and lease obligations incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering at least 50% of its borrowings at any time. The proportion of gross borrowings (including leases arising under HP obligations) hedged into fixed rates was 60% at 30 April 2020 (2019: 68%).

Foreign exchange risk

The Group's reporting currency is Sterling and 63% of its revenue is generated in Sterling during the year (2019: 65%). The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

The average and year end exchange rates used to translate the Group's overseas operations were as follows:

	2020 £ : €	2019 £ : €
Average	1.14	1.14
Year end	1.15	1.16

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The exchange differences arising on these borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries. At 30 April 2020 71% of Euro net assets were hedged against Euro borrowings (2019: 62%).

Going concern

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios including the impacts of COVID-19 (as detailed further in the viability statement on pages 37 and 38), the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Philip Vincent
Chief Financial Officer

GAAP RECONCILIATION

A reconciliation of GAAP to non-GAAP underlying measures is as follows:

	Group 2020 £000	Group 2019 £000
Operating profit	28,916	75,491
Income from associates	952	–
EBIT	29,868	75,491
<i>Add back:</i>		
Restructuring costs	8,609	–
Merger expenses	18,256	–
Exceptional intangible impairment	14,910	–
Certain intangible amortisation	3,178	709
Underlying EBIT	74,821	76,200
	Group 2020 £000	Group 2019 £000
Profit before tax	13,479	60,406
<i>Add back:</i>		
Restructuring costs	8,609	–
Merger expenses	18,256	–
Exceptional intangible impairment	14,910	–
Exceptional finance costs	566	–
Certain intangible amortisation	3,178	709
Underlying profit before taxation	58,998	61,115
	Group 2020 £000	Group 2019 £000
Profit for the year	7,676	51,418
<i>Add back:</i>		
Restructuring costs	8,609	–
Merger expenses	18,256	–
Exceptional intangible impairment	14,910	–
Exceptional finance costs	566	–
Certain intangible amortisation	3,178	709
Tax on exceptional items and certain intangible amortisation	(5,676)	(545)
Underlying profit for the year	47,519	51,582
Weighted average number of Ordinary shares	154,509,197	133,232,518
Underlying basic earnings per share	30.8p	38.7p

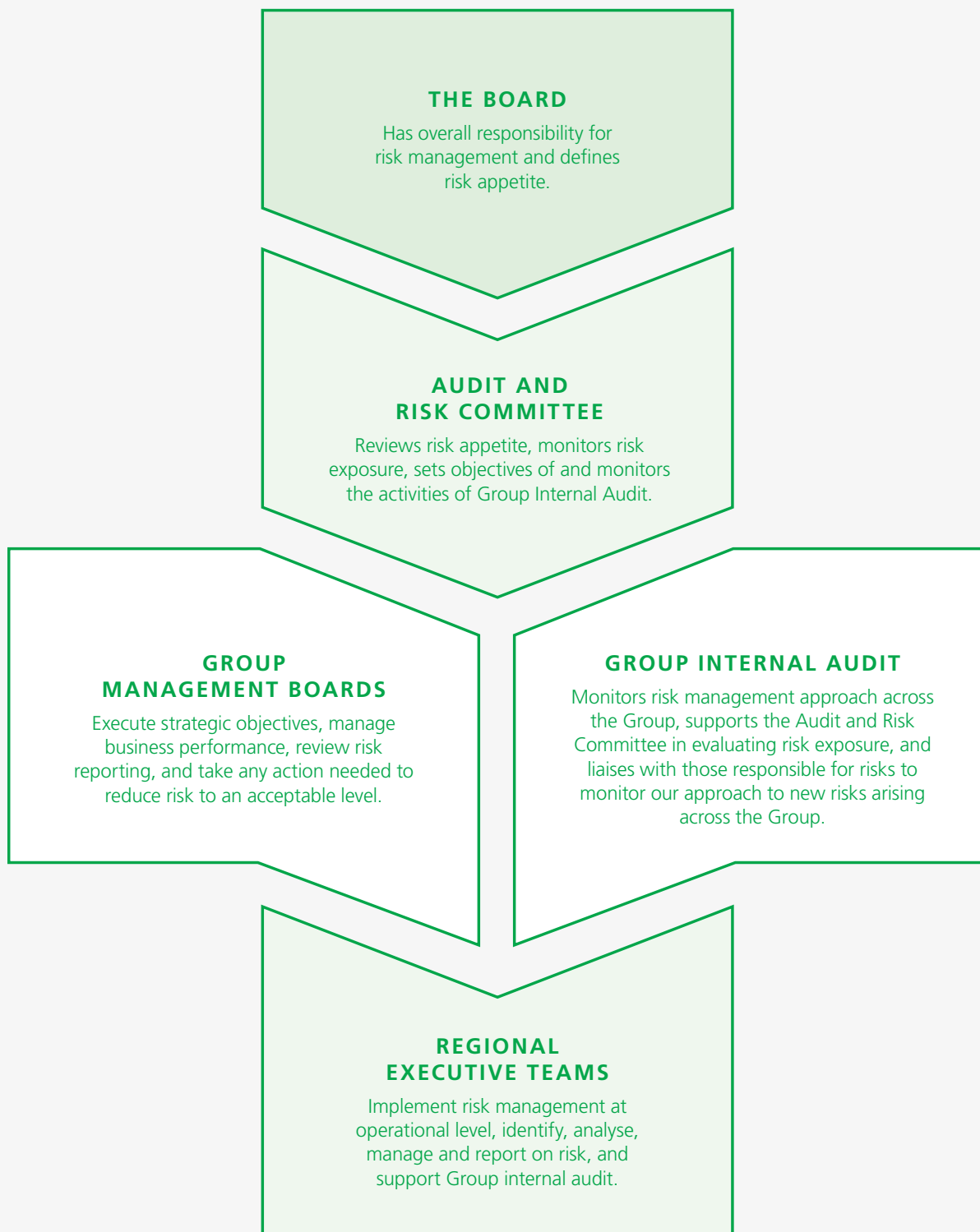
Financial review continued

	Group 2020 £000	Group 2019 £000	
Underlying EBIT	74,821	76,200	
<i>Add back:</i>			
Fleet depreciation	194,856	185,794	
Other depreciation	13,219	5,522	
Loss on disposal of assets	144	274	
Intangible amortisation (excluding certain intangible amortisation)	809	657	
Underlying EBITDA	283,849	268,447	
Net replacement capex	(196,904)	(201,304)	
Steady state cash generation	86,945	67,143	
	Northgate UK&I 2020 £000	Northgate Spain 2020 £000	Group Sub-total 2020 £000
Underlying operating profit	37,899	39,731	77,630
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the period	(6,742)	(3,297)	(10,039)
Rental profit	31,157	36,434	67,591
<i>Divided by: Revenue: hire of vehicles</i>	313,922	204,235	518,157
Rental margin	9.9%	17.8%	13.0%
	Northgate UK&I 2019 £000	Northgate Spain 2019 £000	Group Sub-total 2019 £000
Underlying operating profit	35,396	46,086	81,482
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the period	(10,762)	(6,374)	(17,136)
Rental profit	24,634	39,712	64,346
<i>Divided by: Revenue: hire of vehicles</i>	315,559	202,065	517,624
Rental margin	7.8%	19.7%	12.4%
	Group 2020 £000	Group 2019 £000	
Net increase (decrease) in cash and cash equivalents	16,746	(13,616)	
<i>Add back:</i>			
Cash acquired on acquisition	(8,036)	-	
Receipt of bank loans and other borrowings	(137,257)	-	
Repayments of bank loans and other borrowings	114,289	10,651	
Principal element of lease payments under IFRS 16	8,034	-	
Principal element of lease payments under HP obligations	3,490	-	
Net cash consumed	(2,734)	(2,965)	
Add back: dividends paid	24,333	23,431	
Free cash flow	21,599	20,466	
Add back: growth capex	16,753	42,641	
Underlying free cash flow	38,352	63,107	

Managing risk

Identifying and managing risks

There is a formal governance structure underpinning our approach to risk management. Key roles and responsibilities within the structure are as follows:



Managing risk continued

Our risk management strategy supports our ability to respond to the changing needs of our stakeholders, and the dynamics of the markets we operate in. The purpose of our risk management strategy is to identify risks which could affect us achieving our strategic objectives, and mitigate these to an acceptable level.

IDENTIFYING RISKS

The Board and the Group's management are responsible for identifying the major business risks facing the Group, and for developing systems to mitigate and manage those risks.

The Board and the Regional Executive Teams review the control of key risks at their monthly meetings.

The Group risk register comprises risks identified and owned at the business unit level by the Regional Executive Teams. Risks incorporated into the risk register are given a score and categorised as strategic, financial or operational risks. We assess the Group-wide impact and effectiveness of any mitigation by internal audit.

The Board oversees the ongoing process for identifying, evaluating and managing the significant risks the Group faces. The Board is also responsible for ensuring the process has been in place for the year under review, and up to the date of approval of this Annual Report, and that it accords with corporate governance guidance and therefore the Board has performed a robust assessment of the principal risks facing the Group.

RISK APPETITE

The Board takes a conservative view of risk, and maintains a focus on effective risk management, which flows all the way through the organisation. The culture of the organisation ensures all activities, from day-to-day operations to high level strategic decisions, are performed in line with this approach.

The Board's assessment of our principal risks is based on the perceived impact on the Group's ability to achieve its strategic objectives, and the likelihood of their occurrence taking into account controls that have been put into place to mitigate the impact.

Risk is governed in the context of the Group's overall risk appetite. The Group considers risk appetite to ensure adequate resources are allocated to the correct risks.

PRINCIPAL RISKS

Recognising that all businesses entail elements of risk, the Board maintains a policy of continuously identifying and reviewing risks that represent a threat to the existence of the business, or that may cause future Group results to differ materially from expected results. The table overleaf is an overview of the principal risks the Group faces, with corresponding controls and mitigating factors. The risks specified are not intended to represent an exhaustive list of all potential risks and uncertainties. The risk factors outlined overleaf should be considered in conjunction with the Group's system for managing risk, described above and in the Corporate Governance Report on page 50.

During the year additional principal risks have been added for COVID-19 and in relation to a principal risk in the Redde business for the recovery of contract assets. The existing principal risks have been evaluated taking into account the change to those risks following the Merger.

Although the risk environment has changed, the Group's dynamic response to risk management means we have taken appropriate mitigating action to reduce the exposure to an acceptable level.

EMERGING RISKS



In addition to the principal risks, the Board also considers what emerging risks may also impact the Group. The Group considers an emerging risk to be one that is not currently having a material impact on the business but has the potential to impact future strategy or operations. The Group's approach to managing emerging risk exposure is to:

- establish potential emerging risks, using horizon scanning techniques; published external research and peer/competitor review;
- assess these risks taking into account our industry sector and market position, and our strategy, to determine broad relevance;
- consider the potential impact of each risk on the Group's strategy, finances, operations and reputation, taking into account the likelihood of the risk occurring, and the speed with which it may manifest; and
- regularly monitor these risks and develop actions to address the risks where appropriate.

Principal risks and uncertainties

RISK	IMPACT BEFORE MITIGATION	MITIGATION
TYPE: NEW RISKS FOR 2020		
<p>COVID-19 PANDEMIC</p> <p>Europe has been severely impacted by the worldwide spread of the Coronavirus (COVID-19) infection, during the first half of 2020. The COVID-19 pandemic and ensuing Government counter measures have significantly reduced business activity across the UK, Ireland and Spain. There remains the risk of further, prolonged periods of infection and lockdowns in the UK and Europe.</p> <p>As a result the Group is likely to experience a difficult trading environment for some time.</p>	<p>The impact of the infection and the Government counter measures has suppressed business activity across the combined Redde Northgate Group. Business activity levels have been reduced with a consequent impact on profitability and cash flow. Additionally, capacity of the Group's partners, suppliers and customers has also been reduced.</p> <p>The COVID-19 pandemic has disrupted normal working practices and created an uncertain environment for employees across all Group companies.</p> <p>Failure to mitigate the risk impacts resulting from the COVID-19 pandemic could have a significant adverse effect on the Combined Group.</p>	<p>In response to the crisis the Group has devoted significant management focus and effort to minimise the impact on employees and the sustainability of our business. A range of actions have been implemented, including:</p> <ul style="list-style-type: none"> – protection of staff and customers; – enhanced management of income, expenditure and cash flows, including strict control over recruitment, capital expenditure and vehicle purchases; – business restructuring; – provision of necessary equipment, support and flexible supervision to allow employees to work effectively; – guidance and regular communications to maintain the safety and wellbeing of employees; – utilisation of the UK Government's Coronavirus Job Retention Scheme (furlough); and – development of return to work plans including office risk assessments and the implementation of procedures and physical mitigations to ensure employee safety in line with Government social distancing guidance.
<p>RECOVERY OF CONTRACT ASSETS</p> <p>The Redde business of credit hire and repair involves the provision of goods and services on credit. The Group receives payment for the goods and services it has provided after a claim has been pursued against the party at fault (and the relevant third party insurer). This can mean that the Group can endure a long period before some payments are received.</p>	<p>While a significant level of claims are subject to protocol arrangements resulting in prompt settlement of claims there is a risk that the Group will not be able to improve or maintain the pace of settlement of claims. In addition, third party insurers may seek to delay payments in an attempt to achieve more favourable settlement terms for outstanding claims or, ultimately, to force the Group and other credit hire providers out of the market.</p> <p>If the Group is unable to maintain existing settlement periods, if there are further delays in the receipt of payments or if settlement terms with insurers worsen, its business, financial condition and operating results could be adversely impacted.</p>	<p>The Group manages this risk by standardising terms (protocol agreements) where possible, ensuring that services are only provided to customers after a full risk assessment process and agreement to an appropriate contract. In addition, any payment delays are monitored and appropriate action taken to facilitate prompt settlement.</p>

Managing risk continued

RISK	IMPACT BEFORE MITIGATION	MITIGATION	EVALUATION
TYPE: STRATEGIC			
<p>ECONOMIC ENVIRONMENT</p> <p>The demand for our products and services could be affected by a downturn in economic activity in the countries the Group operates in and activity in these countries could also be adversely affected by the UK's decision to leave the EU.</p> <p>The COVID-19 pandemic has reduced business activity levels across the UK, Spain and Ireland. This inevitably has, and will continue to have, an impact on business activity of the Combined Group.</p> <p>The COVID-19 pandemic has also impacted on the pace of negotiations with the EU over a trade deal. This increases the chance of further economic uncertainty, including the terms of trade and currency fluctuations.</p>	<p>Adverse changes in economic conditions could result in declines and changes in the business activity of customers and partners generally but also changes to driving patterns, vehicle usage and ownership which could result in fewer miles driven and lower numbers of accidents and therefore reduced credit hire business and credit repair volumes.</p> <p>An adverse change in macro-economic conditions could also increase the risk of customer, or referral partner, disruption/failure and therefore increase the incidences of bad debts.</p>	<p>Flexibility is ingrained in the Group's business model and allows any vehicles returned to be placed with different customers. Alternatively, the Group can generate cash and reduce debt by reducing vehicle purchases and increasing disposals.</p> <p>The Group's current hedging arrangements protect it from material foreign exchange risks on retranslation of results. Transactional foreign exchange exposure is minimised though sourcing supplies in the same currency as the revenue is generated.</p> <p>The impact of the UK's decision to leave the EU is still uncertain. However, there have been no material impacts on the Group to date.</p>	
<p>MARKET RISK</p> <p>The markets in which the Group operates are fragmented, with relatively low barriers to entry, meaning that price competition is high. In the face of aggressive competitor pricing or a new large scale market entrant there is the risk that the Group could fail to attract and retain customers or suffer the loss of a major existing customer. Similarly, significant increases in the commission rates paid to our referral partners in the Redde business would adversely affect the Group's business and operating results.</p> <p>There is also a risk that demand for our products could materially diminish if we fail to respond to other behavioural, structural or technological changes in our markets.</p>	<p>The loss of a major customer account or increased competitor pressures would negatively impact the Group's revenues, margins and/or market share. Without any adjustment to pricing, service or the cost base, this will result in lower returns.</p>	<p>The Merger has brought together a comprehensive suite of mobility and automotive services and will create a leading integrated platform spanning the vehicle lifecycle across supply, service, maintenance, repair, recovery, accident management and disposal. This will in turn allow further value accretive services to be overlaid to deliver greater value for customers and for the Group.</p> <p>The Group monitors its competitive position closely in order to provide its customers with the best overall solution to their requirements, taking into account commercial considerations. This is underpinned by a commitment to high quality service, together with regular monitoring and feedback of actual performance against customers' expectations. We maintain contracts and long term relationships with all our referral partners.</p> <p>Our rental pricing is based on target levels of return, with discount authority levels allowing flexibility to ensure we remain competitive. We have continued to invest in marketing to ensure we clearly communicate the value proposition underpinning our pricing.</p>	



Evaluation is defined as management's assessment of whether the risk factor has:



Read more on our performance
See pages 24 to 30



Read more on our business model
See pages 18 to 19

RISK	IMPACT BEFORE MITIGATION	MITIGATION	EVALUATION
TYPE: OPERATIONAL			
<p>VEHICLE HOLDING COSTS</p> <p>The cost to the Group of holding vehicles for hire is dependent upon a number of factors, including the availability and cost of vehicle finance, the purchase price and the level of discounts available from dealers and manufacturers and the expected residual value at the date of disposal. The Group's profitability, in part, depends upon the management of these factors and the overall minimisation of vehicle holding costs.</p> <p>Government strategy and policies on vehicle emissions, including the move away from diesel and petrol vehicles towards electric and other more sustainable vehicles, is likely to influence vehicle purchase and disposal values, including changes to tax write down allowances.</p> <p>Further, if trade talks with the EU are delayed or the transition phase extended it is possible that the UK will trade on World Trade Organisation terms, including the imposition of vehicle tariffs.</p>	<p>An increase in holding costs, if not recovered through hire rate increases or operational efficiencies, would adversely affect profitability, shareholder returns and cash generation.</p>	<p>Pricing is negotiated with manufacturers annually in advance of purchase commitments. We manage the number and mix of suppliers and model variants, to optimise buying terms. The Group's fleet management systems enable its businesses to manage the utilisation of its vehicles effectively, balancing the cost of holding vehicles while meeting our commitment to customer service. Risk is further mitigated by managing interest rate risk through the use of fixed interest rate arrangements and interest hedging where appropriate.</p> <p>Vehicle holding periods are reviewed continuously, to ensure we make disposals at the optimal time in a vehicle's lifecycle, so that we can recycle capital efficiently. Although the Group is exposed to fluctuations in the used vehicle market, we aim to optimise the sales route for each vehicle. Should the market experience a short term decline in residual values, we can age our existing van fleet until the market improves.</p>	
<p>THE EMPLOYEE ENVIRONMENT</p> <p>A positive and supportive working environment is the foundation of the Group's continued success. Inadequate maintenance of this working environment or the failure to retain, develop and motivate the right talent could slow down the achievement of our objectives, including the successful integration of the recently merged firms.</p> <p>The COVID-19 pandemic has disrupted normal working practices and created an uncertain environment for employees both within the Group and more generally across the UK.</p>	<p>Failure to invest in our workforce, and high levels of staff turnover, will affect both customer service and achieving the Group's strategic objectives.</p>	<p>We benchmark benefits and compensation to the market and provide a range of incentives and benefits to attract and retain managers and staff. Performance is reviewed on a regular basis and from this personal development plans and tailored training are developed as required.</p> <p>Regular communication and engagement with everyone across the business is vital to our success. More recently this has involved specific guidance and regular communications in relation to both the COVID-19 pandemic and the Merger, to help maintain the wellbeing of all staff and promote a safe and productive working environment.</p>	

Managing risk continued

Evaluation is defined as management's assessment of whether the risk factor has:



Read more on our performance
See pages 24 to 30



Read more on our business model
See pages 18 to 19

RISK	IMPACT BEFORE MITIGATION	MITIGATION	EVALUATION
<p>LEGAL AND COMPLIANCE</p> <p>In addition to general laws and regulations, certain activities and arrangements within the Group are directly regulated. The Group seeks to conduct its business in compliance with all applicable laws and regulations. However there remains a residual risk that the Group has not complied fully with all requirements.</p> <p>Historical legal cases relating to the provision of credit hire and related services, in the Redde businesses, have provided a precedent framework which has remained broadly stable for several years. Legal challenges or changes in legislation could undermine this framework with consequences for the markets in which the Group operates.</p>	<p>If our systems to monitor and ensure compliance are inadequate then the Group could be exposed to fines and penalties. Failure to comply with laws and regulations would put the reputation of the business at risk, adversely impacting our ability to attract customers and maintain productive and sustainable relationships with our partners and suppliers.</p> <p>Changes to the legislation underlying one or more of the Group's core markets could impact revenue and profitability, particularly within the credit hire and legal businesses of the Group.</p>	<p>Complying with laws and regulations is ultimately the responsibility of the Board. Group Internal Audit and Risk helps monitor and reports any non-compliance to the Board.</p> <p>The Group maintains a legal function and management of compliance is delegated appropriately to the relevant business unit leaders, supported by compliance teams. These teams operate a number of controls including:</p> <ul style="list-style-type: none"> – horizon scanning and monitoring of legal and regulatory developments; – policies and procedures and compliance monitoring programmes; – training in relation to relevant legislation, regulatory responsibilities and Company policies and procedures; and – reputable external advisors are retained where necessary. 	
<p>IT SYSTEMS</p> <p>The Group's business is dependent on the safe and efficient processing of a large number of complex transactions and interactions. The effective performance and availability of core IT and telecommunication systems is therefore central to the operation of the business. All IT systems are generally at risk from inadequate or failed processes, systems or infrastructure and from error, fraud or cyber-crime.</p>	<p>Failure of existing systems, or a lack of development in new systems, could result in a loss of commercial agility and or harm the efficiency and continuity of our operations.</p> <p>Incorrectly handling of data, or unsuccessfully defending against data theft, cyber-attacks and the like, would cause significant reputational harm and affect relationships with all stakeholders negatively.</p>	<p>The Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled. Preventative controls and back-up and recovery procedures are in place for key systems. Changes to Group systems are considered as part of a wider Group business change management process and implemented in phases where possible.</p> <p>Information security and data protection controls are operated to ensure that data is held securely, in compliance with appropriate regulations and is adequately protected from cyber-attacks or other unauthorised access.</p>	
TYPE: FINANCIAL			
<p>ACCESS TO CAPITAL</p> <p>Parts of the Group operate a capital-intensive business model and this needs access to sufficient capital to maintain and grow the fleet. As such, an inefficient capital cycle, or failure to access credit, represents a significant risk to achieving the strategy and continuation of the business. In light of the COVID-19 pandemic access to adequate liquidity has become increasingly important.</p>	<p>Failure to maintain or extend access to credit and fleet finance facilities could affect the Group's ability to achieve its strategic objectives or continue as a going concern.</p>	<p>The Group recently refinanced its facilities resulting in additional liquidity and an extended term and the Group believes these facilities provide adequate resources for present requirements.</p> <p>We anticipate that the Combined Group will have a strong financial profile with a diversified revenue mix, an attractive margin profile and improved cash flow characteristics.</p> <p>The Group reports on debt covenants twice a year and monitors cash flow forecasts continually, to ensure it complies with covenants and there is headroom in the facilities. The impact of access to capital on the Group's viability is considered in the viability statement on pages 37 and 38.</p>	

Viability statement

Assessment of prospects

The Merger has allowed the Group to further increase the service offering and widen our customer base.

The Northgate business continues to maintain its position as a market leader in its core market of flexible commercial vehicle hire and has distinct competitive advantages in the minimum term rental and used vehicle sales markets. The Redde business is a leading provider of incident and accident management, legal and other mobility-related services. The integration of both business will deliver cost synergies and provide a platform for new revenue opportunities as the commercial proposition matures. The Combined Group is well established within the markets it operates and has demonstrated resilience through previous economic cycles.

The Group's prospects are assessed through its strategic planning process. This process includes an annual review of the ongoing strategic plan, led by the CEO, together with the involvement of business functions in all territories. The Board engages closely with executive management throughout this process and challenges delivery of the strategic plan during regular Board meetings. Part of the Board's role is to challenge the plan to ensure it is robust and makes due consideration of the appropriate external environment.

Impact of COVID-19

The COVID-19 pandemic and ensuing government counter measures have significantly reduced business activity across all areas of the Group, impacting trading in the final two months of the year ended 30 April 2020 and in the commencement of FY2021. A decrease in revenue has resulted from a reduction in vehicles on hire, temporary closure of vehicle sales operations within the rental side of the Group and a lower volume of accidents and incidents handled through the insurance claims and services side of the Group. The impact on revenue included actions to support customers through this period was mitigated through cost actions, resulting in a net impact of £7m in underlying profit before tax for the year ended 30 April 2020.

In the first four months of FY2021, most of the key operational performance indicators have recovered or substantially improved,

including a reduction in customer support packages, increases in vehicles on hire, the re-opening of vehicle sales operations and an increase in volumes of accidents and incidents managed through the Redde business.

Significant actions were also taken by management in order to conserve cash and manage the liquidity of the Group throughout this period. This included but was not limited to deferral of capital expenditure and re-negotiation of certain payment terms with creditors. Overall, this resulted in an increase of headroom against committed facilities of £34m from £200m at 29 February 2020 to £234m at 30 April 2020. Headroom against related debt covenants also remained adequate as outlined on page 27 which included £30m EBIT headroom against the interest cover covenant. Cash continued to be closely managed into FY2021 with headroom on committed facilities increasing by a further £57m to £291m as at 31 August 2020. This demonstrates the resilience of the Group's balance sheet and business model, and its ability to preserve liquidity throughout periods of uncertainty.

The three year strategic plan (the Plan), has been updated, taking into account the impact of COVID-19 experienced to date and the expected impact throughout FY2021, with detailed financial forecasts also prepared for the three year period to 30 April 2023. The first year of the financial forecast forms the Group's operating budget which has therefore been risk adjusted for COVID-19 and will be continuously reviewed throughout the financial year. Subsequent years are forecast from the base year, based on historical experience and expected measures within the overall strategic plan.

Assessment of viability

The Directors have assessed the viability of the Group over a three year period to 30 April 2023, taking into account the Group's current position and a robust assessment of the potential impact of the principal risks documented in the Strategic Report. Based upon this assessment the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2023.

The three year period was selected as this represents the normal investment cycle of the Group. With the exception of some minimum term rental contracts,

there is fixed period over which revenue is contracted, in line with the flexibility offered to customers. Within the rental business, vehicles are held for up to five years with an average holding period of three years. Within the insurance claims and services business there is no fixed investment cycle. The viability of the business is underpinned by its commercial relationships with insurance partners. Commercial terms are continuously reviewed with insurance partners, with three years representing an average review cycle of material terms. The three year period used for assessing viability is therefore aligned to how capital is employed in the business, the maturity of key commercial relationships and therefore, how returns on investment are reviewed.

The strategy and associated principal risks underpin the Group's three year strategic planning process, which is updated annually. This process considers the current and prospective macro-economic conditions in the countries in which we operate and the competitive tension that exists within the markets that we trade in.

The Plan also encompasses the projected cash flows, dividend cover assuming operation of stated policy at the time of the Merger and headroom against borrowing facilities and financial covenants under the Group's existing facilities and the reasonable expectation of similar facilities being replaced if required throughout the planned period. The Plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required. Headroom against the Group's existing facilities at 30 April 2020 was £234m as detailed on page 27. This compares to headroom of £165m at 30 April 2019 including a £51m increase in banking facilities that was agreed in September 2019. The Group's updated principal banking facility has a maturity date of November 2023 which covers the period under review. The loan notes of £87m mature in August 2022 and for the purposes of the viability assessment, are assumed to be renewed on similar terms. Taking this into account, the Group's facilities provide sufficient headroom to fund the capital expenditure and working capital requirements during the planned period.

Viability statement continued

A key part of business is providing customers with vehicles on a non-contract basis which allows them to flex their vehicle requirements as their business needs change. This is core to the proposition we offer. However, it does mean that there is less certainty over the future revenue streams of the Group over a longer period of time. The Directors have therefore made assumptions on future revenue generation in the context of current market conditions (as adjusted for COVID-19) and the future prospects across the Group.

As outlined above, the Plan was risk adjusted for impact of COVID-19 experienced to date and the expected impact on subsequent trading. The Plan was separately stress tested for the potential impact of a COVID-19 "second wave" during 2020 and 2021. The scenario assumed a similar impact as observed in the "first wave" including the revenue impact of a reduction in vehicles on hire, second closure of vehicle sales operations, and similar reduction in the volume of insurance related accident and repair claims handled. Cost were assumed to be mitigated to the extent that they are directly related to revenue, with an assumption being made that there would be no further reduction in the indirect cost base of the Group and no further government support schemes would be available to access. Capital expenditure was only deferred to the extent of the reduction in demand and the working capital impact was assumed to be similar to that experienced in the first wave without taking further action to re-arrange payment terms with creditors. After taking into account all of the above variables, sufficient headroom remained against available debt facilities and the covenants attached to those facilities, therefore whilst COVID-19 will continue to have a significant impact on the trading performance of the Group, it does not create a material uncertainty on the Group's ability to continue as a going concern or viable business.



The Combined Group
is well established
within the markets
it operates and
has demonstrated
resilience
through previous
economic cycles



In addition to the continuance of COVID-19 government restrictions, the Directors have further considered the resilience of the Group, considering its current position and the principal risks facing the business. The Plan was stress tested for severe but reasonable scenarios over the planned period as follows:

- reduction in vehicles on hire with rental customers;
- reduction in pricing of rental hire rates;
- increase in the purchase cost of vehicles and other operating expenses not passed on to customers;
- reduction in the residual value of used vehicles;
- significant volume reduction in insurance claims and services revenue, either in aggregate through lower demand or through ending the commercial relationship with a key insurance partner;
- slow down in the time taken to settle outstanding claims with insurers; and
- failure to integrate the combined business as planned, and therefore not fully deliver Merger synergies.

The above scenarios, took into account the effectiveness of mitigating actions that would be reasonably taken, such as reducing variable costs that are directly related to revenue, but did not take into account further management actions that would likely be taken, such as a change to the indirect cost base of the Group or a reduction in capital expenditure and ageing out of the vehicle fleet, both of which would generate cash and reduce debt.

After taking into account the above sensitivities and reasonable mitigating actions sufficient headroom remained against available debt facilities and the covenants attached to those the Directors have a reasonable expectation that the Group will continue to be meet its obligations as they fall due and continue to be viable due over the period to 30 April 2023.

Stakeholder engagement

A focused, responsible business

Redde Northgate is a responsible business and we are focused on working for the success of all our stakeholders. Stakeholder engagement is a key priority for the Board, which is determined to make sure the interests and views of stakeholders are always considered in its decision making.

NORTHGATE STAKEHOLDERS



CUSTOMERS

Including vehicle rental and sales



SUPPLIERS

Including OEMs



CUSTOMERS AND PARTNERS

Including motor insurers and brokers, motoring organisations (e.g. car dealerships, motor manufacturers, leasing companies and repair centres) and owners and operators of large fleets

HOW WE LISTEN AND ENGAGE

Northgate aims to be to the first choice for customers' vehicle needs, enabling them to enjoy the full value of their relationship with the business.

We build long term customer relationships by providing unrivalled levels of service and an offering which is unmatched in its flexibility.

Northgate currently supports approximately 14,900 customers, with 93,300 vehicles on hire.

Customers receive a personal service, with dedicated relationship managers for our larger customers.

We collect regular customer feedback through surveys and consumer research which is fed back to our customer services and business development teams. The Board also makes regular visits to our operating sites across the UK, Ireland and Spain throughout the financial year.

In the run up to and following the Merger with Redde, great care was taken to ensure we maintained our high levels of service and stayed in close touch with customers.

During the COVID-19 pandemic we offered rental customers increased flexibility to support them through difficult times. Our COVID-19 package of support, assessed on an individual basis, has helped many customers retain rental vehicles on terms that meet their needs during this period of uncertainty.

Northgate recognises that maintaining strong and open relationships with suppliers is integral to our success.

These relationships contribute to Northgate's competitive advantage. They not only enable us to execute our strategy efficiently, but also help suppliers plan their business, managing cash flow and production. Vehicle pricing is negotiated annually with an open dialogue maintained with suppliers throughout the year.

We also engage actively with suppliers to make sure they fully comply with our code of conduct for suppliers and partners, which includes provisions on human rights and environmental standards.

As a large stakeholder in the motor claims market, Redde has good relationships with many insurers. We work hard to make those relationships strong, while ensuring a robust collection process.

The agreements we have in place with many of these referrers govern the flow of hire and repair cases and the terms and commissions on which they are introduced and processed. The focus is on developing long term relationships with partners, secured with appropriate formal contracts.

As with Northgate, care was taken to ensure that high service levels and regular communication were maintained in the lead up to and following the Merger.

During the COVID-19 crisis, a number of additional schemes to support our customers and partners were introduced. This included deploying cars to support a replacement vehicle scheme for the NHS and key workers launched by a long-standing insurer partner.

Stakeholder engagement continued

THE GROUP'S STAKEHOLDERS



EMPLOYEES



COMMUNITIES AND THE ENVIRONMENT



INVESTORS AND LENDERS

HOW WE LISTEN AND ENGAGE

For further information on the Group's people during the financial year, see our employee engagement section on page 41

For further information, see our environment section on page 43

For further information on shareholder engagement, see Governance page 50

The Group attaches great importance to the skills and experience of the existing management and employees of the Combined Group and believes that they will benefit from greater opportunities as part of the enlarged business.

The Board has worked hard to ensure effective communication with all employees in the run up to and following the Merger and is committed to the careful consideration of employees in its strategic review described on pages 20 and 21.

The Workforce Advisory Panel remains in place and has played an important role in internal communications around the Merger. The Redde Northgate Board intends to expand the existing panel to include Redde employees and is including a review of its structure, function and impact as part of the strategic review described on pages 20 and 21. Further information on the Workforce Advisory Panel is provided on page 41.

During the COVID-19 pandemic the Board has increased its communications programme to support all employees, keeping employees up to date with the ever changing landscape.

As COVID-19 will be part of our working and personal lives for some time to come, an online learning course has been created, for all staff to complete, for understanding of the controls in place to ensure that our workplaces stay COVID-19 secure for both employees and customers.

The Group values the communities in which it operates, and its aim is for its business activities to have a positive impact on them. As well as supporting local businesses with their fleets, it employs over 5,400 people across its combined operations.

The Group will continue to promote green technology and initiatives to protect our environment, as well as being a contributor to the economies it operates in. We continue to seek to reduce the environmental impact of our business. We are reviewing our ESG positioning and enhancing and formalising our strategy for the future. In FY2020 our carbon emission intensity ratio reduced to 18.1 (2019: 19.1).

The Group continues to encourage employees to support charities that are close to their hearts. All charitable activity is promoted through ongoing internal communications.

This year, the business in the UK & Ireland worked with a number of community and charity initiatives. With so much passion and engagement this year regarding the issues and challenges discussed on World Mental Health Day across our offices and network, Northgate in the UK marked this with a corporate donation to mental health charity Mind, building on other developments like Mental Health Champions in our employee health and wellbeing offering.

As part of our continual focus on charitable activity, we were also delighted to launch a payroll giving option enabling staff members to nominate any registered charity (including local schools and churches) to benefit from a donation direct from their pay. This is another step forward for 'Fuel for the Heart', focused on enabling caring interventions and behaviours.

Our Spanish business worked with a number of community and charity initiatives over the year. This included continuing to work the EXIT Foundation on the Coach Project that promotes employment opportunities among young people and working with the University of Nebrija to support the faculty of Languages and Education.

More recently the business has collaborated with the Spanish Red Cross, providing it with vehicles through our network to give support to its logistic and food and medicines distribution in order to palliate the COVID-19 effects.

As a business listed on the London Stock Exchange, the Group provides investors with regular updates so they can make informed investment decisions.

The Group encourages two-way communication with financial analysts, shareholders and lenders, to ensure it is allocated capital efficiently at a rate which enables it to provide returns to shareholders.

The Group's investor relations team engages directly with investors through a mixture of communication channels, to ensure prompt and effective communication. In particular, twice a year, at the time of announcing the Group's half and full year results, they are invited to briefings given by the CEO and CFO.

Employee engagement focus

Our people and culture

The Group's people and culture

The people employed by the Group are integral to the success of the business. During the year we continued to support and encourage them to grow and develop personally while creating value for our customers. This is a focus for us from day one. On joining, all employees receive an induction that equips them with the knowledge and skills to maximise performance and progress their careers.

Creating the right culture is vital, enabling our employees to play their part in achieving our growth strategy. Strong leadership teams in each of our businesses drive the culture and make sure we achieve our growth ambitions. But attracting, retaining and developing the right people is key to the successful delivery of that strategy. Staff turnover is a key measure for monitoring performance in this area, with Group staff retention for the year ended 30 April 2020 at 24%.

All UK based employees are eligible to participate on an equal basis in the Group's share save scheme which is explained further in the Remuneration Report on page 74.

Keeping people informed

Employees are kept informed on matters affecting their working lives and the performance of the Group through CEO briefing updates, announcements on the Group's intranet, formal and informal meetings at local level and direct written communications.

Communications during the COVID-19 pandemic

Our response to the COVID-19 pandemic illustrates how the Group's employee engagement process work and the speed at which we are able to communicate and interact with employees so that the Board and the wider business can understand and respond directly to the needs of our people.

Our early actions focused on ensuring health and safety was safeguarded and that employees received the support they needed. We made sure that remote working capabilities for our critical functions were tested and fully operational as government restrictions came into force, backed by a clear internal communications plan.

The Group's employee intranet included an information portal to help employees adopt COVID-19 based practices.

Regular emails were sent to all staff from senior management, led by the CEO, to make sure information was shared across the business in a timely fashion, so that all employees knew the actions being taken, the critical work being done by the Group in response to the pandemic and giving employees the opportunity to raise questions and concerns directly with senior management.

Policies and practices

The Group has detailed employment policies in place that are appropriate to business and its employees. Across the Group, we aim to have a motivated team of people that will meet the expectations of our customers, improve our business and be rewarded for their commitment.

It is the Group's policy that all people should be treated fairly and with respect.

We value, and have a policy of, equality of opportunity, regardless of disability, gender, sexual orientation, religion, belief, age, nationality, race or ethnic origin. It is Group policy to fully consider employment applications from people with disabilities. Where existing employees become affected by a disability, and where practicable, our Group policy is to provide continuing employment under normal terms and conditions including equal access to training, career development opportunities and promotion.

Consultation and engagement

Our employment policies give our people and managers the guidance they need to create and maintain a positive culture. We measure the effectiveness of our employment policies in a number of ways. These include employee engagement surveys which help us understand how our people feel about key issues such as diversity, reward, training and development and health and safety. The Group continues to improve the workplace environment, communications, training and development, and rewards and benefits. We also monitor staff turnover and investigate the reasons for any unusual trends.

The Group is committed to employee participation and we use a variety of methods to inform, consult and involve employees. Employees participate directly in the success of the business through the Group's bonus and other remuneration schemes and are encouraged to invest in our share schemes.

Employee concerns in confidence

The Board has established a confidential telephone service, operated by an independent external organisation, which may be used by all staff to report any issues of concern relating to dishonesty or malpractice within the Group. All issues reported are investigated by senior management and Group Internal Audit, as appropriate.

The Workforce Advisory Panel

In 2018 a Workforce Advisory Panel (WAP) was established to consider and keep under review the Group's purpose, values, culture and strategy. The Panel facilitates effective engagement between the Group Board and the workforce (including contractors and agency workers) and allows the Board to take account of the views of employees in its discussions and decision making.

The WAP considers and discusses the views of people at all levels of seniority in the workforce, irrespective of whether those levels of seniority are represented by a Panel member. The WAP holds in-depth discussions around the strategy of the business and how well it is understood, and has begun to explore culture. The goal is to review the end-to-end employee experience and provide the Board with the sort of insights that will allow us to make the Group a better place to work.

During the year, the WAP met four times and worked to deliver the first Group engagement survey and related actions. The results of the survey highlighted strengths in a number of areas including perceived respect, teamwork and cooperation, translating the Group's vision into day-to-day work, and adopting values.

The survey highlighted some areas needing further development including support and collaboration, and strategy and direction. Actions have since been taken in response. For example, we have introduced a new and more regular approach to internal communications.

In future, the WAP will continue to focus on those areas of improvement highlighted in the survey.

Employee engagement focus continued

Health, safety and environment

Our approach to health and safety is simple: to ensure no harm comes to anyone working with the Group or to those who may be affected by our business activities. As an employer we believe we should mitigate health, safety and environment risks within our control to an acceptable level while working closely with our employees so that they understand and embrace our standards and policies.

Our 'Safe and sound' programme creates a culture of openness and awareness, allowing all colleagues to raise concerns about working practices and conditions and engage positively in this important

area. We provide regular training to employees, most of which is carried out by our Health, Safety & Environment (HSE) team.

The team reviewed the performance of health, safety and environment management systems at all Northgate locations across the UK, Ireland and Spain during the year to monitor compliance with Group policy and, where necessary, to identify improvements.

Along with annual health, safety and environmental audits carried out by the HSE team, we measure health and safety performance across the business using an Accident Frequency Rate. This is calculated as the number of lost time incidents, multiplied by 200,000, divided by the number of hours worked. These figures were as follows:

	2020	2019	2018
UK & Ireland	1.6	1.3	1.8
Spain	2.9	3.1	3.7
Group	2.2	2.0	2.6

Our people

The composition of the Group's workforce at 30 April is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
UK & Ireland	2,523	1,477	4,000	1,361	625	1,986
Spain	808	406	1,214	778	410	1,188
Total	3,331	1,883	5,214	2,139	1,035	3,174

The gender split at a senior management level is as follows:

	2020			2019		
	Male	Female	Total	Male	Female	Total
Directors	7	1	8	4	2	6
Senior managers	28	6	34	15	4	19

Equality and human rights

The Group is committed to equality and considers applicants without prejudice, judging applications for employment on merit with no bias based on race, nationality, gender, age, disability, sexual orientation or politics. Redde Northgate communicates its ethical standards to employees through the Group's Code of Business Conduct. This covers bribery, competition, conflicts of interest, inside information, confidentiality, gifts and entertainment, discrimination, harassment and fair dealing with customers and suppliers. In addition, the Group's

whistleblowing policy and procedure means every employee can have a voice and a way of drawing concerns to the Group's attention. Information on equality, including a statement of compliance with the Modern Slavery Act, is contained on the Company's website.

Disabled employees

Applications for employment by disabled persons are given full consideration, taking into account the aptitudes of the applicant concerned. Every effort is made to try to ensure that employees who become disabled whilst already employed are able to continue in employment by

making reasonable adjustments in the workplace, arranging appropriate training or providing suitable alternative employment. It is Group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees.

The Group's equal opportunity policy is available on the Company's website: www.reddenorthgate.com

Environmental focus

Northgate and the environment

Northgate and the environment

The activities we undertake do have a wider impact on the environment. The main measures we use to assess our environmental impact are energy consumption and greenhouse gas emissions.

Energy & Carbon Reporting

This section incorporates the new requirements for reporting greenhouse gas emissions, energy consumption and energy efficiency actions included in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 (the Regulations). The Regulations build on the Mandatory Carbon Reporting requirements of the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, applied in prior years.

Reporting and baseline year

We have aligned our reporting and fiscal years, so the information presented covers the period from 1 May 2019 to 30 April 2020, with the year ended 30 April 2014 forming the baseline data for subsequent periods.

Consolidation approach and organisational boundary

We have derived the emissions data presented using the operational control approach, required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

We have included each facility under operational control within the figures excluding Redde facilities given the proximity of the Merger to the financial year end. Emissions data relating to Redde will be consolidated into the Group reported results from FY2021 onwards. The Group has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1.

Methodology

We have used Defra's current conversion factors in arriving at the information supplied below:

Greenhouse gas emissions source	Tonnes of CO ₂ e 2020	Tonnes of CO ₂ e 2019	Tonnes of CO ₂ e 2018	Tonnes of CO ₂ e 2014
Scope 1 – Combustion of fuel and operation of facilities	6,446	6,793	7,210	5,980
Scope 2 – Electricity, heat, steam and cooling	2,957	3,094	3,581	4,348
Intensity ratio: Tonnes of CO ₂ e per £m of revenue	18.1	19.1	22.9	23.4
Global (excluding UK) emissions	4,408	4,585		
UK emissions	4,995	5,302		
	kWh 2020			
Energy consumption				
Combustion of fuel	9,284,467			
Operation of facilities	18,860,867			
Electricity, heat, steam and cooling	11,566,906			
Global (excluding UK) consumption	18,492,290			
UK consumption	21,219,950			

An independent, UKAS-accredited, third party assessor has verified the above data.

Energy efficiency

We recognise our responsibility to help customers manage their businesses in a sustainable way. We work with our suppliers to offer customers fleets of the most modern vehicles, achieving the highest standards on exhaust emissions.

During the year the UK business underwent an assessment in accordance with the Energy Saving Opportunity Scheme (ESOS). Based on some of the findings from ESOS we have taken further mitigating actions to limit our impacts on the environment. The actions from the ESOS are shared and discussed with our businesses in Ireland and Spain and adopted there, where feasible. We are also continually looking at methods and technology to help mitigate and improve our environmental impacts further.

Non-financial information statement

REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	RISK MANAGEMENT AND ADDITIONAL INFORMATION
ENVIRONMENT	<ul style="list-style-type: none"> – Environmental statement – Health and safety policy 	Health, Safety and Environment page 42 Stakeholders page 40 Energy and carbon reporting page 43
EMPLOYEES	<ul style="list-style-type: none"> – Equal opportunities policy – Diversity policy 	Stakeholders page 40 Our people and culture pages 41 and 42 Employee numbers by gender page 42 Disabled employees page 42 Diversity policy and Board diversity policy page 51 CEO's remuneration compared to employees page 72 Gender pay gap report published on the Company's website
HUMAN RIGHTS	<ul style="list-style-type: none"> – Data protection policy – Whistleblowing policy – IT and Information security policy 	Equality and human rights page 42 Stakeholders pages 39 and 40 Whistleblowing page 42
ANTI-CORRUPTION AND ANTI-BRIBERY	<ul style="list-style-type: none"> – Anti-corruption policy – Audit services policy 	Non-audit services page 55
SOCIAL MATTERS		Stakeholders pages 39 and 40
POLICY EMBEDDING, DUE DILIGENCE AND OUTCOMES		Governance framework and structure pages 46 to 48 Board activity during the year pages 46, 50 and 51 Report of the Audit and Risk Committee page 53
PRINCIPAL RISKS AND IMPACT ON BUSINESS ACTIVITY		Managing risks pages 31 to 36 Principal risks and uncertainties pages 33 to 36
DESCRIPTION OF BUSINESS MODEL		Our business model pages 18 and 19 Combined Group strategy pages 8 and 9 Our strategy pages 20 and 21
NON-FINANCIAL KEY PERFORMANCE INDICATORS		Operational highlights page 1 Key performance indicators page 23

Section 172 statement

In accordance with their duty to do so under Section 172(1) of the Companies Act 2006, the Board, individually and collectively, have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

The key principal decisions of the Board during the year have been approval of the Merger and the formation of the new Board. The rationale for the Merger and creating a leading integrated mobility solutions platform is included on pages 2 to 5. The Board changes and formation of the new Group Board are documented on page 46.

Given that the chief focus of activity for the Board during the period under review was the Merger of the two businesses, the Board believes that an analysis of the Merger discussions, and the principal decisions made in relation to it, provides an appropriate and effective illustration of the ways in which the Board approached and met its s172(1) duties.

Making long term decisions

The Board identified that the UK mobility and automotive services sector is a structurally attractive yet highly fragmented market with opportunities to remove inefficiencies that would enhance the customer proposition and unlock value for shareholders. In recommending the Merger to shareholders and highlighting cost and revenue synergies, careful consideration was given to the long term implications both in terms of creating shareholder value and in terms of the employees and other stakeholders of both businesses. Following the Merger, the Board looks forward to providing more detail around the long term strategic plans for the Combined Group as part of its strategic review.

Having regard to employees' interests

The Board attaches great importance to the skills and experience of the existing management and employees of the Group and believes that they will benefit from greater opportunities within the Combined Group. In its consideration of the Merger, Northgate assessed Redde's employee terms and provided confirmation prior to the Merger that it intended to safeguard fully the existing statutory and contractual employment and pension rights of the Redde employees and management and to make no material changes to the conditions of employment or change to the balance of skills and functions of employees across

Redde. The same commitment applied to the employees and management of Northgate. A detailed review of how best to integrate the two businesses is currently underway, looking at ways to generate cost savings in the Combined Group through business, operational and administrative restructuring. Its aim is to retain the best talent and the Board is committed to consulting, as appropriate, with relevant employees, employee representatives and other stakeholders before any proposals are finalised.

Fostering business relationships

Given the complementary nature of Northgate and Redde in terms of their respective propositions to customers and the nature of customers that each business addresses, careful consideration of the potential impact of the Merger on customers led the Board to conclude that there will be limited impact from the Merger on customers and employees, in particular in the short term. The review of the operations is currently underway, looking at how the two businesses can work most effectively and efficiently together. It will consider the current operating and organisational structures of both businesses and provide the basis for the development of an integration programme designed to minimise disruption to customers, partners and employees while delivering the expected opportunities and benefits of the Merger for the Combined Group's stakeholders.

Impact on community and environment

The Health, Safety & Environment team reviewed the performance of health, safety and environment management systems at all locations across the Group during the year, and where necessary identified improvements, or monitored compliance with Group policy. The findings of these reviews were relevant to the Merger discussions with Redde, with Northgate able to emphasise its strong commitment to the environment on two important counts. The first is in relation to its employees, where Northgate provides regular training in health, safety and the environment to employees, as well as carrying out regular special events highlighting certain topics throughout the year. The second is in relation to the low carbon economy where Northgate is progressively aligning its fleet policy with market demands, to be at the forefront of bringing electric and zero emission vehicles into the market and working with original equipment

manufacturers to ensure it has as full an allocation as possible of these vehicle types for customers.

Maintaining high standards of business conduct

As part of the Merger discussions, the Board agreed to move quickly, following the Merger, to combine the existing businesses and create a Combined Group which harnesses the assets, best practices and skilled teams of both companies, backed by an effective governance model to support and challenge its management and to make sure that the interests of all stakeholders are considered. The Board is committed to operating the Combined Group in a responsible manner, operating with high standards of business conduct and good governance.

Acting fairly between members

In planning the Merger, careful consideration was given by the Board in relation to the fair and equal treatment of all shareholders of their respective businesses. The approval by shareholders on both sides (as well as the required regulatory approvals) can be taken as evidence of the support members gave to the Merger proposal and the expected opportunities and benefits it brings for the Combined Group's stakeholders.

Further information on the Board's principal activities can be found in the Governance section on page 46, which is relevant to the Board and their respective fulfilment of their duties under Section 172(1).

The Strategic Report was approved by the Board on 16 September 2020 and signed on its behalf by:

Martin Ward
Chief Executive Officer

Chairman's introduction to governance

Dear shareholder,

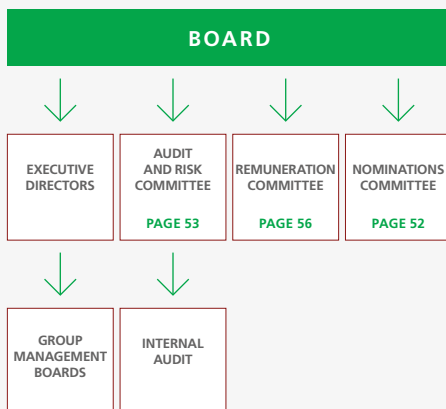
On behalf of the Board, I am pleased to present our Corporate Governance Report for 2020.

AVRIL PALMER-BAUNACK
CHAIRMAN

2020 KEY ACTIVITIES

- Appointment of a new Chairman
- Successful Merger with Redde
- Appointment of a new CEO
- Formation of the Board following the Merger

RISK MANAGEMENT



The Board remains committed to maintaining effective corporate governance and integrity so that we can promote the long term sustainable success of the Group, generating value for shareholders and contributing to wider society.

The successful Merger of Redde and Northgate to form Redde Northgate plc, has, understandably, been our main area of governance focus during the year. Details of the Merger and the enhanced proposition and strategic priorities of the enlarged Group are included on pages 2 to 5.

Board changes

As announced in last year's Annual Report, the Board was searching for a permanent replacement in the role of Chairman. I was delighted to accept the position and joined the Board in August 2019.

Kevin Bradshaw stepped down as CEO in November 2019 and following the completion of the Merger in February 2020, the CEO of Redde plc, Martin Ward was appointed as CEO of the group.

Jill Caseberry stepped down from the Board as a Non-executive Director in September 2019.

In September 2019, Mark Butcher joined the Board as a Non-executive Director and John Pattullo, who joined the Board as a Non-executive Director in January 2019, took up the position of Senior Independent Non-executive Director in September 2019.

Composition of the Board has been modified following the Merger to ensure that it is made up of people with the appropriate mix of skills and experience across the widened scope of activity addressed by the Combined Group.

Previous directors of Redde plc John Davies and Mark McCafferty joined the Board, with Bill Spencer, Claire Miles and Fernando Cogollos stepping down as Non-executive Directors in March 2020. John Davies was appointed as Chair of the Remuneration Committee and Mark Butcher was appointed as Chair of the Audit and Risk Committee.

The new Board brings together a range of skills and experience with great depth of knowledge and understanding in the sectors that we operate and will provide valued insight to steer the future direction and success of the Group.

Board evaluation

This has been an unprecedented year for the Group, with the formation of an enlarged Group, the consequential reorganisation of the Board as well as the unprecedented challenge of responding to the COVID-19 pandemic. Against this backdrop, the Board concluded that it was impractical to perform a detailed evaluation of the Board at this time. An internal board evaluation was conducted in the prior year and an external evaluation took place in 2018, with recommendations from those reviews being subsequently implemented.

Compliance with the Code

The revised UK Corporate Governance Code (2018 Version) (the Code) came into effect in the year. The Board considers that it has complied with the provisions of the Code throughout the year, with the exception of the requirements in relation to the independence of Directors as detailed on page 50. Details demonstrating how the main principles and relevant provisions of the Code have been applied can be found throughout the Corporate Governance Report, the Directors' Report, each of the Board Committee reports and the Strategic report.

I am confident that the corporate governance structure of the Board provides an appropriate forum to develop, adapt and implement the enlarged Group's strategy and to address future challenges and opportunities as they arise.

Avril Palmer-Baunack
Chairman

16 September 2020

Introduction to governance

Responsibilities of individuals charged with governance

INDIVIDUAL	ROLE
CHAIRMAN	Oversees Board responsibilities
CEO	Developing and executing the strategic plan and managing risk
SENIOR INDEPENDENT DIRECTOR	Oversees governance procedures
NON-EXECUTIVE DIRECTOR	Carries out Board responsibilities
COMPANY SECRETARY	Facilitates effective operation of Board and Board Committees

Board and Committee responsibilities

BOARD	KEY FOCUS
<p>THE BOARD HAS OVERALL RESPONSIBILITY FOR:</p> <ul style="list-style-type: none"> – monitoring progress against the strategy of the Group and ensuring long term success for the benefit of all stakeholders; – ensuring that adequate resources are available so that strategic objectives may be achieved through the annual planning process and ongoing monitoring; – ensuring that the Group’s internal control systems (both financial and operational) are fit for purpose and operating as they should be; – reporting to and maintaining relationships with stakeholders; – compliance with laws and regulations and good corporate governance; – dividend policy; – treasury policy; – insurance policy; – major capital expenditure; – acquisitions and disposals; – Board structure; and – remuneration policy. 	<p>Focus on ensuring optimal integration across the enlarged Group and achievement of synergies.</p> <p>Focus on embedding new vision and values throughout the Group.</p> <p>Ensuring execution of Group strategy by executive team. Monitoring progress against strategic objectives.</p>
<p>EXECUTIVE DIRECTORS</p> <p>EXECUTIVE DIRECTORS ARE RESPONSIBLE FOR:</p> <ul style="list-style-type: none"> – ensuring the Group strategy is executed effectively via the Executive Committee; – monitoring Group performance; – managing the Group’s financial affairs; and – implementing the system of internal control. 	<p>Overseeing the integration of the business post Merger</p> <p>Developing and delivering a strategic plan for the Combined Group.</p>

Introduction to governance continued

Board and Committee responsibilities

GROUP MANAGEMENT BOARDS

THE GROUP MANAGEMENT BOARDS ARE RESPONSIBLE FOR:

- executing Group strategy and policies;
- considering operational business issues;
- reviewing risk reporting and taking necessary actions; and
- managing business performance.

KEY FOCUS

Delivery of the strategic plan

The Group Management Boards are focused on the operational delivery of the strategic plan, implementing the strategy and developing strategic opportunities to enhance the business.

AUDIT AND RISK COMMITTEE

THE AUDIT AND RISK COMMITTEE IS RESPONSIBLE FOR:

- monitoring the integrity of financial reporting and reviewing the Group's risk management systems on behalf of the Board, including reviewing the work of Group Internal Audit;
- overseeing the statutory audit process;
- monitoring quality of the audit process and resultant findings;
- recommending appointments to the Board;
- monitoring independence and objectivity, including monitoring auditor rotation and developing policy on non-audit services provided;
- approving auditor remuneration and terms of engagement; and
- overseeing the audit tender process, if applicable.

KEY FOCUS

Risk management

Support the Board through the Merger and the transition process as the new enlarged business embeds the Group's governance framework, financial reporting, risks and internal controls.

REMUNERATION COMMITTEE

THE REMUNERATION COMMITTEE IS RESPONSIBLE FOR:

- assessing, reviewing and agreeing with the Board the remuneration policy for the Board and senior management excluding the Non-executive Directors;
- assessing and reviewing the remuneration policy and benefit structure for Group employees; and
- monitoring the share incentive plans including participation and exceptional circumstances and amending the design of the plans in line with best practice.

KEY FOCUS

Remuneration policy

Implemented changes in remuneration and aligned management incentive plans with long term value creation objectives of the Group.

NOMINATIONS COMMITTEE

THE NOMINATIONS COMMITTEE IS RESPONSIBLE FOR:

- reviewing the structure, size, skills and experience of the Board and making recommendations regarding any changes;
- considering succession planning for Directors and other senior executives; and
- making recommendations to the Board for candidates to fill Board vacancies when they arise, normally using the services of professional consultants in the search.

KEY FOCUS

Board changes

Appointment of new Group Chairman.

Recommended and approved changes to the Board on completion of the Merger.

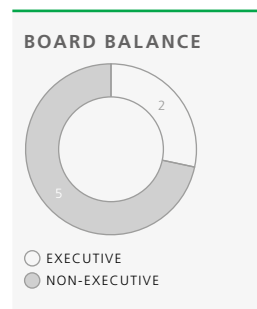
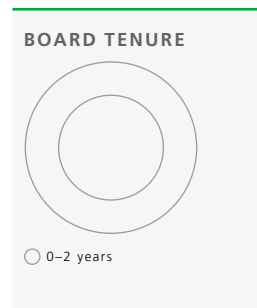
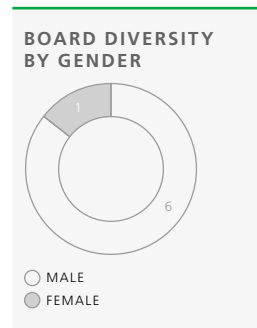
Reviewing succession plans for the consolidated Board to ensure the Board can operate effectively and add value to the Group.

The full terms of reference of the Audit and Risk, Remuneration and Nominations Committees can be found on the Group's corporate website.

Board of Directors

<p>AVRIL PALMER-BAUNACK CHAIRMAN</p> <p>(N) (R)</p>	<p>MARTIN WARD CHIEF EXECUTIVE OFFICER</p>	<p>PHILIP VINCENT CHIEF FINANCIAL OFFICER</p>	<p>JOHN PATTULLO OBE SENIOR INDEPENDENT DIRECTOR</p> <p>(A) (R) (N)</p>
<p>JOINED BOARD: AUGUST 2019</p>	<p>JOINED BOARD: FEBRUARY 2020</p>	<p>JOINED BOARD: JULY 2018</p>	<p>JOINED BOARD: JANUARY 2019</p>
<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Extensive automotive industry experience – Experienced Chairman and business leader – Business turnaround and growth strategies 	<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Experienced CEO – Extensive industry experience – Business transformation 	<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Chartered accountant – Commercial finance – International business 	<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Supply chain and logistics – Experienced CEO – International business
<p>KEY EXTERNAL APPOINTMENTS</p> <p>BCA Marketplace Executive Chairman</p> <p>Safe Harbour Holdings plc Non-executive Chairman</p>	<p>KEY EXTERNAL APPOINTMENTS</p> <p>N/A</p>	<p>KEY EXTERNAL APPOINTMENTS</p> <p>N/A</p>	<p>KEY EXTERNAL APPOINTMENTS</p> <p>V Group Ltd Chairman</p>

<p>JOHN DAVIES NON-EXECUTIVE DIRECTOR</p> <p>(R) (A) (N)</p>	<p>MARK BUTCHER NON-EXECUTIVE DIRECTOR</p> <p>(A)</p>	<p>MARK MCCAFFERTY NON-EXECUTIVE DIRECTOR</p>	<p>NICK TILLEY COMPANY SECRETARY</p> <p>(A) (R) (N)</p>
<p>JOINED BOARD: FEBRUARY 2020</p>	<p>JOINED BOARD: SEPTEMBER 2019</p>	<p>JOINED BOARD: FEBRUARY 2020</p>	<p>APPOINTED AS COMPANY SECRETARY: MAY 2020</p>
<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Commercial finance – Extensive sector experience – Considerable public company experience 	<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Considerable public company experience – Corporate finance – International Business 	<p>SKILLS AND EXPERIENCE</p> <ul style="list-style-type: none"> – Extensive sector management and commercial experience – International business – Considerable public company experience 	
<p>KEY EXTERNAL APPOINTMENTS</p> <p>Mpac Group plc Non-executive Director</p> <p>Local Car and Van Rental Limited Director</p>	<p>KEY EXTERNAL APPOINTMENTS</p> <p>AssetCo plc Non-executive Director</p> <p>National Milk Records plc Non-executive Director</p>	<p>KEY EXTERNAL APPOINTMENTS</p> <p>CVC Capital Partners Adviser</p> <p>Warwickshire CCC Senior Independent Director</p>	



- Chairman of committee
- Audit and Risk committee
- Remuneration committee
- Nominations committee
- Member of committee
- Secretary of committee

Corporate governance

We recognise the vital role that good governance plays in delivering the best outcomes for all stakeholders in the business.

UK premium listed companies are required by the FCA (the designated UK Listing Authority), to include a statement in their annual accounts on compliance with the principles of good corporate governance and code of best practice. The UK Corporate Governance Code was updated in July 2018 and applies to accounting periods beginning on or after 1 January 2019. The provisions of the Code applicable to listed companies are divided into five parts, as set out below:

1 Board leadership and Company purpose

The Board's ultimate objective is the long-term sustainable success of the Group. The Board assesses the basis on which the Company generates and preserves value over the long term. Opportunities and risks to the future success of the business have been considered and addressed, contributing to the delivery of the Group's strategy. Information on this can be seen throughout this Corporate Governance Report, the Directors' Report, each of the Board Committee reports and the Strategic report.

Section 172

The Board is committed in its duties in relation to Section 172 of the Companies Act, to promote the success of the Company. The Board seeks to understand the views of the Company's key stakeholders and how their interests and the matters set out in Section 172 are considered in Board discussions and decision making. A description on how the Board has evidenced this is included in the Section 172 statement on page 45.

Shareholder engagement

Redde Northgate engages actively with analysts and investors and is open and transparent in its communications. The Board is updated regularly on the views of shareholders through briefings and reports from those who have interacted with shareholders, including the Directors and the Company's brokers.

The Redde Northgate investor relations team engages directly with investors through a variety of communication channels, to ensure prompt and effective communication. In particular, twice a year, at the time of announcing the Company's half and full year results, they are invited to briefings given by the CEO and CFO.

The Group's results and other news releases are published via the London Stock Exchange's Regulatory News Service. In addition, these news releases are published in the Investor Relations section of the Group's website at www.reddenorthgate.com. Shareholders and other interested parties can subscribe to receive these news updates by email by registering online via the website.

2 Division of responsibilities

The business is managed by the Board of Directors, currently comprising two executive and five Non-executive Directors. You can find more information about the members of the Board on page 49. The offices of the Chairman and CEO are separate. An overview of the leadership of the Group, including the responsibilities and activities of each component, is outlined on pages 47 and 48.

Information and communication

The Chairman ensures that all Directors are appropriately briefed so that they can discharge their duties effectively. Management accounts are prepared and submitted to the Board monthly. Before each Board meeting appropriate documentation on all items to be discussed is circulated. The Company Secretary is available to the Non-executive Directors and can facilitate Board training events whenever required. The Non-executive Directors meet without the executive Directors present and the Senior Independent Director leads the evaluation of the Chairman.

Each reporting segment of the Group prepares monthly management accounts which include a comparison against their individual business plans and prior year performance. Management reviews any variance from targeted performance levels. These commentaries are consolidated and submitted to the Board. Year-to-date actuals are used to guide forecasts, which are updated regularly and communicated to the Board.

Independence

Pursuant to those provisions of the Companies Act 2006 relating to conflicts of interest and in accordance with the authority contained in the Company's Articles of Association, the Board has put in place procedures to deal with the notification, authorisation, recording and monitoring of Directors' conflicts of interest and these procedures have operated

effectively throughout the year and to the date of signing of this report and accounts.

Following the Merger, Mark McCafferty joined the Group Board. He has completed nine years' service on the Redde Board which is highlighted in provision 11 of the Code as a matter that is relevant to the Board's determination of his independence. However, the Board remains of the opinion that Mark continues to be independent of character and judgement notwithstanding his long service within the Redde business and the enlarged Group Board will benefit from Mark's counsel and knowledge through the Merger and integration process.

During the year the Board also appointed Fernando Cogollos and Stephen Oakley as Non-executive Directors, both of whom were previously senior management in the Northgate and Redde businesses respectively, and therefore were not classed as independent. The Board noted on their appointment that their knowledge and experience would greatly benefit the Board. However, due to consolidation of the Combined Group's Board Fernando stepped down from the Board in March 2020. Due to his untimely death in May 2020, Stephen Oakley is no longer part of the Board.

The Company is committed to good governance, however, acknowledges that the Board has not complied with the requirement for at least half of the Board (excluding the Chairman) to be independent non-executive directors, in accordance with provision 11 of the Code. However, the Board believes that in the context of the Merger, the need to re-configure the Board and to retain the experience this was the right course of action.

3 Composition, succession and evaluation

The Nominations Committee report (page 52) sets out its activities during the year, including information on succession planning, diversity and inclusion. The changes to the Board in the year have been overseen by our Nominations Committee, which has ensured that the Board maintains the right mix of skills and experience. The Directors have sufficient time to execute their duties.

Board evaluation

The Code requires that an external evaluation of the Board's performance is carried out at least every three years. In 2018, the Board engaged Lintstock, a third party advisory firm that specialises in

Board performance reviews, to undertake a formal and rigorous evaluation of its performance. A further internal evaluation of the Board was performed in 2019.

As a result of the timing of the Merger, and subsequent Board consolidation in March 2020, the Board concluded that an external review prior to the financial year end would not be practical. It, therefore, intends to commission such a review in future and at the most appropriate time. During the current year the Directors have reviewed the effectiveness of the Board as a whole and its committees, and has considered the results of the prior year assessments, concluding that overall, the Board and its committees continue to operate in an effective and constructive way.

Diversity

The Board has considered the recommendations of the Davies Review and the Hampton-Alexander Review into women on Boards in the light of the provisions of the Code, with which we are compliant, and in the light of our own existing policies and procedures. The Board has also considered the findings of the Parker Review on ethnic diversity on Boards and has a clear responsibility to promote diversity throughout the business and talent pipeline.

The Board recognises the benefits of diversity at all levels of the business and to reinforce its commitment to equality, the Board has endorsed an Equal Opportunities Policy, which can be found on our website: www.reddenorthgate.com.

While the overriding criteria we use to make Board appointments will always be based on individual merit and our need to encourage an appropriate balance of skills, experience and knowledge on the Board at all times, we only use executive search firms that have committed to the Voluntary Code of Conduct on gender diversity.

At the same time the Board recognises that developing a pool of suitably qualified candidates may take time to achieve, particularly given the nature of its business. The Board, therefore, does not believe it is appropriate to set prescriptive targets at this time.

At 30 April 2020 14% of Board members, 18% of the senior management team and 36% of all employees were female (2019: 33% of Board members, 21% of the senior management team and 33% of all employees).

Attendance

Directors' attendance at Board and Committee meetings during the year is detailed as follows:

No. of meetings	Board 13	Audit and Risk 4	Remuneration 6	Nominations 3
Avril Palmer-Baunack ¹	11 of 11	3 (by invitation)	4 of 4	–
Bill Spencer ²	11 of 11	3 of 3	6 of 6	3 of 3
Claire Miles ²	11 of 11	3 of 3	6 of 6	3 of 3
Jill Caseberry ³	3 of 3	2 of 2	3 of 3	3 of 3
John Pattullo ⁸	12 of 13	4 of 4	6 of 6	3 of 3
Mark Butcher ⁴	10 of 10	2 of 2	3 of 3	–
Fernando Cogollos ^{4,2}	8 of 8	1 of 1	3 of 3	–
Kevin Bradshaw ⁵	6 of 6	2 (by invitation)	2 (by invitation)	3 (by invitation)
Philip Vincent	13 of 13	4 (by invitation)	2 (by invitation)	3 (by invitation)
Martin Ward ⁶	2 of 2	1 (by invitation)	–	–
Steve Oakley ⁷	2 of 2	1 (by invitation)	–	–
John Davies ⁷	2 of 2	1 of 1	–	–
Mark McCafferty ⁷	2 of 2	1 (by invitation)	–	–

1. Appointed to the Board 12 August 2019.

2. Left the Board on 20 March 2020.

3. Left the Board on 24 September 2019.

4. Appointed to the Board 24 September 2019.

5. Left the Board on 29 November 2019.

6. Appointed as CEO on 21 February 2020.

7. Appointed to the Board 21 February 2020.

8. Absence due to prior commitments and short meeting notice.

All Directors in office at that time were present at the AGM held on 23 September 2019.

The external auditor and the Head of Group Internal Audit attended all Audit and Risk Committee meetings.

4 Audit, risk and internal control

The Audit and Risk Committee report (pages 53 to 55) describes the work of the Committee and how it discharges its roles and responsibilities.

The Board is accountable for the Group's success and dealing with the challenges it faces. The Board reviews the results, risks and opportunities facing the Group. The Audit and Risk Committee play a key part in this work, monitoring and evaluating the Group's processes and internal controls and providing a crucial layer of independent oversight over our key activities.

The Group's rigorous systems of risk management and internal control ensure that our businesses operate within risk appetite levels approved by the Board. These are set out in the Managing Risk report on pages 31.

Internal control

Although no system of internal controls can provide absolute assurance against material misstatement or loss, the Group's own system is designed to provide the Directors with reasonable assurance that, should any problems occur, these are identified on a

timely basis and dealt with appropriately. Confirmation that the Board has performed an assessment of the risk management and internal control systems of the Group, as required by the Code, is contained in the Managing Risk report on pages 31 to 36.

5 Remuneration

The Remuneration Committee report (pages 56 to 77) describes the work of the Committee during the year. It sets out how executive remuneration is aligned to the Company's purpose, values and strategy. It also shows how workforce remuneration and related policies have been considered in its decision making regarding executive remuneration.

Compliance with the Code

The Group has complied with the provisions of the Code throughout the year, with the exception of provision 11 of the Code, for at least half of the Board to be independent, as explained above.

Nick Tilley
Company Secretary
16 September 2020

Report of the Nominations Committee

Committee focus during FY2020

Dear shareholder,

I am pleased to present the Nominations Committee's report for the year ended 30 April 2020.

AVRIL PALMER-BAUNACK
COMMITTEE CHAIRMAN

COMMITTEE MEMBERSHIP

The members of the Committee are shown in the table below. Details of their experience and qualifications are shown on page 49:

NUMBER OF MEETINGS

3

– Bill Spencer ¹	3 of 3
– Claire Miles ¹	3 of 3
– Jill Caseberry ²	3 of 3
– John Pattullo	3 of 3
– Avril Palmer-Baunack ³	–
– John Davies ⁴	–
– Steve Oakley ⁴	–

1. Left the Board on 20 March 2020.
2. Left the Board on 24 September 2019.
3. Appointed to the Board 12 August 2019.
4. Appointed to the Board 21 February 2020.

During the year, the Committee has made the following appointments:

- Chairman – Avril Palmer-Baunack (August 2020)
- Independent Non-exec Directors – Mark Butcher (September 2019), Steve Oakley, Mark McCafferty and John Davies (February 2020)

Committee purpose

The Nominations Committee assists the Board in reviewing the structure, size, skills and experience of the Board. It is also responsible for reviewing succession plans for Group directors, including the Chairman and the Chief Executive Officer and other senior executives.

Operation of the Nominations Committee

The Nominations Committee keeps the overall structure, size and composition of the Board under continuous review, and is responsible for evaluating the balance of skills, knowledge and experience of the Board and its committees. Where appropriate, the Committee will suggest adjustments to achieve that balance. For any proposed appointment, the Committee will prepare a description of the role and the attributes required in the candidates, which will include a job specification and an estimate of the time commitment expected.

When seeking to appoint a new non-executive director, the Nominations Committee compiles a shortlist taking account of known candidates and candidates suggested by the Group's advisers and/or appointed recruitment consultants. The appointments process takes account of the benefits of diversity of the Board, including gender diversity, and, in identifying suitable candidates, the Committee considers candidates from a range of backgrounds.

Board succession planning

The Committee recognises that maintaining the right mix of skills and experience on the Board is crucial to the ongoing success of the new enlarged Group. A key function of the Committee is to ensure that there is an effective succession process in place so that changes to the Board can be managed effectively.

There were a number of changes to the Board during the year as we brought together the new consolidated Redde Northgate Board. The Committee considers that the appointments and succession planning undertaken have contributed to a further strengthening of the Board and that the appointments made in the year ensure that the Board maintains the right level of skills and expertise to continue the good governance of the Group.

Diversity and inclusion

The Board recognises the benefits of diversity. Having a diverse and inclusive leadership team means that we can draw on a range of perspectives and insights to support good decision making. At the date of this report, 14% of the Board are female. The Board remains committed to ensuring diversity is embedded not only in the Board, but throughout the entire Group.

FY2021 priorities

In FY2021 the Committee intends to continue reviewing succession plans for the consolidated Board to make sure it can operate effectively and add value to the Group.

Avril Palmer-Baunack
Chairman

16 September 2020

Report of the Audit and Risk Committee

Ensuring integrity of financial reporting

Dear shareholder,

I am pleased to present my first Audit and Risk Committee (the Committee) Report as Chairman for 2020.

MARK BUTCHER
COMMITTEE CHAIRMAN

COMMITTEE MEMBERSHIP

Members of the Audit and Risk Committee are shown below.

NUMBER OF MEETINGS

4

– Mark Butcher ¹	2 of 2
– Bill Spencer ²	3 of 3
– Claire Miles ²	3 of 3
– Jill Caseberry ³	2 of 2
– John Pattullo	4 of 4
– Fernando Cogollos ^{1,2}	1 of 1
– John Davies ⁴	1 of 1

1. Appointed to the Board 24 September 2019.
2. Left the Board on 20 March 2020.
3. Left the Board 24 September 2019.
4. Appointed to the Board 21 February 2020.

The report explains the important role the Committee plays in the Group's governance framework by supporting the Board in assessing the integrity of the Company's financial reporting and the adequacy and effectiveness of the Company's management of risk and internal controls.

The Committee has continued to follow a detailed programme of work and has been provided with necessary information and access to management to allow it to carry out its designated role and responsibilities effectively.

The report sets out details on the workings of the Committee, the work done during the year and the key issues considered in the preparation of the financial statements and the related information, judgements and assurance received.

Key focus

A key focus of the Committee in the year under review has been to support the Board through the Merger process, assessing its impact on the Group's risk management framework and processes, as well as the financial reporting implications. The main area of Committee focus was the assessment of the fair value of the acquired assets and liabilities including separately identifying intangible assets acquired. The Committee challenged management estimates and assumptions and concluded that the fair values assigned to the balance sheet acquired were reasonable and appropriate.

A continued key accounting issue considered during the year was the review of and challenge to the depreciation rates for our vehicles. This is an area where significant judgement is required, and the Committee is satisfied with the rigour applied to this issue. After due consideration and challenge, the Committee accepted management's conclusion that the current depreciation rates were reasonable and appropriate, and no changes were recommended.

A new area of focus for the Committee for this year is in relation to the recoverability claims due from insurance companies and self-insuring organisations. Again, this involves significant judgement due to the uncertainty of final claim settlements. The Committee reviewed a paper setting out managements' assessment of the expected net claim values both at the date of the Merger and at 30 April 2020. The Committee challenged the underlying assumptions and significant areas of judgement and was satisfied with these assessments.

As required under IAS 36, assets are tested for impairment on an annual basis. Given the impacts of COVID-19, as well as the increase in the carrying value of goodwill assets as a result of the Merger, the level of judgement in this area has increased. The Board reviewed

a management paper that concluded no impairment to goodwill is required and the Committee challenged the assumptions made in forming that opinion.

A new accounting standard, IFRS 16, has been implemented during the current year for the first time. The Committee reviewed a management paper on the Group's application of the standard, setting out the practical expedients applied and the overall impacts on the Group. The Committee was satisfied that the Group's application of the standard was appropriate.

The Committee reviewed and recommended that the Board approve the Group's published tax strategy (available on our website) and believes this demonstrates the Group's commitment to tax transparency and its stated desire to pay the right amount of tax.

The Committee has provided the Board with a strong degree of assurance that both the principal and emerging risks which could adversely affect the delivery of the Group's strategy, or impact negatively on its financial performance or business operations, are being identified and managed appropriately.

Looking forward

In FY2021 the Committee will continue to support the Board through the Merger and any further acquisitions and subsequent transition process as the new enlarged business embeds the Group's governance framework, financial reporting systems, risk management processes and internal controls.

I hope that you find the report informative and believe, as I do, that it demonstrates how we have discharged our responsibilities under the Code to monitor the effectiveness of the Group's financial reporting, internal control systems and risk management.

Mark Butcher
Committee Chairman
16 September 2020

Report of the Audit and Risk Committee continued

Role

The role of the Audit and Risk Committee is set out on page 48.

Membership

The members of the Committee are shown in the table on page 53. Details of their experience and qualifications are shown on page 49.

The Code requires that at least one member of the Committee should have recent and relevant financial experience. Currently, the Chairman of the Committee fulfils this requirement. All members of the Committee are expected to be financially literate. Relevant information on the skills and experience of our Board members is outlined on page 49.

Meetings

The Committee is required to meet at least three times a year. Details of attendance at meetings held in the year ended 30 April 2020 are given on page 51.

Due to the cyclical nature of its agenda, which is linked to events in the Group's financial calendar, the Committee generally meets four times a year. The other directors, together with the Group Head of Internal Audit and the external auditor, are normally invited to attend all meetings.

Activity

Since May 2019, the Committee has:

- reviewed the financial statements for the years ended 30 April 2019 and 2020 and the half yearly report issued in December 2019. As part of this review process, the Committee received reports from PwC;
- reviewed and agreed the scope of the audit work to be undertaken by PwC and agreed their fees;
- reviewed the effectiveness of the Group's system of internal controls;
- received regular reports from the Group Head of Internal Audit;
- reviewed the progress made by management in implementing the control improvements recommended by Group Internal Audit;
- reviewed the effectiveness of external audit;

- reviewed a management paper on the implementation of IFRS 16;
- reviewed and confirmed endorsement of the Group's non-audit fee policy. Separately, the Committee reviewed and approved the fees in relation to the Merger and ensured that the level of non-audit work undertaken by PwC was appropriate and in line with the policy;
- reviewed a management papers on the accounting considerations in relation to the Merger including the fair value assessment of acquired assets and liabilities;
- reviewed the Group's depreciation policy and depreciation rates adopted within this policy;
- reviewed the Group's corporate taxation arrangements;
- reviewed a management paper on the accounting consideration of the recoverability of contract assets within the Redde business;
- reviewed managements' consideration of the potential impairment of assets including a review of the carrying value of goodwill, as required by IAS 36;
- reviewed a management paper on the impairment to capitalised IT intangible assets;
- reviewed a management paper on the Group's response to data security risks; and
- reviewed its own effectiveness and terms of reference.

Risk management

Part of the Committee's role is to oversee the Group's approach to risk management. During the year, the Committee monitored the Group's risk management processes and business continuity procedures.

The Committee also monitored and reviewed the activities of the Group Internal Audit function including agreeing the scope of work to be performed by it in connection with the principal risks facing the Group.

Significant issues considered in relation to the financial statements

During the year the Committee considered, in discussion with the external auditor, what the significant issues were in relation to the financial statements and how these would be addressed. It made the following conclusions:

- **Determining appropriate depreciation rates for vehicles available for hire** – as Board members, the Committee reviews depreciation rates on a regular basis. In addition, the Committee reviewed formal papers prepared by management at each reporting date which included a qualitative assessment of the current and forecast trends in the used vehicle market, benchmarking of the Group's depreciation policy, and recommendations for changes in depreciation rate accounting estimates. After due challenge and debate the Committee was content with the assumptions and judgements made and accepted management's conclusions that no changes were required to existing fleet depreciation rates.
- **Business combination** – the Committee reviewed formal papers prepared by management setting out the accounting considerations of the Merger, which included an assessment of the fair value of the acquired assets and liabilities including separately identifying intangible assets acquired. The Committee considered management estimates and assumptions and was satisfied with the judgements applied.
- **Claims due from insurance companies and self-insuring organisations** – the Committee reviewed a paper setting out managements' assessment of the expected net claim values as at the date of the Merger and at 30 April 2020. The Committee challenged the underlying assumptions and significant areas of judgement and were satisfied with management's assessments.

- **Impairment of assets** – As required under IAS 36, assets are tested for impairment on an annual basis. Given the impacts of COVID-19 as well as the increase in the carrying value of goodwill assets as a result of the Merger the level of judgement in this area has increased. The Board reviewed a management paper that concluded no impairment to goodwill is required and the Committee challenged the assumptions in forming that opinion and agreed with the conclusions made;
- **Provisions for uncertain tax positions** – the Committee reviewed formal papers prepared by management at each reporting date which outlined the Group's tax positions. The Committee challenged areas where significant judgement influenced the level of provision held in the balance sheet and was satisfied with the judgements made.
- **Financial statements** – the Committee considered the presentation of the Annual Report and Accounts, including analysis between underlying and statutory disclosures. We were satisfied with management's presentation.

External auditor

The Committee reviews and makes recommendations regarding the appointment of the external auditor. In making this recommendation, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact upon the external auditor's reappointment. PwC was first appointed in June 2015.

The Committee believes that non-audit work may only be undertaken by the external auditor in limited circumstances. All non-audit services are subject to the Committee's prior approval. For periods beginning after 30 April 2020, non-audit services provided by our external auditor will be subject to a cap equal to 70% of the average annual audit fee for the preceding three years.

Non-audit fees for the services provided by PwC for the year amounted to £976,000. These non-audit fees comprised £22,000 for the review of the interim financial statements, £3,000 for other assurance related work and £951,000 for the reporting accountants work in relation to the Merger as required by the UK Listing Rules and other related work. Of these non-audit fees, £597,000 would be deemed to be non-audit services under the rules of the FRC Revised Ethical Standard 2019 for comparison to the non-audit fee cap, which is effective for the Group from the year ending 30 April 2021. Taking this into account, total non-audit services were 64% of the current year audit fee.

In accepting these non-audit services, the Committee considered the auditor to be best placed to support the Group in fulfilling the obligations required by UK law and regulations relating to the Merger. The audit firm also confirmed that performance of this work was in line with their own ethical standards and did not compromise the independence of their role as external auditor of the Group.

The Committee reviewed the effectiveness and independence of the external auditor, considering input from management, responses to questions from the Committee and the audit findings reported to the Committee. The Committee also conducted one to one meetings with the audit partner without management being present. Based on this information, the Committee concluded that the audit process was operating effectively. Consequently, the Committee has recommended the reappointment of PwC as external auditor at the AGM in October 2020.

Internal Audit

In fulfilling its duty to monitor the effectiveness of the Internal Audit function, the Committee has:

- reviewed the adequacy of the resources of the Group Internal Audit department;
- ensured that the Group Head of Internal Audit has direct access to the Chairman of the Board and to all members of the Committee;
- conducted a one-to-one meeting with the Group Head of Internal Audit without management present; and
- approved the Group Internal Audit programme and reviewed quarterly reports by the Head of Group Internal Audit.

Mark Butcher
Chairman of Audit and
Risk Committee

16 September 2020

Remuneration report

Chairman's introduction

Dear shareholder,

Following a year of extensive change to the business, I am pleased to introduce the Directors' Remuneration Report for the year ended 30 April 2020.

JOHN DAVIES
COMMITTEE CHAIRMAN

COMMITTEE MEMBERSHIP

- Avril Palmer-Baunack (from 12 August 2019)
- Bill Spencer (until 20 March 2020)
- Claire Miles (until 20 March 2020)
- Jill Caseberry (until 24 September 2019)
- John Pattullo
- Mark Butcher (from 24 September 2019)
- Fernando Cogollos (from 24 September 2019 until 20 March 2020)
- John Davies (from 21 February 2020)
- Steve Oakley (from 21 February 2020 until 15 May 2020)

Performance of the Group and remuneration

The performance and financial position of the Group has been significantly impacted by the Merger and the business interruption caused by COVID-19, as explained in more detail in the CEO review on pages 8 to 15.

The remuneration arrangements for the year have taken both of these events into consideration as explained further below.

The Merger materially changed the business and the composition of the Board and therefore presented a need to review the remuneration arrangements of Board members.

COVID-19 caused significant disruption to the group during the final quarter of the financial year and the Board has had to take decisive actions to minimise the financial impact on the Group whilst supporting the long term sustainability of the Group and taking into account the interests of all stakeholders. With respect to remuneration arrangements, the following measures were taken:

- Temporary furlough of staff under UK government schemes in order to respond to the reduction in demand whilst protecting those roles, with voluntary top-up of furlough payments to employees normally earning above the government funded furlough earnings cap
- Voluntary pay reductions taken by the Board and senior management over the three month period from April to June 2020
- Voluntary waiver of annual bonus entitlement from executive directors and decision to not award annual bonuses to other senior management for the year ended 30 April 2020

- Changes to executive pay arrangements that would have otherwise commenced following the Merger in March 2020 were voluntarily deferred for a period of 6 months
- Deferral of general pay increases that would have been applied on commencement of the year ending 30 April 2021

Board composition

Avril Palmer-Baunack joined the Board on 12 August in the role of Chairman. Avril's salary and fees were set at £200,000 per annum in order to reflect the skills and experience brought forward to the role.

Upon announcement of the Merger in November 2019, Kevin Bradshaw stepped down as a director and CEO of the Company on 29 November 2019. This decision was taken in context of the planned governance arrangement and Board composition of the Combined Group following the Merger. The Committee decided to exercise its discretion as permitted under existing policy, and agreed a cash settlement for loss of office totalling £900,883 which included compensation in lieu of notice and settlement of unvested cash and share bonus awards on a pro rated basis, the detail of which is explained further in the body of this report.

Following the Merger, Martin Ward the previous CEO of Redde plc was appointed as CEO on 21 February 2020. On appointment his remuneration arrangements were reviewed taking into account his skills and experience and the widened role across the enlarged group and were also benchmarked against comparable organisations. The details of those arrangements are included in this year's report.

The roles and responsibilities of our CFO Philip Vincent were also reviewed upon completion of the Merger, including benchmarking his experience and the enlarged role against comparable organisations and Philip's salary was adjusted in order to reflect this.

As a result of the business disruption from COVID-19, both executive directors volunteered to defer the commencement of the above remuneration arrangements for a period of 6 months until 21 August 2020 and it was therefore agreed that until this time Philip Vincent would waive his increase in salary and Martin Ward would continue to be paid in line with his previous role as CEO of Redde plc.

The composition of the Board with respect to non-executive Directors also changed upon completion of the Merger in order to bring an appropriate balance of skills and experience to the Combined Group, with three former Directors of Redde plc joining the Board. The fees payable to new non-executive directors are in line with existing arrangements of the Group.

As a result of the interruption caused by COVID-19, all directors and other senior management voluntarily agreed to waive 20% of their salaries for a three month period from 1 April 2020 to 30th June 2020, with the Chairman waiving all of her fee over the same period. No further voluntary pay reductions were taken throughout the wider workforce.

Annual bonus

Due to the impact of COVID-19, Philip Vincent volunteered to waive his entitlement to an annual bonus with respect to the year ended 30 April 2020. Martin Ward was not entitled to receive an annual bonus award for FY2020 following his appointment to the Board upon completion of the Merger. However, he did waive entitlement to an annual bonus that may have been payable under the terms of his previous role as CEO of Redde plc.

Long Term Incentive Plans

Following a review of the Company's long term incentive arrangements as part of the Merger, it was agreed that it was not appropriate for the outstanding awards under the Executive Performance Share Plan (EPSP) to run their full term as the original targets were set without anticipation of the Merger and would not be able to be measured appropriately on the original vesting date. With agreement from participants and approval by shareholders of the change in the director's remuneration policy required to permit this at the January general meeting, the original awards were reduced on a time pro rated basis for the performance period not yet completed, and the performance conditions were evaluated to determine the number of awards that would have otherwise expected to vest. Awards were then partially forfeited to reflect the time prorating (1/3 of the 2018 and 2/3 of the 2019 awards) and performance testing, with the original service conditions attached to continuing service remaining in place to the third anniversary of the original grant date. The performance conditions relating to EPS and ROCE were evaluated based on the expected outcome on the vesting date as assessed at the date of forfeiture. The TSR element was based on the TSR performance relative to the FTSE 250 index (excluding investment trusts) as at the date of forfeiture. The time pro rata reduction in awards was applied in order to treat participants equitably with those employees in Redde who had held awards which were time pro rated due to the change of control provisions of those schemes.

In order to align remuneration with performance of the Combined Group the Committee proposed a new Value Creation Plan (the VCP), which was approved by shareholders at a general meeting on 15 January 2020.

The Committee recognised that there was a significant vote against the VCP and therefore continued to consult with shareholders on this matter following the vote. The main area of concern was in relation to setting an appropriate base equity value and the growth rates to be applied from that base value. This issue was complicated further by the impact of COVID-19. In acknowledging the shareholders' feeling of uncertainty towards this scheme, the Committee decided not to make any awards under the VCP in 2020. The Committee will continue to

consult with shareholders and review the appropriateness of this scheme.

The Committee remained of the view that there should be an incentive award to executive Directors that recognises the aims of the enlarged group and is aligned to shareholder value creation. The existing EPSP scheme benefits from its simplicity and the clarity of performance targets which can be aligned to the strategic objectives of the Group.

The EPSP is a conventional scheme with awards normally made to a limit of 150% of salary, but where the Committee considers there are exceptional circumstances, remuneration policy permits awards to be made up to a value of 250% of salary.

In this instance the Committee decided to exercise its discretion as permitted under remuneration policy and made awards to the executive Directors in August 2020 equivalent to 250% of base salary. The exceptional award was considered appropriate given the loss of value in legacy awards under the EPSP (1/3 of the 2018 and 2/3 of the 2019 awards were waived) and within Redde where a proportion of those awards was reduced on a pro rata basis for the performance period not completed following the Merger. In addition, performance conditions have been set (as outlined on page 76) taking into account the expected successful integration of the Combined Group including the execution of cost and revenue synergies outlined. The Committee believes that the successful delivery of those synergies will return significant value to shareholders and therefore share awards should be linked to this achievement.

Remuneration policy

The Group's existing directors' remuneration policy was approved by shareholders at the Company's annual general meeting in 2019. That policy was amended and approved by shareholders at the general meeting on 15 January 2020 solely for the purpose of facilitating share awards under the VCP and crystallising EPSP awards on the merger (see Remuneration Policy Report on page 59). Following that vote, the Committee continued to consult with shareholders and agreed that as the VCP was not fully supported, no awards would be made in 2020 with awards continuing to be made under the existing EPSP scheme.

Remuneration report continued

It is proposed that rather than renew the SIP which expires this year, shareholders will be asked to approve an all-employee share save scheme (SAYE Scheme). More details of the SAYE Scheme are set out in the notice of meeting and later in this report but the SAYE Scheme allows employees to save a regular monthly amount which at the end of (typically) three years can be used to purchase shares in the Company by the exercise of options granted at the start of the saving period. Such a scheme operated successfully in the Redde businesses for many years, enabling many employees to benefit from share ownership without the accompanying risk of having to buy shares on the open market. Employees may withdraw savings (and allow the options to lapse) at any time.

Since directors will be eligible to participate in the SAYE Scheme and the SIP is not being renewed, approval is being sought at this year's annual general meeting for the director's remuneration policy set out on pages 59 to 67. No further changes to the policy are proposed until the next formal policy review is due and the Committee will continue to consult with shareholders until that time, with consideration being given to the following areas which are included with the UK Corporate Governance Code (2018 Version):

Pensions

Executive Directors entitlement to pensions up to 18% of salary for incumbent executives with new hires receiving a company contribution not exceeding that applicable to the workforce in the country in which they are based which is currently between 5% and 15% of salary.

The Committee will consider this area further at the next policy review.

Post-cessation shareholding guidelines

The Executive Directors are required to hold any shares that vest under the EPSP for an additional two year holding period and shares acquired under the Executive Annual Bonus Scheme (EAB) must be retained for the applicable holding period under that scheme even after cessation of employment.

Upon cessation of employment, Kevin Bradshaw must retain outstanding awards under the EAB subject to and governed by the rules of the EAB and shall be retained for the remainder of their applicable holding period. Kevin will also be required to retain his current shareholding, up to

a maximum of 200 per cent of salary in shares until 28 November 2021.

The Committee will consider post-cessation shareholding provisions further at the next policy review.

Board engagement with wider workforce

The Board engages with the wider workforce through the Workforce Advisory Panel (WAP), with a non-executive Board member being designated to act as chairman of that panel. The WAP covers a wide range of employment issues and the Remuneration Committee is briefed via the Board on the wider workforce remuneration structure and takes this into account when setting and operating remuneration policy with respect to executive directors.

Operation of policy and any future updates to policy will be made within the context of the Code principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture.

Operation of policy for FY2021

Base salary

As mentioned above, changes to base salaries of the executive directors were agreed in March 2020 following the completion of the Merger and those increases were voluntarily deferred until August 2020. With the exception of the end of this deferral period, there will be no further increases to base salaries for FY2021.

Annual bonus

The annual bonus maximum opportunity for FY2021 is 100% of salary for both the CEO and CFO. The Committee decided to set the maximum opportunity of the current CEO at 100% compared to a maximum opportunity of 150% for the previous CEO.

The measures used in the annual bonus plan remain the same. The bonus will therefore be determined based on 75% underlying profit before tax and 25% on a range of strategic and operational objectives. The Committee has the discretion to adjust the bonus outcome if it is not deemed appropriate for example in terms of the underlying performance of the Company.

As with previous years, due to the commercial sensitivity of targets the performance targets and performance against them will be disclosed retrospectively in next year's report.

Long Term Incentive Plans

As explained above, no awards will be made under the VCP in 2020.

The Committee will consult with shareholders before it is decided whether to issue awards under this scheme in the future. In any one year, awards will not be made under the EPSP and VCP at the same time. EPSP awards have been granted to the CEO and CFO in August 2020 over shares worth 250% of salary under existing policy. The measures and weightings for the 2020 awards and the targets are set out in the main body of this report. Given that the awards for 2020 were made during a period where the share price has been impacted by the uncertainty caused by the COVID-19 pandemic, the Committee reserves the right to consider adjusting the formulaic outcome of the awards at the date of vesting.

Focus for the year ahead and Corporate Governance Code changes

During the course of FY2021 the Committee will continue with stakeholder engagement and will also continue to review the alignment of the executive Directors' remuneration policy with the wider employee population including the level of pension awarded as a percentage of fixed pay.

Conclusion

The Committee remains committed to a remuneration policy and implementation, which provides the appropriate opportunity for the executives to be fairly rewarded for their contribution to the business, whilst also ensuring alignment with the interests of all stakeholders.

Since directors will be eligible to participate in the SAYE Scheme and the SIP is not being renewed approval is being sought at this year's annual general meeting for the director's remuneration policy set out on 59 to 67.

John Davies
Chairman

16 September 2020

Remuneration policy report

This part of the Directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with the Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018, the UK Corporate Governance Code and the UK Listing Rules.

The Group's existing directors' remuneration policy was approved by shareholders at the Company's annual general meeting in 2019, with a further amendment approved by shareholders at the general meeting on 15 January 2020 in order to amend the operation of outstanding awards made under the EPSP and allow for the introduction of the VCP.

The decision making process

The Committee believes that the revised Directors' remuneration policy remains appropriate, is aligned to the business strategy and that investors are supportive of it therefore no further changes to the policy are proposed.

The updated policy is identical to the policy which was approved by shareholders at the Company's annual general meeting in 2019 save for the amendments approved in January 2020 and the adoption of the SAYE Scheme summarised below:

Operation of outstanding awards under Executive Performance Share Plan

As a result of the Merger, the performance conditions applicable to the outstanding awards under the Executive Performance Share Plan ("EPSP") are no longer be appropriate for the Combined Group. Accordingly, the Committee concluded that it was appropriate to test the performance conditions applicable to outstanding awards under the EPSP on completion of the Merger and for the performance tested awards to be reduced pro-rata for the period of performance not yet completed and then continue until their original vesting date subject to continued employment. In order to allow the CFO's awards to be treated in the same manner as all other participants in the EPSP, the revised policy permits a performance period of less than three years for his outstanding EPSP awards which were tested upon completion of the Merger. The performance tested awards will vest on the third anniversary of grant subject to continued employment in that period. On vesting, the after-tax vested shares

would continue to be subject to the holding period rules. As well as aligning the CFO with other employees of the Company, this also better aligns him with the treatment of share schemes previously held by executives of Redde, including Martin Ward, whose awards under the legacy Redde share plans vested early as a result of the Merger.

Value Creation Plan 2020

Remuneration Policy was amended to include the VCP.

The intention of the VCP is to provide a clear link between the remuneration of the participants and the creation of value for shareholders by rewarding the delivery of significant, sustainable absolute returns to shareholders over the long term.

However, as 40% of shareholders voted against the proposed scheme, the Committee continued to consult with shareholders following the vote. The main area of uncertainty concerned the setting of an appropriate base equity value and the growth rates to be applied from that base value. After having reflected that this scheme was not unanimously agreed, a decision has been made not to make an award under the VCP in 2020. The Committee will continue to review potential operation of the scheme in subsequent periods only after further consultation with shareholders.

Operation of new awards under Executive Performance Share Plan

Existing remuneration policy retains the right to issue new awards under the existing terms of the EPSP. Ongoing operation of this scheme is considered appropriate due to its clarity of operation and the transparency of performance targets. It is also considered proportionate to the remuneration arrangements set within the operating businesses of the group as certain senior management participate in the scheme with the same performance targets being set.

Awards of performance shares will be issued to executive Directors subject to continued employment and satisfaction of challenging performance conditions measured over three years.

At the time of making awards, the Committee will select performance measures that it considers best support the Company's medium to long term objectives. The performance conditions relating to the 2020 awards are outlined in the body of this report. Awards will vest, subject to performance, on the third

anniversary of grant and will be subject to an additional two year holding period post vesting.

How the views of shareholders are taken into account

The Committee takes seriously the views of its shareholders. Shareholder feedback received in relation to the AGM each year, and any other meetings and communications with shareholders, is considered by the Committee as part of its annual review of remuneration policy.

When any material changes are proposed to be made to the remuneration policy, the Committee Chairman will inform major shareholders and will offer a meeting to discuss the changes. If any shareholders raise concerns with regard to remuneration issues, we endeavour to understand and respond to those concerns either by meetings or correspondence, as appropriate.

Due to the level of voting against the amendments to remuneration policy passed in January 2020, the Committee continued to discuss the areas of concern with major shareholders, and subsequently decided not to issue awards under the VCP in 2020 due to those concerns. The subsequent decision to issue awards under the EPSP at an exceptional level of 250% of base salary was also discussed with some of the Group's major shareholder prior to the awards being made in August 2020.

Details of votes cast for and against the resolutions to approve last year's remuneration report and changes as a result of the Merger as well as principal matters discussed with shareholders during the year are provided in the annual remuneration report.

Consideration of employment conditions elsewhere in the Group

When setting remuneration policy for the executive Directors, the Committee takes into account the overall approach to reward and the pay and employment conditions of other employees in the Group and salary increases will ordinarily, in percentage terms, be in line with those of the wider workforce. The Committee is also provided with periodic updates on employee remuneration practices and trends across the Group which inform the Committee's discussions on executive remuneration. As part of the Committee's broader remit under the Code the Committee will review and provide input and challenge in respect of the Group's wider remuneration

Remuneration report continued

policies and practices with the objective of ensuring an appropriate cascade of policy for executive Directors to the rest of the business. The Board also engages with the wider workforce through the Workforce Advisory Panel (WAP), with a non-executive Board member being designated to act as chairman to that committee. The WAP covers a wide range of employment issues and the Committee is briefed on the wider workforce remuneration structure and takes this into account when setting and operating remuneration policy with respect to executive directors.

The remuneration policy for Directors

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

The Committee's policy is to apply greater weighting to the variable elements of executive remuneration and by incentivising the longer term performance of the Group, to provide greater alignment with the interests of shareholders.

It is also the Committee's policy to pay a significant proportion of the potential remuneration package in equity, to ensure that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

However, when setting the levels of short term and long term variable remuneration, consideration is given to setting the right balance between equity and cash so as not to encourage unnecessary risk taking.

The Committee will seek to ensure that the incentive structure will not raise Environmental, Social or Governance (ESG) risks by inadvertently motivating irresponsible behaviour and will take account of ESG matters generally in determining overall remuneration policy and structure.

The table below summarises the key aspects of the remuneration policy for its Directors.

PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY
<p>BASE SALARY</p> <p>To recruit and reward executives of a suitable calibre for the role and duties required.</p>	<p>Reviewed annually by the Committee, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader UK population.</p> <p>Reference is also made to remuneration levels within relevant FTSE and industry comparator companies.</p> <p>The Committee considers the impact of any basic salary increase on the total remuneration package.</p>	<p>Salary increases for executive Directors will not normally exceed the general increase for the broader UK employee population but on occasions may need to recognise, for example, changes in the scale, scope, complexity or responsibility of the role, and/or specific retention issues, and to allow the base salary of newly appointed executives to increase in line with their experience and contribution.</p> <p>Details of the outcome of the most recent salary review are provided in the annual remuneration report.</p>
<p>BENEFITS</p> <p>To provide market competitive benefits to ensure the wellbeing of executives.</p>	<p>The Company typically provides:</p> <ul style="list-style-type: none"> – A car or cash allowance in lieu; – Medical insurance; – Death in service benefits; – Critical illness insurance; and – Other ancillary benefits, including relocation expenses (as required). <p>Executive Directors are also entitled to 30 days’ leave per annum.</p> <p>Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role including tax thereon where a business expense is deemed taxable by HMRC.</p>	<p>The value of benefits is based on the cost to the Company and is not predetermined. It is a relatively small part of the overall value of the total remuneration package.</p>
<p>PENSION</p> <p>To provide market competitive retirement benefits.</p>	<p>A Company contribution to a Group personal pension plan or provision of cash allowance in lieu at the request of the individual.</p>	<p>Up to 18% of salary for the current executive Directors.</p> <p>New appointments will receive a Company contribution not exceeding that applicable to the workforce in the country in which they are based which is currently between 5% and 15% of salary.</p>

Remuneration report continued

PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY
<p>ANNUAL BONUS</p> <p>To encourage and reward delivery of the Company's operational objectives and to provide alignment with shareholders through the deferred share element.</p>	<p>The annual bonus is based on performance against one or more financial targets. A proportion (not exceeding 25%) may also be based on non-financial strategic KPIs.</p> <p>Details of the performance measures, weightings and targets (where these are not considered commercially sensitive) set for the year under review is provided in the annual report on remuneration.</p> <p>Up to 100% of salary, half of any bonus earned and all of any bonus earned in excess of 100% of salary net of taxes will be used by the executive Directors to purchase shares which will be subject to a three year holding period and cannot be sold during that time. The shares will be subject to recovery provisions.</p> <p>For unvested deferred share awards the Committee has the discretion to permit the payment of dividend equivalents arising over the period between grant and the vesting date. These would be paid in shares and only exceptionally in cash.</p> <p>The Committee has the discretion to adjust the formulaic outcome of the bonus where it considers it is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience.</p> <p>Recovery and withholding provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the Committee determines.</p>	<p>Maximum: 150% of salary for CEO; 100% of salary for other executives.</p> <p>Target: No greater than 50% of maximum.</p> <p>Threshold: No greater than 25% of maximum.</p> <p>For performance below threshold, no bonus is payable.</p>
<p>LONG TERM INCENTIVES (EPSP)</p> <p>To encourage and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares.</p>	<p>Annual awards of performance shares (or nil cost options) to executive Directors.</p> <p>Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years.</p> <p>The Committee will select the performance measures for awards that it considers best support the Company's medium to long term objectives. If the Committee considers that the changes it is making in selecting alternative measures or weightings for a new award are substantive it will consult with the Company's major shareholders prior to making any changes.</p> <p>Awards will vest, subject to performance, on the third anniversary of grant and will be subject to an additional two year holding period post vesting, during which time awarded shares may not be sold (other than to meet tax or social security obligations).</p> <p>The terms of the EPSP rules provide the Committee with the discretion to grant and/or settle all or part of an EPSP award in cash. In practice this discretion would only be used in exceptional circumstances for executive Directors or to enable the Company to settle any tax or social security withholding which may apply.</p> <p>The Committee has the discretion to permit the payment of dividend equivalents arising over the period between grant and the vesting date. These would be paid in shares and only in exceptional circumstances cash.</p> <p>The Committee has the discretion to adjust the formulaic outcome of the bonus where it considers it is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience.</p> <p>Recovery and withholding provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the Committee determines.</p>	<p>The maximum grant limit in the plan rules is 150% of salary (face value of shares at grant) although exceptionally 250% may be used, e.g. in recruitment.</p> <p>The normal grant policy is 150% of salary for each executive Director.</p> <p>No greater than 25% of the grant vests for threshold performance increasing progressively to 100% for maximum performance.</p> <p>If performance is below threshold for a measure, then the proportion of the award subject to that measure will lapse.</p>

PURPOSE AND LINK TO STRATEGY

LONG TERM INCENTIVES (VCP)

To provide a clear link between remuneration and creation of value for shareholders by rewarding delivery of significant, sustainable absolute returns to shareholders over the long term.

OPERATION

Annual awards under the VCP have no value on grant but give the participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle over a performance period of at least three and a half years.

Annual awards of shares under the VCP will take the form of entitlements to acquire ordinary shares in Redde Northgate at nil or nominal cost (or as cash-settled equivalents). The number of ordinary shares to which a participant is entitled is determined by reference to the shareholder value created. Each participant’s award will represent a percentage of the shareholder value created. A minimum compound annual growth rate (“CAGR”) in total shareholder return of 5% must be achieved above the initial share price in order for participants to receive any awards and participants only receive a share of value created above that level.

Participants will be able to sell sufficient shares to cover any tax or national insurance liabilities arising and up to one third of the after tax shares. The remaining shares will be subject to a further two year holding period following completion of the performance period.

At the discretion of the remuneration committee, a portion of an award may be subject to additional performance conditions.

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

Awards for good leavers will normally vest on the original vesting date, on assessment of the performance criteria at that time, and will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation relative to the performance period.

In the event of a change of control, the scheme will be assessed by reference to the performance criteria at that time. The remuneration committee will retain discretion to modify the vesting outcome in any particular case if it considers it appropriate.

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

MAXIMUM OPPORTUNITY

A minimum CAGR in total shareholder return of 5% must be achieved above an initial share price.

The total pool for all participants in the scheme will be 5% of the growth in total shareholder return above the hurdle where the CAGR is between 5% and 10%, reducing to 2.75% once a CAGR of 10% is achieved and to 0.5% once a CAGR of 30% is achieved. The value of the pool will then be divided by the 40 dealing day volume weighted average share price to determine the number of shares to be issued under the plan. The maximum allocations of the pool to the CEO will be 45%.

A total cap of 2.0% of the issued share capital of Northgate will apply on vesting of all awards under the VCP. There is a cap of 0.9% for the CEO and a proportionate cap for other executive directors of the Combined Group and participants. The remuneration committee may set a lower cap for any participant by reference to a fixed monetary amount or a fixed number of shares.

Remuneration report continued

PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY
<p>ALL EMPLOYEE SHARE SCHEME</p> <p>All UK employees including executive Directors are encouraged to become shareholders through the operation of an all employee share scheme. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders.</p>	<p>The SAYE Scheme has standard terms under which all UK employees can participate.</p>	<p>Employees can elect to save (through a recognised financial institution) up to a maximum amount determined by the Company and within the statutory limits for SAYEs per month from post-tax salary in return for options to buy shares in the Company at the end of the (typically) three year savings period.</p>
<p>NON-EXECUTIVE DIRECTOR FEES</p> <p>To attract and retain a high calibre Chairman and non-executive Directors by offering a market competitive fee level.</p>	<p>The Chairman is paid a single fee for all his/her responsibilities. The non-executive Directors are paid a basic fee. The chairmen of the main Board Committees and the senior independent Director are paid an additional fee to reflect their extra responsibilities.</p> <p>Additional fees may be paid for new roles and / or additional responsibilities.</p> <p>The level of these fees is reviewed periodically by the Committee and CEO for the Chairman and by the Chairman and executive Directors for the non-executive Directors within the overall limit set by the Articles of Association and with reference to market levels in comparably sized FTSE companies, time commitment and responsibilities of the non-executive Directors. Fees are paid in cash.</p> <p>Reimbursement of all reasonable expenses including costs associated with reasonable expenses, such as tax payable on expenses which HMRC deem to be taxable, incurred for the proper performance of the role.</p>	<p>The maximum aggregate amount is currently £700,000 as provided in the Articles of Association.</p>

Choice of performance measures and approach to target setting

The annual bonus is based on performance against one or more financial measures and may also include an element of non-financial strategic KPIs if the Committee considers it appropriate, all based on the priorities for the business in the year ahead. The Committee will set stretching performance targets taking into account market and investor expectations, prevailing market conditions and the Group's business plan for the year.

Awards under the EPSP will be based on performance against one or more financial measures. The Committee selects measures that reflect the Board's priorities and closely align to the long-term strategy and key performance indicators of the business. The Committee will review the choice of performance measures and set appropriately challenging targets prior to each award being made based on market conditions and the Group's long term priorities and business plan at that time. The measures and targets for outstanding awards are set out in the annual report on remuneration.

Annual bonus plan and share plan policy

The Committee will operate the EPSP, VCP, DABP, SAYE Scheme according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, including flexibility in a number of regards. Factors over which the Committee will retain flexibility include (albeit with quantum and performance targets restricted to the descriptions detailed above):

- How to determine the size of an award, a payment, or when and how much of an award should vest;
- How to deal with a change of control or restructuring of the Group;
- Other than in the case of stated good leaver reasons, whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant;
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the EPSP and VCP if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose provided that they are not in all the circumstances considered by the Committee to be materially less difficult to satisfy. All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding remain eligible to vest based on their original award terms.

Amendments to Policy

The Committee may amend this shareholder approved policy to take account of changes to legislation, taxation and other supplemental and administrative matters without the necessity to seek shareholder approval for those changes.

Share ownership requirements

The executive Directors are required to accumulate, over a period of five years from the date of appointment, a holding of Ordinary shares of the Company equivalent in value to 200% of their basic annual salary, measured annually. It is intended that this should be achieved primarily through shares acquired on the exercise of share incentive awards and from annual bonus and that Directors are not required to go into the market to purchase shares, although this is encouraged and any shares so acquired would count towards meeting the guidelines. Executive Directors are required to retain all shares which they are required to acquire with annual bonus payments, all vested DABP, EAB, EPSP and VCP awards on vesting, subject to sales to meet tax obligations, and the Committee's discretion in exceptional circumstances until the ownership requirement is met.

Other than in exceptional circumstances as determined by the Committee, the executive Directors are required to hold the lower of (1) Ordinary shares held on cessation and (2) Ordinary shares equivalent in value to 200% of salary at the time of cessation, for a period of two years from the date they cease to be an executive Director.

Differences in remuneration policy for executive Directors compared to other employees

The remuneration policy for the executive Directors is designed with regard to the policy for employees across the Group as a whole. For example, the Committee takes into account the general basic salary increases for the broader UK population when determining the annual salary review for the executive Directors. There are some differences in the structure of the remuneration policy for the executive Directors and other senior employees, which the Committee believes are necessary to reflect the different levels of responsibility of employees across the Group. The key differences in remuneration policy between the executive Directors and employees across the Group are the increased emphasis on performance related pay and the inclusion of a significant share based long term incentive plan for executive Directors. Long term incentives are not provided outside of the most senior executives as they are reserved for those considered as having the greatest potential to influence Group performance.

External non-executive Director positions

Subject to Board approval, executive Directors will normally be permitted to take on one non-executive position with another company and will normally be permitted to retain their fees in respect of such positions.

Approach to recruitment and promotions

The remuneration package for a new Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. Currently, for an executive Director, this would facilitate awards of no more than 150% of salary per annum for each of the annual bonuses and EPSP, although exceptionally, an EPSP award of up to 250% of salary may be made.

The salary for a new executive Director, particularly one with no experience at listed company main Board level, may be set below the normal market rate, with phased increases over the first few years as the executive gains experience in their new role.

The Committee may buy-out incentive pay, which would be forfeited by reason of leaving the previous employer, in order to secure an appointment, when it considers this to be in the best interests of the Company and its shareholders. Any buy-

Remuneration report continued

out will take into account and replicate as far as possible, the form (cash or shares), delivery mechanism, performance measures, timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as the Committee considers relevant. Other benefits or remuneration may also need to be "bought out" and the Committee will use its judgement as to the most appropriate way to structure this.

For an internal executive appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, if relevant.

For external and internal executive appointments, the Committee may agree that the Company will meet certain relocation and other incidental expenses and associated taxation as appropriate.

For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Service contracts and payments for loss of office

The Remuneration Committee reviews the contractual terms for new executive Directors to ensure that these reflect best practice.

Service contracts normally continue until the Director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination. In line with best practice equal notice periods will apply to the executive Directors and the Company and that these will normally be six months, although in exceptional circumstances a notice period may be agreed of up to a maximum of 12 months.

An executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing company terminates the employment of an executive Director in other circumstances, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits (including pension) which would have been received during the period. In the event of a change of control of the Company there is no enhancement to contractual terms. Service contracts are available for inspection at the Company's registered office.

In circumstances in which a departing Director may be entitled to pursue a legal claim, the Company may negotiate settlement terms and, with the approval of the Committee on the remuneration elements therein, enter into a settlement agreement accordingly.

In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	Current executive Directors: normally six months from the executive and six months from the Company. Any future executive Directors: normally a six months' notice from both the Company and the Director (up to a maximum of 12 months in exceptional circumstances).
Termination payment	Base salary plus benefits (including pension), subject to mitigation and paid on a phased basis for notice period. In addition, any statutory entitlements or sums to settle or compromise claims in connection with the termination would be paid as necessary.
Remuneration entitlements	A pro rata bonus may also become payable for the period of active service along with vesting of outstanding share awards (in certain circumstances – see below). In all cases performance targets would apply.
Change of control	There are no enhanced terms in relation to a change of control.

Any share based entitlements granted to an executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill health, redundancy, transfer of the employee's employing business out of the Group or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), 'good leaver' status can be applied. Under the EPSP and VCP, awards held by good leavers will usually be scaled back for the actual period of service and vest at the usual time although the Committee has the discretion to not scale back if it considers this is by exception appropriate and also to determine that vesting should be at cessation. DABP awards held by good leavers will usually vest on the usual vesting date or if the Committee determines by exception on cessation. For share awards under the EPSP and VCP and held by good leavers, awards remain subject to the performance conditions.

On a takeover, awards will vest subject to a performance assessment at that time and usually be scaled back for the actual period of service although the Committee has the discretion to not scale back if it considers this is appropriate.

For all leavers, the Committee may also determine to make a payment in reimbursement of a reasonable level of outplacement and legal fees in connection with a settlement agreement as well as any statutory entitlement.

All non-executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual reappointment at the AGM. This policy provides for a notice period for the Chairman of up to six months and for other non-executive Directors up to three months.

The appointment letters for the current non-executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

Legacy arrangements

For the avoidance of doubt, in approving this remuneration policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting of share awards) that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors will be set out in the annual report on remuneration as they arise.

Reward scenarios

The Company's policy results in a significant portion of remuneration received by executive Directors being dependent on Company performance. The chart below illustrates how the total pay opportunities for the executive Directors vary under three different performance scenarios: maximum, on-target and fixed pay only. These charts

are indicative as share price movement and dividend accrual have been excluded except for a 50% increase in the EPSP award under the maximum scenario to reflect share price growth.

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 May 2020 as if the voluntary deferral in pay arrangements had not been applied. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 30 April 2020.

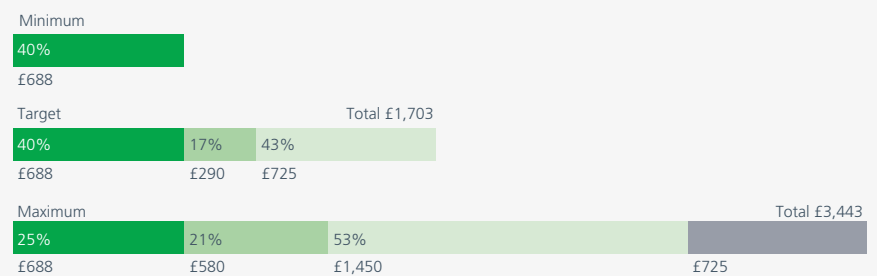
The executive Directors can participate in the SAYE Scheme on the same basis as other employees. The value that may be received under this scheme is subject to approved limits. For simplicity and because of uncertainty over the value that may be received from participating in this scheme, it has been excluded from the charts.

Executive Director total remuneration at different levels of performance

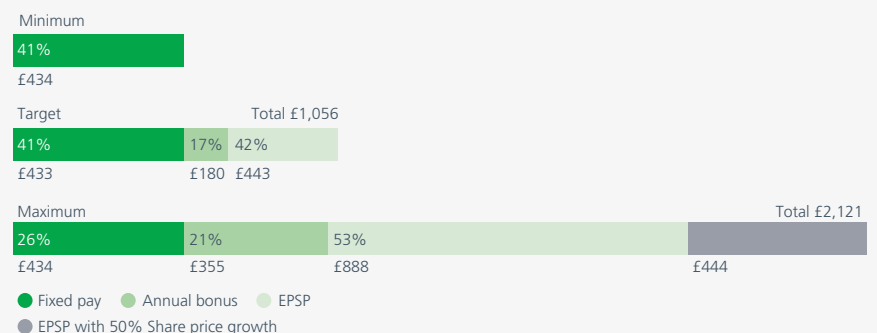
Assumptions:

Minimum =	Fixed pay (salary + benefits + pension)
On target =	Fixed pay plus 50% vesting of the EPSP awards and 50% of the annual bonus opportunity
Maximum =	Fixed pay plus 100% of the annual bonus opportunity and 100% of the EPSP awards and additionally showing a 50% increase in the EPSP award to represent share price growth

Chief Executive Officer (000)



Chief Financial Officer (000)



Remuneration report continued

Annual report on remuneration

The Remuneration Committee

The members of the Committee during the year are listed below.

The attendance of the members of the Committee during the last financial year and their attendance at the meetings of the Committee were:

	Number of meetings attended out of potential maximum
Bill Spencer ¹	6 of 6
Claire Miles ¹	6 of 6
Jill Caseberry ²	3 of 3
John Pattullo	6 of 6
Avril Palmer-Baunack ³	4 of 4
Fernando Cogollos ^{4,1}	3 of 3
Mark Butcher ⁵	3 of 3
John Davies ⁶	–
Stephen Oakley ⁷	–

1. Left the Board on 20 March 2020
2. Remuneration committee chairman until date of leaving the Board 24 September 2019
3. Appointed to Remuneration committee upon joining the Board 12 August 2019
4. Appointed to Remuneration committee upon joining the Board 24 September 2019
5. Appointed as Chairman of Remuneration committee upon joining the Board 24 September 2019 until 21 February 2019. Remained as a Committee member after that date.
6. Appointed as Chairman of Remuneration committee upon joining the Board 21 February 2020
7. Appointed to Remuneration committee upon joining the Board 21 February 2020 and ceased as a director upon his death on 15 May 2020

The CEO attends meetings by invitation and assists the Committee in its deliberations, except when issues relating to their remuneration are discussed. No Directors are involved in deciding their own remuneration. The Company Secretary acts as Secretary to the Committee.

The Committee continues to be advised on certain Remuneration matters by Korn Ferry. The total fees paid to Korn Ferry in respect of its services to the Committee during the year were £47,580 (2019: £38,651). The fees are predominantly charged on a time spent basis.

Korn Ferry are signatories to the Remuneration Consultants' Code of Conduct. Korn Ferry provides advice on talent and reward matters to the Group through a separate team and has no other connection to the company or directors. The Committee is satisfied that the advice that it receives is objective and independent.

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

www.reddenorthgate.com

The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman and the executive Directors of the Company, as well as the Company Secretary and under the new Code the most senior executives below Board level in the UK, Spain and Ireland. The Committee also reviews remuneration policies and practices generally throughout the Group.

COVID-19

COVID-19 caused significant disruption to the group during the final quarter of the financial year and the Board has had to take decisive actions to minimise the financial impact on the Group whilst supporting the long term sustainability of the Group and taking into account the interests of all stakeholder. The details of changes to remuneration arrangements arising from this are detailed further in this report.

Kevin Bradshaw

In conjunction with the governance arrangements and the expected Board composition of the combined group following the Merger, Kevin Bradshaw stepped down, by agreement with the Board, from his position as a director and CEO of the Company on 29 November 2019.

The Committee decided to exercise its discretion as permitted under existing policy, and agreed a cash settlement for loss of office totalling £900,883 which included compensation in lieu of notice and an assessment of the value of unvested cash bonus and share awards at that time. Kevin also received a £12,000 contribution towards legal fees incurred in connection with his loss of office.

The total payment of £900,883 comprised £278,399 in lieu of six months' notice, £344,250 in lieu of annual bonus and £277,994 for settlement of unvested share awards.

The payment in lieu of six months' notice period was calculated by reference to base salary, pension allowance and certain benefits.

The element of the settlement that related to the bonus for the year ended 30 April 2020 was made at the discretion of the Committee taking into account the expected performance for the financial year at that time and was pro-rated for the period completed at the date of leaving. At the discretion of the Committee, the award was made in cash without the requirement to invest part of the award in shares.

The calculation of settlement in relation to unvested share awards applied the rules of the Executive Performance Share Plan (EPSP) relating to good leavers and was subject to a pro rata reduction in relation to the performance period not yet completed, with an assessment being made of the performance conditions that would have been satisfied had the Merger not occurred and the awards had been held to the original vesting date. The Committee exercised its discretion to settle the award in cash as allowed under policy.

Kevin's outstanding awards under the EAB will be subject to and governed by the rules of the EAB and shall be retained for the remainder of their applicable holding period. Kevin will also be required to retain his current shareholding, up to a maximum of 200 per cent of salary in shares until 28 November 2021.

Martin Ward

Martin Ward was appointed to the Board as CEO on 21 February 2020, following the Merger. On appointment his remuneration arrangements were reviewed taking into account his skills and experience and the widened role across the enlarged group and were benchmarked against organisations of a similar size and complexity.

Basic salary was set at £580,000 per annum with annual pension entitlement of 15% of base salary. Pension entitlement was set within existing policy, which is within the range offered to the wider workforce and is below the level of 18% previously agreed for directors and senior managers within the business. It is also lower than the allowance previously received in his role as CEO of Redde.

Martin's maximum annual bonus potential is 100% of salary, starting from 1 May 2020 and he will be eligible to participate in the VCP or EPSP with an initial EPSP award having been made in August 2020 equivalent to 250% of annual salary.

The initial EPSP award of 250% was made in exceptional circumstances due to the cancellation of legacy share awards in Redde and the time pro rating of Northgate EPSP awards. The performance targets for the award also take into account an assumption that the Merger synergies and benefits will be realised.

Martin's legacy remuneration arrangements in his previous role as CEO of Redde were settled by that company including application of the change of control rules applying to outstanding share awards under those schemes and therefore no buy-out payments were required upon appointment.

As a result of the business disruption from COVID-19, it was agreed with the Committee that the commencement of the above remuneration arrangements would be deferred for 6 months until 21 August 2020. It was agreed that until this time his basic salary would remain at £406,000 as previously set as CEO of Redde plc, with a further voluntary pay reduction of 20% over the three month period 1 April 2020 to 30 June 2020.

Philip Vincent

As a continuing director, no changes were required to the service agreement of Philip Vincent upon completion of the Merger. However, in order to reflect the increased role and responsibilities of the CFO in the enlarged business it was agreed to increase his base salary from £336,600 to £355,000 from the date of the Merger on 21 February 2020. This was also done following a benchmarking review of Philip's role compared to those in organisations of a similar size and nature.

As a result of the business disruption from COVID-19, it was agreed with the Committee that this increase would be waived for 6 months until 21 August 2020. A further voluntary pay reduction of 20% of existing basic salary was agreed over the three month period from 1 April 2020 to 30 June 2020.

Following the Merger, Philip's outstanding share awards under the EPSP were reduced on a pro rata basis for the performance period not yet completed with performance conditions being determined in line with other scheme participants as explained further below.

Following the Merger, Philip received a new EPSP award equivalent to 250% of annual salary. The initial award of 250% was made in exceptional circumstances due to the reduction in existing share awards explained above and reflecting the performance targets which assume that the Merger synergies and benefits will be realised.

Non-executive directors

Avril Palmer-Baunack joined the Board on 12 August in the role of Chairman. Avril's salary and fees were set at £200,000 per annum in order to reflect the skills and experience brought forward to the role.

All other non-executive appointments made during the year were done so with fees in line with existing remuneration arrangements for non-executive directors.

All non-executive directors with on-going service agreed to a voluntary 20% reduction in fees over the three month period from 1 April 2020 to 30 June 2020 with the exception of Avril Palmer-Baunack who agreed to waive 100% of her fee over the same period.

Remuneration report continued

Remuneration for the year ended 30 April 2020 (audited)

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2020 (and for long-term incentive awards' performance periods ending in the year) and in the year ended 30 April 2019.

£000		Salary and fees ²	Taxable Benefits ³	Annual bonus	Long term Incentive ⁴	Pension ⁵	Other	Loss of office ⁶	Total
Executive Directors									
M Ward ¹	2020	71	4	–	–	18	–	–	93
	2019	–	–	–	–	–	–	–	–
K Bradshaw ¹	2020	268	9	–	–	48	–	901	1,226
	2019	450	12	489	–	81	–	–	1,032
P Vincent	2020	331	15	–	–	60	–	–	406
	2019	262	12	189	–	47	–	–	510
Chairman									
A Palmer-Baunack ¹	2020	127	–	–	–	–	–	–	127
	2019	–	–	–	–	–	–	–	–
B Spencer ¹	2020	90	–	–	–	–	–	5	95
	2019	84	–	–	–	–	–	–	84
Non-executive Directors									
J Caseberry ¹	2020	27	–	–	–	–	–	16	43
	2019	65	–	–	–	–	–	–	65
C Miles ¹	2020	60	–	–	–	–	–	5	65
	2019	55	–	–	–	–	–	–	55
J Pattullo ¹	2020	60	–	–	–	–	–	–	60
	2019	18	–	–	–	–	–	–	18
M Butcher ¹	2020	38	–	–	–	–	–	–	38
	2019	–	–	–	–	–	–	–	–
F Cogollos ¹	2020	28	–	–	–	–	–	14	42
	2019	–	–	–	–	–	–	–	–
S Oakley ¹	2020	9	–	–	–	–	–	–	9
	2019	–	–	–	–	–	–	–	–
J Davies ¹	2020	10	–	–	–	–	–	–	10
	2019	–	–	–	–	–	–	–	–
M McCafferty ¹	2020	9	–	–	–	–	–	–	9
	2019	–	–	–	–	–	–	–	–

1 Kevin Bradshaw left the Board on 29 November 2019. Martin Ward was appointed to the Board on 21 February 2020 and his remuneration is for the period from appointment. Bill Spencer was Interim Chairman during the year until appointment of Avril Palmer-Baunack on 12 August 2019. Whilst acting as Interim Chairman Bill Spencer received a fee of £166,464pa inclusive of all responsibilities.

Jill Caseberry left the Board on 24 September 2019. Fernando Cogollos and Mark Butcher were appointed to the Board on 24 September 2019. On 21 February 2020 Steve Oakley, John Davies and Mark McCafferty were appointed to the Board. On 20 March 2020 Bill Spencer, Claire Miles and Fernando Cogollos left the Board.

2 Due to the business disruption of COVID-19, all directors with continuing service agreed to a 20% reduction in salary and fees between 1 April and 30 June 2020 with the exception of Avril Palmer-Baunack who agreed to a 100% waiver in fees over the same period.

3 Taxable benefits:

	M Ward £000	K Bradshaw £000	P Vincent £000
Car	3	7	13
Medical insurance	1	1	2

4. No awards are eligible for vesting under the EPSP.

5. The executive Directors are eligible for membership of a Group personal pension plan. In view of the Annual Allowance cap, part or all of their entitlements were paid to them in cash. Philip Vincent receives an entitlement of 18% of base salary. Under new pay arrangements which have been deferred Martin Ward will receive an entitlement of 15% of base salary. Until that time, Martin's pension will be paid in line with arrangements which existing under his previous role as CEO of Redde plc

6. Loss of office payments made to Kevin Bradshaw comprised £229,500 in lieu of six months' notice, £344,250 in lieu of annual bonus, £277,994 for settlement of outstanding share awards and a £48,889 non-contractual settlement for loss of office. Loss of office payments made to non-executive directors relate to payment of fees in lieu of notice.

Annual bonus for the year ended 30 April 2020 (audited)

Kevin Bradshaw received a settlement of £344,250 in lieu of an annual bonus award as part of his settlement for loss of office as explained on page 68. The award was calculated based upon the full year performance that was expected to be achieved at that time and was reduced pro-rata for the period of service completed.

Martin Ward did not receive a bonus entitlement for the year ended 30 April 2020 after appointment.

As a result of the business interruption caused by COVID-19 Philip Vincent voluntarily agreed to waive entitlement to any bonuses that would have been payable for FY2020. As Philip voluntarily agreed to waive his entitlement to an annual bonus the Committee did not assess the impact that COVID-19 had on the outcome of the award in order to adjust the targets accordingly.

An award made to Philip Vincent would have been measured against the following targets excluding any adjustment which may have been made for the impact of COVID-19:

	PBT element at maximum %	Strategic objective % maximum	Total bonus % maximum	Total bonus % salary
P Vincent	75	25	100	100
PBT performance	Threshold performance 25% max	Target performance 50% max	Maximum performance	Actual PBT performance
PBT 75% of total bonus	£58.1m	£64.1m	£67.1m	£59.0m

The financial performance was also subject to a ROCE underpin of 6.5%, actual ROCE for the year was 6.9%.

Strategic objectives awarded at maximum of 25% of the total bonus opportunity included a range of objectives relevant to the Group including refinancing debt facilities, developing M&A strategy and implementing a restructuring of the finance function across the Group.

EPSP awards made during the year (audited)

Neither Martin Ward or Philip Vincent held awards due to vest in FY2020.

Kevin Bradshaw received a cash settlement of £277,994 as part of his payment for loss of office relating to the termination of unvested awards previously awarded in 2018 and 2019 as explained on page 68. The settlement took into account an assessment of achievement of performance conditions at that date and was subject to a pro rata reduction for the period of the performance period completed.

EPSP awards made during the year (audited)

The following EPSP awards were granted to executive Directors in July 2019:

	Type of award	Basis of award granted	Share price at date of award	Number of shares over which award was granted	Face value of award (£)	% of face value that would vest on threshold performance	Vesting determined by performance over
K Bradshaw	Nil cost option	150% of salary of £459,000	320p	215,156	688,500	25%	Three financial years to 30 April 2022
P Vincent	Nil cost option	150% of salary of £336,600	320p	157,781	504,900	25%	As above

These awards were subject to the following performance targets which were set following consultation with investors.

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (33.3% of award)	43p	50p	Final year of the performance period
ROCE (33.3% of award)	7.7%	11.5%	Final year of the performance period
TSR (33.3% of award): Relative to FTSE 250 excl. investment trusts	Median	Upper quartile	Over the performance period

Kevin Bradshaw's awards were settled in cash as part of his payment for loss of office, as explained on page 68.

The above performance conditions were set without anticipation of the Merger and are therefore no longer considered appropriate for the combined group. Accordingly, the Committee concluded that it was appropriate to test the performance conditions applicable to outstanding awards under the EPSP on completion of the Merger and for the performance tested awards to be reduced pro-rata for the period of performance not yet completed and then continue until their original vesting date subject to continued employment. The calculation of this adjustment on the awards outstanding to Philip Vincent are outlined on page 74.

Remuneration report continued

Percentage change in remuneration levels

	2019	2020	% change
CEO (£000)			
– salary ¹	450	459	2%
– benefits ¹	11	16	45%
– bonus ²	489	344	(30%)
Average per UK employee (£)			
– salary	27,233	26,850	(1%)
– benefits	1,711	1,643	(4%)
– bonus	3,571	3,468	(3%)

1. The salary and benefits disclosed for FY2020 are an annualised amount based on the agreed annual remuneration for Kevin Bradshaw at the start of the financial year FY2020. Due to the changes in CEO and composition of the role during the year, the Committee believe that these figures are the most appropriate for year on year comparison.
2. The annual bonus amount for FY2020 represents the element of loss of office payment that was made to Kevin Bradshaw in lieu of an annual bonus award that was expected to be earned during the year.

The above table shows the movement in the salary, benefits and annual bonus for the CEO between the year under review and the previous financial year compared to that for the average UK employee.

The Committee has chosen to use the average UK employees as a comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the Group's total wage bill which can be distorted by movements in the number of employees and variations in wage practices in Spain. The Committee has also chosen to exclude Redde employees on the basis that this remuneration made up a small proportion of the total annual wage bill and the remuneration for those employees was not set under existing group policy and will be reviewed prospectively.

CEO to employee pay ratio

The table below sets out the ratio of the CEO's single figure of total remuneration to the total remuneration to the 25th percentile, median (50th percentile), and 75th percentile remuneration of our UK employees excluding those employees who joined the Group following the Merger.

Option A of the Companies (Miscellaneous Reporting) Regulations 2018 has been used to calculate the ratio as it was considered to provide the most accurate basis of calculation. Full-time equivalent remuneration for all UK employees for the financial year has been used.

In accordance with the aforementioned regulations, where more than one person has undertaken the role of CEO, the amount to be disclosed is the total remuneration to persons in relation to the period. The information below for FY2020 therefore includes remuneration amounts combined of both Kevin Bradshaw and Martin Ward, including the amounts paid to Kevin Bradshaw for loss of office.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	64:1	53:1	37:1
2019	Option A	47:1	38:1	26:1

The increase in pay ratio in the year relates to the loss of office payments that are included within the total remuneration of the CEO.

Salary and total remuneration details for the relevant individuals are set out as follows:

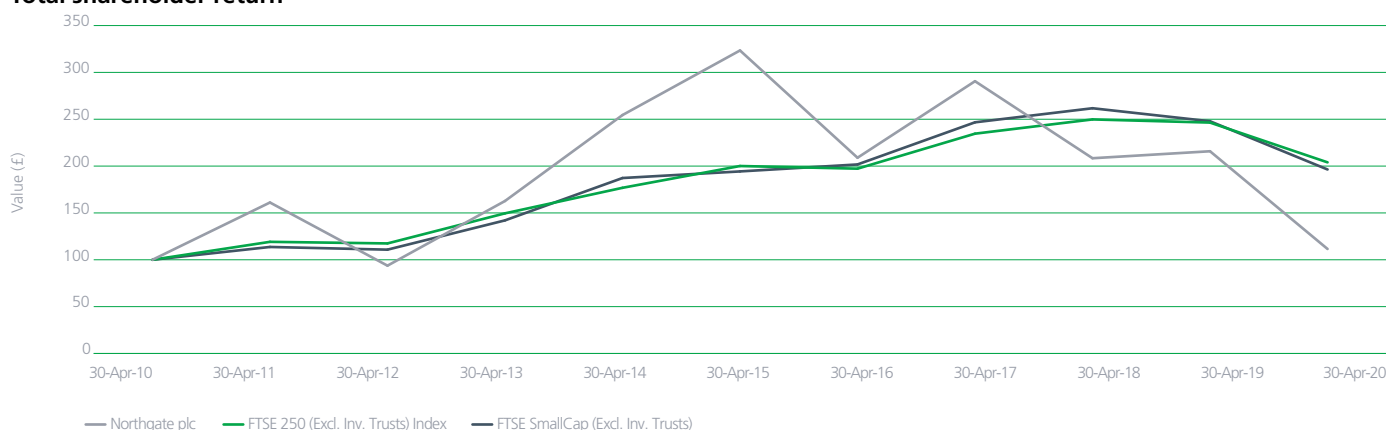
	CEO	25th percentile	Median pay ratio	75th percentile
2020				
Salary	£339,094	£19,168	£21,769	£28,918
Total remuneration	£1,319,327	£20,691	£24,780	£36,012
2019				
Salary	£450,000	£19,000	£22,000	£28,635
Total remuneration	£1,032,000	£21,847	£27,514	£39,450

The Committee has responsibility for setting the remuneration of the Executive Directors and other senior management and reviews the wider policies and practices for our workforce. The Committee is satisfied that the median pay ratio is consistent with the Group's pay, reward and progression policies.

Performance graph measured by TSR

The graph below illustrates the performance of Redde Northgate plc measured by Total Shareholder Return (share price growth plus dividends reinvested in shares) against a 'broad equity market index' over the last ten years from 30 April 2010 to 30 April 2020. As the Company has been a constituent of the FTSE SmallCap index for the majority of that time, that index (excluding investment companies) is considered to be the most appropriate benchmark. Consistent with the approach adopted in previous years we show performance against both the FTSE SmallCap and FTSE 250. The mid-market price of the Company's Ordinary shares at 30 April 2020 was 180p (30 April 2019 – 368p). The range during the year was 373p to 112p.

Total shareholder return



The graph shows the value, at 30 April 2020, of £100 invested in Redde Northgate plc on 30 April 2010, compared with the value of £100 invested in the FTSE 250 (excl. investment trusts) and FTSE SmallCap (excl. investment trusts) Indices on the same date. The other points plotted are the values at intervening financial year ends.

Total remuneration for CEO

Year ended 30 April	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total remuneration £000	821	1,115	859	628	1,138	1,214	821	490	1,032	1,319
Annual bonus (% of maximum)	100%	100%	0%	43.6%	90.3%	34.1%	0%	0%	72.4%	0%
Long term incentive (EPSP) vesting (% of maximum)	0%	100%	33.3%	0%	47.9%	79.2%	61.8%	0%	0%	0%

This shows the total remuneration figure for the CEO during each of those financial years. For the current year the total remuneration includes all remuneration to both Martin Ward and Kevin Bradshaw. Remuneration payments during FY2020 include payments of £900,883 for loss of office.

The total remuneration figure includes the annual bonus and EPSP awards which vested based on performance periods ending in those years. The annual bonus and EPSP percentages show the payout for each year as a percentage of the maximum. In years when there was a change of CEO, the figures shown are the aggregate for the office holders during that year.

Relative importance of spend on pay

	2019	2020	% (decrease) increase
Staff costs £000	104,656	118,175	2.4%
Dividends £000	23,431	24,333	3.8%

The table above shows the movement in spend on staff costs versus that in dividends.

Remuneration report continued

Outstanding share awards

The table below sets out details of Philip Vincent's outstanding share awards. All outstanding share awards due to Kevin Bradshaw were terminated and settled as part of the payment made for loss of office. Martin Ward did not have any outstanding awards during the financial year to 31 April 2020.

P Vincent

	Scheme	Grant date	Exercise price (p)	Number of shares granted	Number of shares granted during year	Vested during year	Exercised during year	Lapsed during year	Forfeited during year	Number of shares at 30 April 2020	End of original performance period	Vesting date
EPSP	27.07.18	Nil	95,360	–	–	–	–	67,405	27,995	30.04.21	27.06.21	27.06.21 – 27.06.28
EPSP	24.09.19	Nil	–	157,781	–	–	–	131,589	26,192	30.04.22	24.09.22	24.09.22 – 24.09.29

The above awards and the related performance conditions were set without anticipation of the Merger. Due to the scale of the Merger, planned integration and the impact that is expected to have on the ongoing financial performance and position of the group, the Committee concluded that ongoing measurement against the above performance metrics would not be appropriate.

As a result, the Committee decided to fix the vesting of the award based on the expected performance in EPS and ROCE that would have been achieved had the performance period been completed. TSR was calculated based on the outcome as at the date of assessment. The awards were also forfeited on a pro rata basis relating to the performance period not yet completed.

The overall vesting of Philip Vincent's original awards was therefore adjusted as follows:

Scheme	EPSP	EPSP
Grant date	27.07.18	24.09.19
EPS performance (33.3% of award)	60.4%	100%
ROCE performance (33.3% of award)	32.5%	48.7%
TSR performance (33.3% of award)	39%	0%
Overall performance	44.0%	49.6%
Pro-rata for performance period completed	66.7%	33.4%
Adjusted vesting of award	29.3%	16.6%
Number of shares originally granted	95,360	157,781
Number of shares forfeited during the year	67,405	131,589
Number of shares at 30 April 2020	27,995	26,192

No remaining performance conditions are therefore attached to the number of awards carried forward at 30 April 2020. The vesting condition in relation to continuing service remains in place to end of the third anniversary from the original grant date of the award and the value of any awards that finally vest will be included in the directors' remuneration table in the year of vesting.

SIP and SAYE

The SIP, which is an approved HMRC share plan was introduced in 2000 to provide employees at all levels with the opportunity to acquire shares in the Company on preferential terms. The SIP scheme will expire this year and it is proposed (subject to approval by shareholders at this year's AGM) that it will be replaced with the SAYE. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders and the experience in the Redde businesses (which ran an SAYE over many years) has shown that this is an effective way of achieving that aim at no financial risk to employees.

The nineteenth annual cycle ended in December 2019 and resulted in 438 employees acquiring 137,685 Partnership shares at 311p each and being allocated the same number of Matching shares. The twentieth and final annual cycle started in January 2020 and currently 455 employees are making contributions to the scheme at an annualised rate of £75 per month.

Under the SAYE Scheme employees choose to make monthly savings amounts (paid to a financial institution) in return for options to buy shares in the Company at the option price and use savings accumulated over the savings period (typically three years). Employees can choose to cease saving and withdraw their money at any time (including at the end of the savings period) allowing the related options to lapse.

The executive Directors were entitled to participate in the SIP and will be entitled to participate in the SAYE Scheme.

Sourcing of shares

A combination of newly issued and market purchase shares (using a Guernsey employee benefit trust) are used to satisfy the requirements of the Group's existing share schemes.

Overall plan limits and clawback

All the Company's share schemes operate within the following limits: in any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- 10% of the issued Ordinary share capital under all the share plans; and
- 5% of the issued Ordinary share capital under the executive share plans (EPSP, DABP and MPSP).

The dilution position as at 30 April 2020 was 0.3% under the EPSP, MPSP and DABP and 0.7% under all schemes.

In line with current best practice guidelines, the Committee has introduced recovery and withholding provisions into the rules of all discretionary schemes, which can be invoked in the event of a number of situations including error, financial misstatement, gross misconduct, reputational damage, failure of risk management and corporate failure with the last three events applying to awards granted from 2019 only.

Directors' shareholding and share interests

The executive Directors are required to build up a shareholding equivalent to 200% of salary, to be achieved primarily through the retention, after tax, of shares acquired on exercise of options granted under the long term incentive share plan and shares acquired through bonus deferral, until such time as their share ownership requirement has been met. Directors are not required to go into the market to purchase shares, although market purchases are encouraged and any shares so acquired would count towards meeting the guidelines.

The Chairman and non-executive Directors do not have a shareholding guideline although the holding of shares in the business is encouraged. Details of the Directors' interests in shares are shown in the table below:

Share interests (audited)

Number of shares:

	Beneficially owned at 30 April 2020	Vested but not exercised EPSP	Not vested EPSP	% shareholding guideline achieved at 30 April 2020
M Ward	1,608,979	–	–	100%
P Vincent	35,841	–	54,187	9%
K Bradshaw	43,719	–	–	6%
A Palmer-Baunack	110,442	–	–	N/A
J Pattullo	30,000	–	–	N/A
J Caseberry	5,000	–	–	N/A
C Miles	5,000	–	–	N/A
B Spencer	8,000	–	–	N/A
M Butcher	24,676	–	–	N/A
F Cogollos	–	–	–	N/A
S Oakley	745,724	–	–	N/A
J Davies	–	–	–	N/A
M McCafferty	11,007	–	–	N/A

Martin Ward has met the shareholding policy guideline as he holds shares with a value in excess of 200% of basic annual salary.

Philip Vincent was appointed on 16 July 2018 and has not yet met the shareholding guideline as given his recent appointment there have been no variable pay awards vesting. The Committee expect the guideline to be achieved within 5 years of appointment.

Philip Vincent's shareholding includes 15,674 of shares awarded in September 2019 under the EAB annual bonus scheme. The shares vested immediately but are held in trust for three years following the date of award in accordance with the scheme rules.

Kevin Bradshaw's shareholding includes 43,719 shares awarded in September 2019 under the EAB annual bonus scheme.

Kevin's outstanding awards under the EAB will be subject to and governed by the rules of the EAB and shall be retained for the required three year holding period following the date of award. Kevin will also be required to retain his current shareholding, up to a maximum of 200 per cent of salary in shares until 28 November 2021.

The shareholdings of Jill Caseberry, Claire Miles, Bill Spencer and Fernando Cogollos are at the date that they left the Board.

In August 2020 awards were made under the EPSP, which will vest in future periods subject to satisfying the performance conditions outlined on page 76 as follows:

Number of Shares	Not vested EPSP
M Ward	778,315
P Vincent	474,382

No further changes in the above interests have occurred between 30 April 2020 and the date of this report.

Remuneration report continued

Operation of policy for FY2021

The executive Director's salaries were reviewed on appointment for Martin Ward and upon completion of the Merger for Philip Vincent. No further changes to those agreed salaries were proposed for the year commencing 1 May 2020.

	Salary as at 1 May 2019	Salary as at 1 May 2020	Increase
M Ward	–	580,000	N/A
P Vincent	336,600	355,000	5.5%

Martin Ward's salary was agreed upon appointment but he volunteered for this increase to be waived for six months until 21 August 2020, until which time his base salary continued to be paid at £406,000 per annum in line with his previous role as CEO of Redde plc. In addition Martin agreed to a voluntary 20% reduction over the three month period 1 April 2020 to 30 June 2020.

Philip Vincent's increase in salary was agreed upon completion of the Merger in order to reflect the change in roles and responsibilities for the combined group. He volunteered for this increase to be waived for a period of 6 months until 21 August 2020 and also agreed to a voluntary 20% reduction over the three month period 1 April 2020 to 30 June 2020.

Annual bonus

For FY2021 the annual bonus maximum opportunity is 100% of salary for both the CFO and CEO.

The bonus will be determined as to:

75% Profit Before Tax.

25% a range of strategic and operational objectives.

The Committee has chosen not to disclose, in advance, the performance targets for the annual bonus these include items which the Committee considers commercially sensitive. Full retrospective disclosure of the targets and performance against them will be provided in next year's annual report on remuneration.

The Committee will have the discretion under the new policy to adjust the bonus outcome if it is not deemed appropriate for example in terms of the underlying performance of the Company.

EPSP awards to be granted in 2020

Award levels for 2020 are at 250% of salary for the CEO and CFO and were made in August 2020 as outlined on page 75.

Vesting of EPSP awards will be determined by the following underlying measures and targets:

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
PBT (50% of award)	£93.58m	£115.0m	Final year of the performance period
EPS (50% of award)	29.87p	35.14p	Final year of the performance period

The ROCE element has been removed following the Merger, as this metric is less relevant to overall Group performance given that Redde is not a capital intensive business. The TSR element has been removed taking into account the concerns that were raised during the year around setting appropriate base equity values for long term performance incentives.

Fees for the Chairman and non-executive Directors

The fees for the non-executive Directors have been reviewed with effect from 1 May 2020 and are as set out below.

	Salary as at 1 May 2019	Salary as at 1 May 2020	Increase
Chairman	£166,464	£200,000	20%
Base fee	£55,000	£55,000	0%
Senior Independent Director	£10,000	£10,000	0%
Designated NED	£10,000	£10,000	0%
Audit Committee Chairman	£10,000	£10,000	0%
Remuneration Committee Chairman	£10,000	£10,000	0%

Chairman salary was agreed on appointment of Avril Palmer-Baunack on 12 August 2019. No fee increase has been proposed for the year commencing 1 May 2020.

As part of the measures taken to mitigate the financial impact of COVID-19, from April 20, all non-executive directors with continuing service agreed to a voluntary reduction of 20% of their fee for the three month period between 1 April 2020 and 30 June 2020, with the exception of the Chairman who has agreed to waive all fees over the same period.

Statement of shareholder voting and shareholder feedback

The following tables set out the votes received from shareholders for the Directors' remuneration report at the 2019 and 2018 AGM's as well as the recent amendments as a result of the Merger:

	Total number of votes	Approve the report on remuneration % of votes cast
Directors' remuneration report (2019)		
For	96,197,272	84.36%
Against	17,828,268	15.64%
Total votes cast (excluding votes withheld)	114,025,540	
Votes withheld	741,602	
Total votes cast (including votes withheld)	114,767,142	

	Total number of votes	Approve the report on remuneration % of votes cast
Adoption of the Value Creation Plan (2020)		
For	67,564,764	60.01%
Against	45,015,140	39.99%
Total votes cast (excluding votes withheld)	112,579,904	
Votes withheld	56,190	
Total votes cast (including votes withheld)	112,636,094	

	Total number of votes	Approve the report on remuneration % of votes cast
Amendments to the Policy vote (2020)		
For	67,564,764	60.21%
Against	44,689,721	39.79%
Total votes cast (excluding votes withheld)	112,305,317	
Votes withheld	330,776	
Total votes cast (including votes withheld)	112,636,093	

Votes withheld are not included in the final proxy figures as they are not recognised as a vote in law.

Approval

This Annual Report on Remuneration has been approved by the Board of Directors. Signed on behalf of the Board of Directors.

John Davies

Chairman of the Remuneration Committee

16 September 2020

Report of the Directors

The Directors present their report and the audited consolidated accounts for the year ended 30 April 2020.

Results

Details on financial performance and dividends can be found in the Strategic Report from pages 1 to 45.

Close company status

So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 2008 do not apply to the Company.

Capital structure

Details of the issued share capital, together with details of any movements during the year, are shown in Note 28. The Company has one class of Ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

The cumulative Preference shares of 50p each entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The cumulative Preference shares do not entitle the holders to any further or other participation in the profits or assets of the Company.

The percentage of the issued nominal value of the Ordinary shares is 99.6% (2019: 99.3%) of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association (the Articles) and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration Report. Shares held by the YBS Trust are voted on the instructions of the employees on whose behalf they are held. Shares in the Guernsey Trust are voted at the discretion of the Trustees.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regards to the appointment and replacement of Directors, the Company is governed by the Articles, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are set out in the Articles.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a change of control.

Interests in shares

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

	30 April 2020	%
Artemis Investment Management LLP	9,618,009	3.90
JO Hambro Capital Management Ltd	14,290,985	5.81
Invesco Limited	19,099,169	7.76
Schroders plc	12,477,207	5.07
FIL Limited	9,845,816	5.07
Norges Bank	9,845,816	4.01

Directors

Details of the present Directors are listed on page 49. Resolutions to reappoint each of the Directors in office at the date of this report will be proposed at the AGM. Termination provisions in respect of executive Directors' contracts can be found in the Remuneration policy, starting on page 56.

Directors' indemnities

As permitted by the Company's Articles of Association, qualifying third party indemnities for each Director of the Company were in place throughout their periods of office during the year and, for those currently in office, remained in force as at the date of signing of this report.

The Company's Articles of Association are available on the Company's website: www.reddenorthgate.com.

Employee consultation and Disabled employees

The disclosures surrounding employee engagement and disabled employees are included within the employee engagement focus section on page 41.

Employee and other stakeholder engagement

Details of Directors' engagement with employees and other stakeholders are included within the Strategic report on pages 39 and 40.

Details on how the Directors have discharged their duties under Section 172(1) of the Companies Act 2006, are included on page 45.

Dividends

Subject to approval, the directors propose a final dividend of 13.1p per share (2019: 12.1p) which will be paid on 3 November 2020 to shareholders on the register as at close of business on 25 September 2020.

Political donations

No political donations were made by any Group company in the year.

Energy & Carbon Reporting

The disclosures regarding greenhouse gas emissions, energy consumption and energy efficiency actions included in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 are included in the Environmental focus section of the Strategic Report on page 43.

Remuneration report

The Directors' Remuneration report contains:

- A statement by Avril Palmer-Baunack, Chairman;
- The Directors' remuneration policy; and
- The Annual report on remuneration, which sets out payments made in the financial year ended 30 April 2020.

The statement by the Chairman and Annual report on remuneration will be put to an advisory shareholder vote by ordinary resolution.

The Directors' remuneration report can be found on pages 56 to 77.

Power to allot shares

The present authority of the Directors to allot shares was granted at the AGM held in September 2019 and expires at the forthcoming AGM. A resolution to renew that authority for a period expiring at the conclusion of the AGM to be held in 2020 will be proposed at the AGM. The authority will permit the Directors to allot up to an aggregate nominal amount of £40,605,084 of share capital which represents approximately 33% of the present issued Ordinary share capital and is within the limits approved by the Investment

Association and the National Association of Pension Funds.

The Directors have no present intention of exercising such authority and no issue of shares which would effectively alter the control of the Company will be made without the prior approval of shareholders in a general meeting.

Special resolutions will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis in accordance with the best practice guidance set out in the Statement of Principles issued by The Pre-Emption Group and which has been endorsed by the Investment Association. This authority will be limited to:

- Firstly, an aggregate nominal amount of £6,152,285, representing approximately 5% of the current issued Ordinary share capital (Resolution 14); and
- Secondly, a further 5% of the Company's share capital, provided that this additional power is only used in connection with acquisitions and specified capital investments which are announced contemporaneously with the issue or which have taken place in the preceding six-month period and are disclosed in the announcement of the issue (Resolution 15).

The 2015 Statement of Principles defines a 'specified capital investment' as "one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the listed company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return". Items that are regarded as operating expenditure rather than capital expenditure will not typically be regarded as falling within the term 'specified capital investment'.

The Directors have no present intention of exercising this authority and confirm their intention to follow the provisions of The Pre-Emption Group's Statement of Principles regarding cumulative use of such authorities within a rolling three year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the Company's issued share capital in

any rolling three year period, other than to existing shareholders, without prior consultation with shareholders. This limit excludes any Ordinary shares issued pursuant to a general disapplication of pre-emption rights in connection with an acquisition or specified capital investment.

Disclosure of information under Listing Rule 9.8.4

Dividend waiver arrangements are in place for the employee trusts as shown on page 64.

Length of notice of general meetings

The minimum notice period permitted by the Companies Act 2006 for general meetings of listed companies is 21 days, but the Act provides that companies may reduce this period to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. A separate notice of AGM has been issued to all shareholders which includes details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

A resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs will be proposed at the AGM. The approval will be effective until the Company's next AGM, when it is intended that the approval be renewed.

It is the Board's intention that this authority would not be used as a matter of routine but only when merited by the circumstances of the meeting and in the best interests of shareholders.

Authority for the Company to purchase its own shares

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

The Directors propose to renew the general authority of the Company to make market purchases of its own shares to a total of 24,609,142 Ordinary shares (representing approximately 10% of the issued Ordinary

share capital) and within the price constraints set out in a special resolution to be proposed at the AGM.

Financial instruments

Details of the Group's use of financial instruments are given in the Financial review on pages 24 to 28 and in Note 33 to the accounts.

Auditor

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

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 Companies Act 2006.

A resolution for the appointment of PwC as auditor of the Company will be proposed at the forthcoming AGM. This proposal is supported by the Audit and Risk Committee.

The Directors' Report, comprising the Corporate Governance Report and the Reports of the Audit and Remuneration Committees, has been approved by the Board and signed on its behalf.

By order of the Board

Nick Tilley
Company Secretary
16 September 2020

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Parent Company financial statements in accordance with IFRS as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and IFRS as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report and Accounts confirm that, to the best of their knowledge:

- the Parent Company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

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

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

By order of the Board

Martin Ward
Chief Executive Officer

16 September 2020

Independent auditors' report to the members of Redde Northgate plc

Report on the audit of the financial statements

Opinion

In our opinion, Redde Northgate plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 April 2020 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the group and company balance sheets as at 30 April 2020; the consolidated income statement, the group and company statements of comprehensive income, the group and company cash flow statements, and the group and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

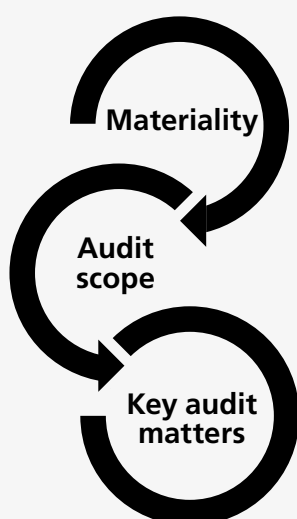
Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 May 2019 to 30 April 2020.

Our audit approach



Overview

- Overall group materiality: £3.0 million (2019: £3.0 million), based on 5% of profit before tax, exceptional items and certain intangible amortisation.
- Overall company materiality: £2.1 million (2019: £2.8 million), based on 1% of total assets, capped due to group materiality allocation.
- The group is organised into 25 reporting components and the group financial statements are a consolidation of these reporting components.
- Of the 25 components we identified 5 which, in our view, required a full scope audit either due to their size or risk characteristics, 3 of these were audited by the group engagement team.
- There is 1 significant component based overseas, Northgate España Renting Flexible S.A, and 1 in the UK, Auxillis Services Limited, which have been audited by a PwC component auditor. The group engagement team were significantly involved at all stages of the audit by virtue of numerous communications throughout the process, including the issuance of detailed audit instructions and review and discussions of all audit findings and in particular over our areas of focus.
- Specific audit procedures were performed over other receivables and other payables in a further component due to its contribution to the trade and other receivables and trade and other payables financial statement line items.
- As a result of this scoping we obtained coverage over 91% of the consolidated revenues and 99% of the consolidated profit before tax, exceptional items and certain intangible amortisation.
- Provisions for uncertain tax positions (group);
- Determining appropriate depreciation rates for vehicles held for hire (group);
- Business combinations (group);
- Claims due from insurance companies and self-insuring organisations, incorporating revenue recognition (group); and
- Impact of COVID-19 (group and company).

Independent auditors' report to the members of Redde Northgate plc

continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to international tax regulations, environmental regulations, health and safety regulations and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias included within accounting judgements and estimates. The group engagement team shared this risk assessment with the component auditors so that they could

include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Review of Board minutes, discussions with management, internal audit and the group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Assessing management's significant judgements and estimates in particular to those relating to business combinations, provisions for uncertain tax positions, the determination of depreciation rates for vehicles for hire, claims due from insurance companies and self-insuring organisations and the judgements and estimates used in respect of the group's COVID-19 assessment.

There are inherent limitations in the audit procedures described above and the further removed non-compliance

with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER

PROVISION FOR UNCERTAIN TAX POSITIONS (GROUP)

The group carries out tax planning and has made judgements in respect of tax relief and deductions that have been taken in preparation of its tax computations. In preparing the financial statements management have made further judgements and estimates in respect of the likelihood of future challenge by the relevant tax authority.

We focused on this area due to the judgement required in assessing the need for provisions to cover the risk of challenge of certain of the group's tax positions, which have been taken as current tax deductions in the current and previous years. This requires significant audit attention as there is judgement involved in assessing those uncertain tax positions that require provision or not and the related tax items are significant. Provisions for uncertain tax positions at the year end totalled £14.7m (2019: £14.3m).

There is inherent judgement and estimation uncertainty involved in determining provisions for uncertain tax positions, as described by management within the group's critical accounting judgements and key sources of estimation uncertainty in note 3 and the Report of the Audit and Risk Committee on page 53.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We engaged our tax specialists in support of our audit of uncertain tax positions.

We obtained an understanding of the group's tax strategy and risks.

We evaluated and challenged management's rationale for the level of provisions held, including assessing the judgements that management have taken and corroborating to supporting evidence.

We considered the status of recent and current tax audits and enquiries, inspected correspondence with relevant tax authorities, the outcome of previous claims and the tax environment in each jurisdiction in which the group operates.

We also considered any penalty regimes that could apply should any of the group's tax positions be challenged successfully.

We evaluated the consistency of management's approach to identifying triggering events to reassess or record a provision for an exposure.

We also evaluated the consistency of management's approach to establishing or changing prior provision estimates and validated that changes in provisions established in previous periods reflected a change in facts and circumstances.

We also considered the adequacy of the group's disclosures in respect of tax and uncertain tax positions.

Based on the procedures performed the provisions for uncertain tax positions were supported by the evidence we obtained during our audit.

KEY AUDIT MATTER**DETERMINING APPROPRIATE DEPRECIATION RATES FOR VEHICLES HELD FOR HIRE (GROUP)**

The group has a total of £884.7m (2019: £900.3m) of vehicle assets held for hire with a depreciation charge totalling £192.5m (2019: £185.8m) which represents the largest expense for the group. The group adopts an accounting policy that uses depreciation rates based on estimated useful lives to ensure that the net book value of these vehicle assets approximates to their market value at the time of disposal.

This policy seeks to minimise any significant gains or losses upon disposal of the vehicle assets.

This policy requires management to make an estimate of what the residual value will be at the time of disposal. Determining likely residual values for future vehicle disposals is judgemental and requires a number of judgments and estimates to be made, including the age, condition and mileage of each vehicle, the method of selling a vehicle and expected future market conditions, such as forecast levels of supply and demand.

Further explanation is included in the group's critical accounting judgements and key sources of estimation uncertainty in note 3 and the Report of the Audit and Risk Committee on page 53.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We examined management's assumptions of expected future market values of hire vehicles used in the calculation of future residual values by comparison to external third party industry data for expected future market prices.

We performed detailed testing of the calculations supporting the estimates and judgements taken by management, including comparison to recent actual market prices achieved on disposal of similar vehicles, assessing the remaining impact of previous rate changes, and verifying the average age of a vehicle before it is sold onwards.

We also considered the adequacy of the group's disclosures in respect of the estimation uncertainty in setting appropriate depreciation rates.

Based on the procedures performed, we were able to obtain sufficient audit evidence in respect of the judgements and estimates applied by management in determining the depreciation rates used.

KEY AUDIT MATTER**BUSINESS COMBINATIONS (GROUP)**

The group acquired Redde plc on 21 February 2020 through a share for share exchange resulting in total consideration of £318.4m. Management have undertaken a provisional purchase price allocation exercise identifying and recognising intangible assets with finite useful lives amounting to £186.6m (customer relationships of £169.6m, software of £4.2m and brand names of £12.8m) and resulting in goodwill of £112.5m.

Management utilised an expert in the identification and valuation of the intangible assets.

As a result of the business combination the group allocated the goodwill of £112.5m to three cash generating units (CGUs) on a relative fair value basis in accordance with IFRS 3 'Business Combinations'.

We focused on this area because there is a level of judgement involved in identifying the intangible assets upon acquisition and given the material values involved.

The disclosures in respect of the business combination are set out in notes 4, 13 and 14.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We utilised our internal valuations experts to assess the reasonableness of the valuation methodology and other key assumptions driving the valuation, including the discount rate applied.

We evaluated management's assessment of the assumptions used in the valuation of the intangible assets as follows:

- The discount rate has been tested for mathematical accuracy, calculation inputs agreed to the company forecast data and benchmarked against comparable companies;
- Royalty rate used in determining the brand name valuation has been assessed for reasonableness through comparison to market data;
- Growth rates and customer attrition have been tested through analysis against historical company data; and
- The intangibles' useful economic lives have been evaluated based on our understanding of the business and similar historical acquisitions.

We assessed the management's allocation of goodwill across the three identified CGUs on a relative fair value basis.

We also assessed the fair value adjustments made on acquisition in the completion balance sheet as at 21 February 2020 and tested the deferred tax arising on such adjustments and the intangibles acquired.

We found, based on our audit work, that the key assumptions and calculations used by management were supportable and appropriate.

We considered the appropriateness of the disclosures within notes 4, 13 and 14.

Independent auditors' report to the members of Redde Northgate plc

continued

KEY AUDIT MATTER

CLAIMS DUE FROM INSURANCE COMPANIES AND SELF-INSURING ORGANISATIONS, INCORPORATING REVENUE RECOGNITION (GROUP)

As a result of the acquisition of Redde plc the group recognises contract assets amounting to £162.3m on claims due from insurance companies and self-insuring organisations which are subject to the insurance claims being settled. As such, revenue recognised in respect of these claims represent variable consideration and is subject to a variable consideration adjustment which takes into account the settlement risk. This includes historical and expected collection rates, as well as the aged profile of amounts due. The assumptions underlying the calculation of the variable consideration adjustment as well as the adjustments made involve significant judgement and therefore impact both the carrying value of the associated assets and revenue recognised in relation to the associated claims.

We determined that the valuation of outstanding claims, which incorporates the variable consideration adjustment, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Further explanation of the estimation uncertainty is included in the critical accounting judgements and key sources of estimation uncertainty in note 3.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We assessed the accounting policy and approach to recognising revenue to ensure it was consistent with the principles of IFRS 15 'Revenue from contracts with customers' and in particular variable consideration.

We obtained management's model which is used to determine the variable consideration adjustment. We assessed the accuracy of the input data in the model, by testing it on a sample basis underlying supporting information. This data included the claim amounts invoiced, the age of the claims and the settlements of the claims.

We tested the integrity of the model using digital audit specialists which included checking the accuracy and consistency of formulas and the completeness of the input data noted above. We also reperformed the calculation within the model from the input data such as the ageing and recovery rates.

We assessed and challenged the key assumptions used by management to derive the variable consideration adjustment, taking into account historical collection rates for individual insurers for each category of claim and any outliers within the data. We assessed whether there was any contradictory evidence which could call in question the assumptions made and we corroborated explanations provided to supporting information or evidence.

We formed an independent view of the adequacy of the variable consideration adjustment, by obtaining invoice and settlement data for the past 4 years. We used this data to analyse the historical collection performance of monthly cohorts of invoices for each category of claim, and derive an expectation of the potential settlement of claims outstanding at the balance sheet date.

We also requested management perform a look back test, by assessing the outcome of cash settlements in the period against the assumptions made in determining the variable consideration adjustment at the previous balance sheet date.

Based on the procedures above, we concluded that the level of the provision held at the balance sheet date was reasonable.

We reviewed management's disclosures in the financial statements, including the revenue recognition policy which in respect of the results of the look back test performed by management, and in respect of the extent of the estimation uncertainty affecting the subsequent annual period.

KEY AUDIT MATTER**IMPACT OF COVID-19 (GROUP AND COMPANY)**

COVID-19 was declared a global pandemic by the World Health Organisation on 11 March 2020 and the on-going response is having an unprecedented impact on the economy which was considered as part of the audit.

The Directors have considered the potential impact on the group and company of the ongoing COVID-19 pandemic across the business.

In relation to the group's going concern assessment, the Directors have prepared a 'base case' cash flow forecast for the period to 31 October 2021 reflecting what they believe the impact of the COVID-19 pandemic to be on future cash flows.

The group's forecast cash flows contain assumptions over revenue, profitability and cash generation. This forecast has been sensitised by the Directors' for a severe but plausible scenario that could impact the group and these have been described within the Viability Statement on page 37. This downside scenario included a severe but plausible reduction within both the vehicle hire and Redde segment revenue streams over the course of the forecast period.

These models contain key estimates that underpin management's going concern and viability assessment and form the basis of management's impairment assessments.

In relation to the carrying value of assets, management have considered the impact of COVID-19 in their impairment assessments of each category of assets, and made any adjustments that they considered to be required.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We have re-evaluated our risk assessment, including the going concern risk of the group. Based on the Directors' assessment and our audit procedures thereon as described below, we consider our original risk assessment to remain appropriate and therefore consider going concern and the impairment of intangible assets and investments to be a normal risk for the group and company.

In assessing management's consideration of the potential impact of COVID-19, we undertook the following procedures:

- We obtained management's board report that detailed the group's assessment and conclusions with respect to their ability to continue as a going concern and considered it against our knowledge of the business;
- We evaluated management's board approved base case forecast and their COVID-19 downside scenario, and challenged the adequacy and appropriateness of the underlying assumptions, including the level and period of reduction in revenue and resultant EBITDA;
- In assessing the base case forecast we have agreed revenue and cost amounts on a segmental basis to audit evidence, ensuring they are prepared on a consistent and appropriate basis, and performed a check to assess management's prior history in forecasting;
- We have confirmed that the base case forecast has been revised to include the initial consideration for the acquisition of certain trade and assets of Nationwide Accident Repair Services undertaken subsequent to the year end, including working capital investment required over the going concern period;
- We reviewed the latest trading results for the year to date in 2020 including trading within the lockdown period and compared this to management's budget, prior year actuals and the base case forecast, and considered the impact of these actual results on the future forecast period;
- We considered the group's available financing and maturity profile to assess both management's forecast liquidity and compliance with banking covenants throughout the going concern period;
- We tested the mathematical integrity of the forecasts and the models and reconciled them to the board approved budgets;
- We performed our own independent sensitivity analysis to assess how far key assumptions could fall prior to a breach in the group's financial covenants;
- We assessed the reasonableness of management's planned or potential mitigation actions; and
- We reviewed the disclosures included within the Annual Report and consider these to be appropriate.

Our conclusion in respect of going concern is set out within the "Going Concern" section below.

We have reviewed management's assessment of the impact of COVID-19 on the carrying value of each category of assets and any adjustments made. We evaluated and challenged management on how they reflected the impact on future cash flows of COVID-19 in their impairment analyses and the consistency of their assumptions with the forecasts used in their going concern assessment.

We have reviewed management's disclosures in the financial statements in relation to COVID-19 and are satisfied that they are consistent with the risks affecting the group, their impact assessment and the procedures that we have performed.

Independent auditors' report to the members of Redde Northgate plc

continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is organised into 25 reporting components and the group financial statements are a consolidation of these reporting components. The reporting components vary in size and we identified 5 components, in the UK and Spain, that required a full scope audit of their financial information due to either their size or risk characteristics.

Specific audit procedures over other receivables and other payables were performed for a further reporting unit due to its contribution towards the trade and other receivables and trade and other payables financial statement line items.

The work was performed by a component audit team on 2 of the 5 components, one of which was in Spain. All other audit work was completed by the group audit team.

On the remaining 20 components we performed analytical procedures to respond to any potential risks of material misstatement to the group.

The group audit team met with local management, discussed the audit approach and findings with the component teams and attended their clearance meetings. Our audit scope was determined by considering the significance of each component's contribution to profit before tax, excluding exceptional items, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks.

Our attendance at the clearance meetings, review of component team reporting results and their supporting working papers, together with the additional procedures performed at group level,

gave us the evidence required for our opinion on the financial statements as a whole. Our audit procedures at the group level included the audit of the consolidation, goodwill impairment review, business combinations and the transition to IFRS 16 'Leases'. The group engagement team also performed the audit of the company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
OVERALL MATERIALITY	£3.0 million (2019: £3.0 million).	£2.1 million (2019: £2.8 million).
HOW WE DETERMINED IT	5% of profit before tax, exceptional items and certain intangible amortisation.	1% of total assets, capped due to group materiality allocation.
RATIONALE FOR BENCHMARK APPLIED	We believe a standard benchmark of 5% of profit before tax, exceptional items and certain intangible amortisation is an appropriate quantitative indicator of materiality. It is clear from the Annual Report that this profit measure is used by shareholders in evaluating the underlying business performance. We applied a lower materiality to the audit of exceptional items and intangible amortisation.	We believe that total assets are considered to be appropriate as it is not a profit oriented company. The company is a holding company only and therefore total assets is deemed a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2.0 million and £2.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £147,700 (Group audit) (2019: £150,000) and £147,700 (Company audit) (2019: £150,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

REPORTING OBLIGATION

We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

OUTCOME

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

We have nothing to report.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial

statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Report of the Directors and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent auditors' report to the members of Redde Northgate plc

continued

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 April 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 50 to 51) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 50 to 51) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 32 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (*Listing Rules*)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 80, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 54 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 17 June 2015 to audit the financial statements for the year ended 30 April 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 30 April 2016 to 30 April 2020.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and
Statutory Auditors

Newcastle upon Tyne

16 September 2020

Financial statements

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

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Consolidated income statement

For the year ended 30 April 2020

	Note(s)	Underlying 2020 £000	Statutory 2020 £000	Underlying 2019 £000	Statutory 2019 £000
Revenue: hire of vehicles	5	518,157	518,157	517,624	517,624
Revenue: sale of vehicles	5	193,795	193,795	227,846	227,846
Revenue: claims and services	5	67,397	67,397	–	–
Total revenue	5	779,349	779,349	745,470	745,470
Cost of sales		(621,446)	(621,446)	(592,598)	(592,598)
Gross profit		157,903	157,903	152,872	152,872
Administrative expenses (excluding exceptional items and certain intangible amortisation)		(84,034)	(84,034)	(76,672)	(76,672)
Exceptional administrative expenses: impairment of property, plant and equipment	17, 31	–	(1,304)	–	–
Exceptional administrative expenses: impairment of intangible assets	14, 31	–	(14,910)	–	–
Exceptional administrative expenses: other costs	31	–	(25,561)	–	–
Certain intangible amortisation	14	–	(3,178)	–	(709)
Total administrative expenses		(84,034)	(128,987)	(76,672)	(77,381)
Operating profit	6	73,869	28,916	76,200	75,491
Income from associates		952	952	–	–
EBIT	5	74,821	29,868	76,200	75,491
Interest income		122	122	39	39
Finance costs (excluding exceptional items)	8	(15,945)	(15,945)	(15,124)	(15,124)
Exceptional finance costs	8, 31	–	(566)	–	–
Profit before taxation		58,998	13,479	61,115	60,406
Taxation	9	(11,479)	(5,803)	(9,533)	(8,988)
Profit for the year		47,519	7,676	51,582	51,418

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

Underlying profit excludes exceptional items as set out in Note 31, as well as certain intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share

Basic	11	30.8p	5.0p	38.7p	38.6p
Diluted	11	30.5p	4.9p	38.0p	37.8p

Statements of comprehensive income

For the year ended 30 April 2020

	Note	Group		Company	
		2020 £000	2019 £000	2020 £000	2019 £000
Amounts attributable to the owners of the Parent Company					
Profit attributable to the owners		7,676	51,418	33,364	34,117
Other comprehensive income (expense)					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings		3,998	(9,366)	-	-
Net foreign exchange differences on long term borrowings held as hedges		(1,682)	5,687	-	-
Foreign exchange difference on revaluation reserve	30	9	(23)	-	-
Net fair value gains on cash flow hedges		807	398	807	398
Deferred tax charge recognised directly in equity relating to cash flow hedges		(153)	(76)	(153)	(76)
Total other comprehensive income (expense)		2,979	(3,380)	654	322
Total comprehensive income for the year		10,655	48,038	34,018	34,439

All items will subsequently be reclassified to the consolidated income statement. Profit attributable to the owners of the Parent Company includes amortisation of intangible assets.

Balance sheets

As at 30 April 2020

	Note	Group		Company	
		2020 £000	2019 £000	2020 £000	2019 £000
Non-current assets					
Goodwill	13	116,105	3,589	–	–
Other intangible assets	14	185,710	11,495	29	49
Property, plant and equipment: vehicles for hire	15	884,711	900,335	–	–
Property, plant and equipment: vehicles for credit hire	16	51,040	–	–	–
Other property, plant and equipment	17	126,009	68,843	–	–
Total property, plant and equipment		1,061,760	969,178	–	–
Deferred tax assets	27	10,133	6,620	592	1,347
Investments	18	–	–	441,895	120,893
Interest in associates	19	6,008	–	–	–
Total non-current assets		1,379,716	990,882	442,516	122,289
Current assets					
Inventories	20	48,762	29,826	–	–
Receivables and contract assets	21	295,765	71,802	949,537	915,265
Current tax assets		–	116	–	–
Cash and bank balances		67,843	35,742	–	1,744
Total current assets		412,370	137,486	949,537	917,009
Total assets		1,792,086	1,128,368	1,392,053	1,039,298
Current liabilities					
Trade and other payables	22	222,342	72,487	214,667	240,556
Provisions	23	3,369	–	–	–
Derivative financial instrument liabilities	26	184	77	184	77
Current tax liabilities		12,393	13,425	51	–
Lease liabilities	25	33,691	–	–	–
Short term borrowings	24	54,684	44,190	50,853	33,098
Total current liabilities		326,663	130,179	265,755	273,731
Net current assets		85,707	7,307	683,782	643,278
Non-current liabilities					
Provisions	23	1,208	–	–	–
Derivative financial instrument liabilities	26	–	914	–	914
Lease liabilities	25	70,261	–	–	–
Long term borrowings	24	485,073	428,409	459,306	428,409
Deferred tax liabilities	27	37,314	5,250	–	–
Total non-current liabilities		593,856	434,573	459,306	429,323
Total liabilities		920,519	564,752	725,061	703,054
Net assets		871,567	563,616	666,992	336,244
Equity					
Share capital	28	123,046	66,616	123,046	66,616
Share premium account	29	113,510	113,508	113,510	113,508
Own shares reserve	30	(3,090)	(3,359)	–	–
Hedging reserve	30	(149)	(803)	(149)	(803)
Translation reserve	30	(2,509)	(4,825)	–	–
Other reserves	30	330,477	68,637	325,030	64,570
Retained earnings					
At 1 May		323,842	295,853	92,353	80,348
Profit for the financial year		7,676	51,418	33,364	34,117
Other changes in retained earnings		(21,236)	(23,429)	(20,162)	(22,112)
At 30 April		310,282	323,842	105,555	92,353
Total equity		871,567	563,616	666,992	336,244

Total equity is wholly attributable to the owners of the Parent Company (Company number 00053171). The financial statements on pages 91 to 133 were approved by the Board of Directors and authorised for issue on 16 September 2020.

They were signed on its behalf by:

Philip Vincent
Chief Financial Officer

Cash flow statements

For the year ended 30 April 2020

	Note	Group		Company	
		2020 £000	2019 £000	2020 £000	2019 £000
Net cash generated from (used in) operations	(a)	33,699	38,528	(17,170)	(14,557)
Investing activities					
Interest received		122	39	–	–
Dividends received from subsidiary undertakings		–	–	69,903	53,126
Loans to subsidiary undertakings		–	–	(76,109)	(41,768)
Distributions from associates		590	–	–	–
Cash acquired on acquisition	4	8,036	–	–	–
Proceeds from disposals of other property, plant and equipment		3,823	1,128	–	–
Purchases of other property, plant and equipment		(5,250)	(8,370)	–	–
Purchases of intangible assets		(6,509)	(7,684)	–	(47)
Net cash generated from (used in) investing activities		812	(14,887)	(6,206)	11,311
Financing activities					
Issue of shares		2	–	2	–
Dividends paid		(24,333)	(23,431)	(24,333)	(23,431)
Receipt of bank loans and other borrowings		137,257	–	148,051	–
Repayments of bank loans and other borrowings		(114,289)	(10,651)	(114,289)	(8,999)
Debt issue costs paid		(4,878)	(1,737)	(4,878)	(1,737)
Principal element of lease payments under IFRS 16		(8,034)	–	–	–
Principal element of lease payments under HP obligations		(3,490)	–	–	–
Net payments to acquire own shares for share schemes		–	(1,438)	–	(1,438)
Net cash (used in) generated from financing activities		(17,765)	(37,257)	4,553	(35,605)
Net increase (decrease) in cash and cash equivalents		16,746	(13,616)	(18,823)	(38,851)
Cash and cash equivalents at 1 May		805	14,127	(31,354)	7,211
Effect of foreign exchange movements		(771)	294	(676)	286
Cash and cash equivalents at 30 April	(b)	16,780	805	(50,853)	(31,354)

Notes to the cash flow statements

For the year ended 30 April 2020

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

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Operating profit (loss)	28,916	75,491	(19,058)	142
Adjustments for:				
Depreciation of property, plant and equipment	208,075	191,316	–	–
Impairment of property, plant and equipment	1,304	–	–	–
Amortisation of intangible assets	3,987	1,366	20	10
Impairment of intangible assets	14,910	–	–	–
Loss on disposal of property, plant and equipment	135	272	–	–
Loss on disposal of intangible assets	9	2	–	–
Share options fair value charge	4,203	1,249	4,203	1,249
Operating cash flows before movements in working capital	261,539	269,696	(14,835)	1,401
(Increase) decrease in non-vehicle inventories	(36)	841	–	–
Decrease (increase) in receivables	4,250	7,037	(845)	1,507
(Decrease) increase in payables	(1,355)	5,722	14,344	108
Decrease in provisions	(39)	–	–	–
Cash generated from operations	264,359	283,296	(1,336)	3,016
Income taxes paid, net	(10,165)	(1,586)	–	–
Interest paid	(14,774)	(14,163)	(15,834)	(17,573)
Net cash generated from (used in) operations	239,420	267,547	(17,170)	(14,557)
Purchases of vehicles for hire	(362,011)	(403,487)	–	–
Proceeds from disposals of vehicles for hire	156,290	174,468	–	–
Net cash generated from (used in) operations	33,699	38,528	(17,170)	(14,557)

(b) Cash and cash equivalents

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash and cash equivalents comprise:				
Cash and bank balances	67,843	35,742	–	1,744
Bank overdrafts	(51,063)	(34,937)	(50,853)	(33,098)
Cash and cash equivalents	16,780	805	(50,853)	(31,354)

Cash and bank balances are stated gross of arrangements that exist with lenders to pool accounts and offset balances.

Statements of changes in equity

For the year ended 30 April 2020

Group	Share capital and share premium £000	Own shares reserve £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2018	180,124	(3,238)	(1,125)	(1,146)	68,660	295,853	539,128
Share options fair value charge	–	–	–	–	–	1,249	1,249
Share options exercised	–	–	–	–	–	(1,317)	(1,317)
Profit attributable to owners of the Parent Company	–	–	–	–	–	51,418	51,418
Dividends paid	–	–	–	–	–	(23,431)	(23,431)
Net purchase of own shares	–	(1,438)	–	–	–	–	(1,438)
Transfer of shares on vesting of share options	–	1,317	–	–	–	–	1,317
Deferred tax on share based payments recognised in equity	–	–	–	–	–	70	70
Other comprehensive income (expense)	–	–	322	(3,679)	(23)	–	(3,380)
Total equity at 1 May 2019	180,124	(3,359)	(803)	(4,825)	68,637	323,842	563,616
Share options fair value charge	–	–	–	–	–	4,203	4,203
Share options exercised	–	–	–	–	–	19	19
Profit attributable to owners of the Parent Company	–	–	–	–	–	7,676	7,676
Dividends paid	–	–	–	–	–	(24,333)	(24,333)
Issue of share capital	56,432	–	–	–	261,831	–	318,263
Transfer of shares on vesting of share options	–	269	–	–	–	–	269
Deferred tax on share based payments recognised in equity	–	–	–	–	–	(1,125)	(1,125)
Other comprehensive income	–	–	654	2,316	9	–	2,979
Total equity at 30 April 2020	236,556	(3,090)	(149)	(2,509)	330,477	310,282	871,567

Company	Share capital and share premium £000	Hedging reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2018	180,124	(1,125)	64,570	80,348	323,917
Share options fair value charge	–	–	–	1,249	1,249
Profit attributable to owners of the Parent Company	–	–	–	34,117	34,117
Dividends paid	–	–	–	(23,431)	(23,431)
Deferred tax on share based payments recognised in equity	–	–	–	70	70
Other comprehensive income	–	322	–	–	322
Total equity at 1 May 2019	180,124	(803)	64,570	92,353	336,244
Share options fair value charge	–	–	–	4,203	4,203
Share options exercised	–	–	–	(278)	(278)
Profit attributable to owners of the Parent Company	–	–	–	33,364	33,364
Dividends paid	–	–	–	(24,333)	(24,333)
Issue of share capital	56,432	–	261,831	–	318,263
Deferred tax on share based payments recognised in equity	–	–	–	(1,125)	(1,125)
Reserves transfer	–	–	(1,371)	1,371	–
Other comprehensive income	–	654	–	–	654
Total equity at 30 April 2020	236,556	(149)	325,030	105,555	666,992

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

Notes to the financial statements

1 General information

Redde Northgate plc is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the inside back cover of this report. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 45.

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

2 Principal accounting policies

Statement of compliance

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

Basis of preparation

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

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 37, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. This assessment includes the impact that the COVID-19 pandemic has had on the Group and how it is expected to impact trading and liquidity going forward.

Changes in accounting policy

IFRS 16 (Leases)

The Group has adopted IFRS 16 for the year beginning 1 May 2019, using the modified retrospective approach as permitted under the specific transition provisions in that standard. As permitted by this approach, the prior year comparative figures have not been restated and as a result, the financial statements have adopted IFRS 16 for the period to 30 April 2020 and apply IAS 17 for prior periods.

When applying IFRS 16, the Group has applied the following permitted practical expedients on transition date:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases;
- The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- A single discount rate has been used for all such leases of a similar nature (Land and Buildings) and lease term of approximately 10 years.

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to reduce or extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken.

This judgement will be reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and an adjustment to the associated balances.

On adoption of IFRS 16, the group has recognised lease liabilities in relation to land and buildings which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate available to the Group of 2.27%.

Adoption of this new standard on 1 May 2019 has led to the recognition of 'Right-of-use' assets and corresponding Lease liability in the balance sheet of £48,517,000. The resulting depreciation and interest costs replace costs that would formerly have been recognised as operating lease expenses within the consolidated income statement. Adoption of IFRS 16, in the year to 30 April 2020, has resulted in an increase in depreciation costs of £7,880,000 and finance costs of £1,245,000. Other operating expenses have decreased by £8,858,000 giving a net decrease in profit before tax of £267,000 and a net decrease in underlying EPS of 0.1p.

The lease liability at 30 April 2020 and the repayments of the principal on the lease are disclosed within the consolidated balance sheet and cash flow statement respectively.

The following is a reconciliation of the financial statement line items from an IAS 17 to IFRS 16 basis of accounting at 1 May 2019:

	£'000
Operating lease commitments disclosed as at 30 April 2019	60,657
Short-term leases to be recognised as expense	(2,701)
Low-value leases to be recognised as expense	(416)
IFRS 16 lease commitments	57,540
Discounted at incremental borrowing rate	(9,023)
Lease liability recognised as at 1 May 2019	48,517
Of which are:	
Current lease liabilities	6,295
Non-current lease liabilities	42,222
	48,517

IFRIC 23

IFRIC 23 clarifies the accounting for uncertainties in income taxes and is effective for the reporting year ended 30 April 2020. No changes were required upon adoption of this standard.

Notes to the financial statements

continued

2 Principal accounting policies continued

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The consolidated financial statements include the accounts of the Company and its subsidiary undertakings made up to 30 April 2019 and 30 April 2020.

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

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

Revenue recognition

Hire of vehicles

Revenue from the hire of vehicles is recognised under IFRS 16 and as such is recognised evenly over the hire period.

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

Sale of Vehicles

Revenue from the sale of used vehicles is derived from the resale of vehicles for hire purchased by the Group and is recognised at the point in time when the control is 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.

Claims and Services

Revenue is recognised on the basis of contractual performance obligations following the 5 step model under IFRS 15 and is the consideration to which the Group expects to be entitled based on contractual terms and customary business practice (after applying the variable consideration constraint), net of VAT and other sales taxes. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services on the basis of a relative stand-alone selling price of the individual service.

Credit hire revenue is recognised from the date a vehicle is placed on hire, over time as the performance obligation is completed. Each performance obligation is the provision of an individual vehicle for the needed duration and is satisfied as the hire takes place. Vehicles are only supplied and remain on credit hire after a validation process that assesses to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial tariffs for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment for variable consideration to the expected settlement value, for an estimation of the extent to which insurers are entitled or expected to take advantage of the terms of the protocols that are in place.

The Group also receives late payment fees where relevant claims are not settled within the terms of any protocol arrangements or other agreements. Such charges are not recognised at the time of the hire transaction as they would be at significant risk of reversal; rather they are recognised on settlement of the related claim.

Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles carried out by third party body shops. Each performance obligation for this service is the repair of an individual vehicle and is satisfied over time as this repair takes place. Credit repair revenue is recognised based on a reasonable estimate of the cost and stage of completion of the repair services at the reporting date. Credit repair revenue is reported after adjustment for variable consideration to the expected settlement value. The Group records credit repair

revenue on a principal basis as the service is controlled by the Group, who have primary responsibility for its provision. Managed repair revenue is recorded at a point in time when the repair is started based on the contractual value of each repair, net of discounts, VAT and other sales related taxes.

Fleet and incident management revenue represents amounts chargeable, net of VAT, in respect of fleet and incident management and other related services provided to customers. The Group's performance obligations include various services related to the management of a fleet of vehicles, and revenue is recognised over time or at a point in time, depending on the individual service, as or when these obligations are performed. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services on the basis of the relative stand-alone selling price of the individual service. In providing fleet and incident management services, the Group acts either as principal or agent. This is differentiated by the extent to which the Group has control over the service provided, primary responsibility for providing the service and discretion in establishing pricing. Where there are circumstances that do not meet the above criteria, and therefore the Group is not the principal in providing the service, revenue is accounted for on a net basis and comprises fees for processing services. Where the Group is acting as a principal, revenue is accounted for gross.

Revenue in respect of legal services represents amounts chargeable, net of VAT, in respect of legal services to customers. The Group's performance obligation is the provision of legal services, and revenue is recognised at a point in time when the case is settled, or in the case of interim and processing fees, over time as the legal work required to process the case is completed. Revenue in respect of cases which are contingent upon future events which are outside the control of the Group is not recognised until the contingent event has occurred and the performance obligation has been completed. Revenue in relation to legal services is valued at the expected recoverable amount, after due regard to

non-recoverable time. Expected recoverable amount is based on chargeable time less any anticipated write offs prior to completion. No value is placed on work in progress in respect of contingent fee cases until there is virtual certainty as to the receipt of cash flows, either through an interim fee or through the outcome of cases, to justify the recognition of an asset. Certain costs incurred and associated with partnerships and directly relating to the activities of the Group's legal services are held as prepayments until the corresponding benefits accrue to the business.

Other accident management activities represent ancillary revenue streams, including hire of vehicles other than on a credit hire basis and the provision of out-sourced fleet accident management services. Revenue for other accident management activities is recorded as the performance obligation is completed, over time or at a point in time depending on the nature of the service, at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute, and are therefore considered to be variable consideration. On initial recognition, this consideration is adjusted to exclude any revenue at significant risk of reversal. As described above, the Group records revenue net of potential reversal on the settlement of claims, which reflects the Group's estimate of the expected recoverable amounts from insurers. The Group reassesses the amounts of variable consideration at the balance sheet date reflecting the latest information available on the settlement of claims in the period.

The Group's estimation of the amounts of revenue arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claim.

Contract assets – Claims due from insurance companies and self-insuring organisations

Credit hire and credit repair contract assets and claims in progress are stated at the expected net claim value, which is after a variable consideration adjustment for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under protocol agreements and an estimation of the expected adjustments arising on the settlement of claims. At the end of each reporting period the Group updates the estimated claim values, to reflect the Group's most recent estimation of amounts ultimately recoverable. Any further variable consideration adjustments arising from such subsequent revision of the Group's expected claim values are recorded in the income statement against revenue.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively; and
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.

Goodwill

Goodwill represents amounts arising on acquisition of subsidiary undertakings and is the difference between the fair value of consideration of the acquisition and the fair value of the net identifiable assets and liabilities acquired.

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

Intangible assets – arising on business combinations

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful lives are as follows:

Customer relationships	5 to 13 years
Brands	10 to 15 years
Software	5 years

Notes to the financial statements

continued

2 Principal accounting policies continued

Intangible assets – other

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

Intangible assets in the course of construction are stated at cost less any impairment losses. 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.

Interest in associates

The Group's interests in associates, being those entities over which it has significant influence, and which are not subsidiaries, are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, the interest in associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in the value of individual investments. The Group income statement reflects the share of the associates' results after tax.

Property, plant and equipment

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

Freehold buildings	50 years
Leasehold buildings	50 years or over the life of the lease, whichever is shorter
Plant, equipment & fittings	3 to 10 years
Vehicles for hire	3 to 12 years
Vehicles for credit hire	1 to 3 years
Motor vehicles	3 to 6 years

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

Vehicles for credit hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between one and three years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are sold is in line with the open market values for those vehicles.

The Group is required to review its depreciation rates and estimated useful lives regularly to ensure that the net book value of disposals of tangible assets are broadly equivalent to their market value net of directly attributable selling costs.

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

Investments in subsidiaries

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

Impairment

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

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

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

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

Inventories

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

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary

difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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

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

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

Financial instruments and hedge accounting

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

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

interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts written off are credited against operating expenses in the income statement.

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

continued

2 Principal accounting policies continued

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

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

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

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

Foreign currencies

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

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

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

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

Leased assets

As described in the changes to accounting policy section of Note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17.

As Lessee:

For any new contracts entered into on or after 1 May 2019, the Group considers whether a contract is, or contains a lease.

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease,

and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term

As Lessor:

The Group's accounting policy under IFRS 16 has not changed from the comparative period. Motor vehicles and equipment hired to customers are included within property, plant and equipment. Income from such leases is taken to the income statement evenly over the period of the lease agreement.

Retirement benefit costs

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

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

Employee share schemes and share based payments

The Group issues equity settled payments to certain employees.

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

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

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

Interest income and finance costs

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

Exceptional items

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

Dividends

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

Provisions

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

Own shares

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

Depreciation

Vehicles for hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between three and 12 years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories

is in line with the open market values for those vehicles, after taking account of costs required to sell the vehicles.

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

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

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

The impact of previous changes made to depreciation rates is outlined in the Financial Review.

Taxation

The Group carries out tax planning consistent with a group of its size and makes appropriate provision, based on best estimates, until tax computations are agreed with the tax authorities. Certain judgements have been made with respect to uncertain tax positions, including the likelihood of future outflows as a result future events that may affect the Group's right to certain tax reliefs. These judgements primarily relate to tax relief taken in the current and previous years in respect of the vehicle fleet and the Group financing structure, including whether the vehicles held will be retained for an appropriate period of time in accordance with tax legislation in the related jurisdictions or whether there will be early defleets resulting in a reversal of the previous tax relief taken. As at 30 April 2020 these uncertainties amount to £14,704,000 (2019: £14,278,000).

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

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

Notes to the financial statements

continued

3 Critical accounting judgements and key sources of estimation uncertainty continued

Contract assets – claims due from insurance companies and self-insuring organisations

A key source of estimation uncertainty affecting the Group's financial statements relates to the expected variable consideration adjustments arising on settlement of insurance claims.

Claims due from insurance companies and self-insuring organisations are stated at the expected net claim value, which is stated after allowance for an estimation of expected adjustments arising on settlement of such claims. Where necessary the estimation of the expected adjustment arising on settlement of claims is revised, at each balance sheet date, to reflect the Group's most recent estimation of variable consideration amounts ultimately recoverable, which is constrained to exclude any revenue at significant risk of reversal. The estimation of any such expected adjustment represents a critical judgment made by the directors.

The Group's estimation of the expected adjustment arising on settlement of claims is calculated with reference to judgments made on a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the portfolio of cases. Settlement risk arises on claims due from insurance companies and self-insuring organisations due to their magnitude and the nature of the claims settlement process. The Group recovers its charges for vehicle hire and the cost of repair of customers' vehicles from the insurer of the at-fault party to the associated accident or, in a minority of claims, from the at-fault party direct where they are a self-insuring organisation. However, by their very nature, claims due from motor insurance companies can be subject to dispute which may result in subsequent adjustment to the Group's original estimate of the amount recoverable.

The carrying value of contract assets for claims from insurance companies at 30 April 2020 was £162,271,000 (2019: £Nil).

A 3% difference between the carrying amount of claims in the balance sheet and the amounts finally settled would lead to a £4.9m charge or credit to the income statement in subsequent periods.

The Group manages this risk by ensuring that vehicles are only supplied and remain on hire and repairs to customers' vehicles

are carried out after a validation process that ensures to the Group's satisfaction that liability for the accident rests with another party. In the normal course of its business the Group uses three principal methods to conclude claims: through the use of protocol agreements, by negotiation with the insurer of the at-fault party where the claim is not covered by a protocol agreement and where a claim fails to settle because negotiations have been fruitless, by litigation. The vast majority of these claims settle before or on the threat of litigation, but where they do not, formal proceedings are issued.

In view of the tripartite relationship between the Group, its customer and the at-fault party's insurer and the nature of the claims process, claims due from insurance companies and self-insuring organisations do not carry a contractual 'due date', nor does the expected adjustment arising on settlement represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS7 on provision for credit loss are not provided. Instead the directors review claims due from insurance companies and self-insuring organisations according to the age of the claim based upon the date that the claim was presented to the relevant insurer. The Group's strategy is that claims due should be collected by normal in house processes including collections made under protocol arrangements with insurers and only then transferred to the Group solicitor process or other external solicitors as appropriate in specific circumstances pertaining to a case.

Business Combinations

The group acquired Redde plc on 21 February 2020 through a share for share exchange resulting in total fair value consideration of £318.4m. A provisional purchase price allocation exercise has been undertaken in order to identify and recognise intangible assets with finite useful lives amounting to £186.6m (customer relationships of £169.6m, software of £4.2m and brand names of £12.8m) and resulting in goodwill of £112.5m. A valuation expert was used in the identification and valuation of the intangible assets. The goodwill was allocated to three cash generating units (CGUs) on a relative fair value basis in accordance with IFRS 3 'Business Combinations'.

The valuation methodologies were based on accepted valuation techniques but are subject to judgment including selection of appropriate cash flow projections and discount rates. The overall proportion of consideration allocated to each category of intangible assets, was also benchmarked against recent acquisitions of a similar size and profile. Royalty rates used in determining brand valuations were benchmarked against comparative market data. Growth rates and customer attrition rates were applied to customer relationship valuations based on historical company data. Internally generated software assets were valued using a replacement cost approach. The selection of appropriate useful economic lives to apply to those intangibles is judgmental and the assessment was made based on management experience and benchmarking against similar acquisitions. Judgment was also applied in assessing the fair value of other net assets acquired and appropriate valuation methods were also applied.

Goodwill arising on acquisition has been subsequently tested for impairment at 30 April 2020 in line with policy (Note 2). Impairment testing requires judgment to be applied in the selection of appropriate risk adjusted cash flow forecasts, discount rates and growth rates. A summary of the key inputs into of the impairment testing and a sensitivity analysis against those inputs is detailed in Note 13.

COVID-19

The impacts of the COVID-19 pandemic which have been experienced to date and are expected to impact the Group going forward have been reflected in an updated risk adjusted three year Strategic Plan (the Plan). The Plan has been stress tested for further severe but reasonably possible downside scenarios as outlined further in the viability statement on page 37. The Directors have taken this into account in concluding that the going concern basis of accounting is appropriate.

In relation to the carrying value of assets, the expected impact of COVID-19 has been considered in the impairment testing of each category of assets and adjustments have been made if required. If the same reasonable worst case scenarios considered as part of the Group's assessment of going concern and longer term viability were applied to goodwill impairment testing, headroom would be reduced but would remain sufficient and therefore no impairment would be required.

4 Acquisitions

On 21 February 2020, the Group acquired 100% of the equity interests of Redde plc, a UK based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the market and create a leading integrated mobility solutions platform.

The details of the business combination and provisional fair value of net assets acquired are as follows:

	£000
Fair value of consideration transferred	
Fair value of consideration settled in shares	318,394
Total	318,394
Recognised amounts of identifiable net assets	
Intangible assets	186,600
Property, plant and equipment: vehicles for credit hire	52,475
Other property, plant and equipment	17,515
Interest in associates	5,646
Deferred tax assets	7,198
Total non-current assets	269,434
Receivables and contract assets	233,319
Cash and cash equivalents	8,036
Total current assets	241,355
Trade and other payables	171,177
Lease liabilities	24,114
Provisions	3,320
Total current liabilities	198,611
Lease liabilities	38,292
Long term borrowings	30,000
Deferred tax liabilities	36,712
Provisions	1,296
Total non-current liabilities	106,300
Identifiable net assets (provisional)	205,878
Goodwill arising on acquisition	112,516
Cash and cash equivalents acquired	8,036
Net cash inflow on acquisition	8,036
Acquisition costs charged to the income statement (Note 31)	18,256

Consideration transferred

The acquisition of Redde plc was settled through the issue of 112,858,197 shares and the allocation of a further 47,519 shares. The Company's share price on acquisition date, 21 February 2020, was 282p resulting in a fair value of consideration of £318,394,000.

Identifiable net assets

The fair value of the receivables and contract assets as part of the business combination amounted to £233,319,000. This comprises gross contractual receivables of £43,009,000 and expected net settlement of insurance claims of £190,310,000. As of the acquisition date the Group's best estimate of the contractual cash flow not expected to be collected amounted to £1,346,000.

Goodwill

Goodwill of £112,516,000 is primarily related to growth expectations, expected future cash generation, the substantial skill and expertise of Redde's workforce and expected cost synergies. Goodwill has been allocated to the acquired segment and is not expected to be deductible for tax purposes.

Redde's contribution to the group results

Redde's underlying operating profit was £2,352,000 for the period from 21 February 2020 to the reporting date. Revenue during this period was £67,397,000.

Notes to the financial statements

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5 Segmental reporting

Management has determined the operating segments based upon the information provided to the Board of Directors which is considered to be the chief operating decision maker. The Group currently identifies three reportable segments, namely the Northgate UK&I, Northgate Spain and Redde. The Group is managed and reports internally on a basis consistent with its three main operating divisions and is satisfied that the IFRS 8 aggregation criteria have been met. Redde segment represents the business acquired as explained in note 4. The principal activities of these divisions are set out in the Strategic Report.

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

	Northgate UK&I 2020 £000	Northgate Spain 2020 £000	Redde 2020 £000	Corporate 2020 £000	Total 2020 £000
Revenue: hire of vehicles	313,922	204,235	–	–	518,157
Revenue: sale of vehicles	137,124	56,671	–	–	193,795
Revenue: claims and services	–	–	67,397	–	67,397
Total revenue	451,046	260,906	67,397	–	779,349
Underlying operating profit (loss)	37,899	39,731	2,352	(6,113)	73,869
Income from associates	–	–	952	–	952
Underlying EBIT*	37,899	39,731	3,304	(6,113)	74,821
Exceptional items (Note 31)					(41,775)
Certain intangible amortisation					(3,178)
EBIT					29,868
Interest income					122
Finance costs (excluding exceptional items)					(15,945)
Exceptional finance costs					(566)
Profit before taxation					13,479
Other information					
Capital expenditure	226,979	132,931	4,076	–	363,986
Depreciation	119,273	85,717	3,085	–	208,075
Reportable segment assets	700,800	482,361	592,784	–	1,775,945
Income tax assets					10,133
Interests in associates					6,008
Total assets					1,792,086
Reportable segment liabilities	375,317	243,835	251,476	–	870,628
Derivative financial instrument liabilities					184
Income tax liabilities					49,707
Total liabilities					920,519

* Underlying EBIT stated before certain intangible amortisation and exceptional items is the measure used by the Board of Directors to assess segment performance.

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

* Underlying EBIT stated before certain intangible amortisation and exceptional items is the measure used by the Board of Directors to assess segment performance.

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

Geographical information

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

	Revenue 2020 £000	Non-current assets 2020 £000	Revenue 2019 £000	Non-current assets 2019 £000
United Kingdom and Ireland	518,443	917,738	482,047	549,405
Spain	260,906	451,845	263,423	434,857
	779,349	1,369,583	745,470	984,262

	United Kingdom and Ireland 2020 £000	Spain 2020 £000	Total 2020 £000
Revenue from contracts with customers	151,503	56,671	208,174
Revenue from other sources	366,940	204,235	571,175
	518,443	260,906	779,349

	United Kingdom and Ireland 2019 £000	Spain 2019 £000	Total 2019 £000
Revenue from contracts with customers	166,488	61,358	227,846
Revenue from other sources	315,559	202,065	517,624
	482,047	263,423	745,470

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

Notes to the financial statements

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6 Operating profit

	2020 £000	2019 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 15,16 and 17):		
Owned	198,567	191,316
Leased (IFRS 16)	7,880	–
Leased (HP)	1,628	–
Impairment of property, plant and equipment (Note 17 and 31)	1,304	–
Impairment of intangible software assets (Note 14 and 31)	14,910	–
Amortisation of intangible assets (Note 14)	3,987	1,366
Staff costs (Note 7)	120,652	104,656
Cost of inventories recognised as an expense	230,515	263,331
Net impairment of trade receivables (Note 33)	7,886	13,218
Auditors' remuneration for audit services (below)	936	361
Auditors' remuneration for non-audit services (below)	976	21
	2020 £000	2019 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	346	237
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	590	124
Total audit fees	936	361
Audit related assurance services	22	21
Other assurance services	954	–
Total non-audit fees	976	21

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

A description of the work of the Audit and Risk Committee is set out on pages 53 to 55 and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditors.

7 Staff costs

	2020 Number	2019 Number
The average monthly number of persons employed by the Group:		
United Kingdom:		
Direct operations	1,584	1,303
Administration	551	495
	2,135	1,798
Spain:		
Direct operations	1,033	999
Administration	168	173
	1,201	1,172
Republic of Ireland:		
Direct operations	94	104
Administration	18	17
	112	121
	3,448	3,091

	2020 £000	2019 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	98,807	88,168
Social security costs	14,023	12,555
Other pension costs – defined contribution plans	3,619	2,684
Share based payments	4,203	1,249
	120,652	104,656

Wages and salaries include £4,773,000 (2019: £1,111,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the Remuneration report on pages 56 to 77.

8 Finance costs

	2020 £000	2019 £000
Interest on bank overdrafts and loans	13,133	14,137
Amortisation of arrangement fees	1,326	951
Interest arising on leased assets following adoption of IFRS 16	1,245	–
Interest arising on other lease obligations	212	–
Preference share dividends	25	25
Other interest	4	11
Finance costs (excluding exceptional items)	15,945	15,124
Amortisation of arrangement fees	566	–
Exceptional finance costs	566	–
Finance costs	16,511	15,124

9 Taxation

	2020 £000	2019 £000
Current tax:		
UK corporation tax	6,112	5,981
UK adjustment in respect of prior years	247	(997)
Foreign tax (including adjustment in relation to prior year)	1,616	(487)
	7,975	4,497
Deferred tax:		
Origination and reversal of timing differences	(2,323)	3,688
Adjustment in respect of prior years	151	803
	(2,172)	4,491
Total tax charge	5,803	8,988

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

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

	2020 £000	%	2019 £000	%
Profit before taxation	13,479		60,406	
Tax at the UK corporation tax rate of 19% (2019: 19%)	2,561	19.0	11,477	19.0
Tax effect of expenses that are not deductible in determining taxable profit	3,646	27.0	1,914	3.2
Tax effect of income not taxable in determining taxable profit	(1,691)	(12.5)	(3,798)	(6.3)
Difference in tax rates in overseas subsidiary undertakings	1,315	9.8	(466)	(0.8)
Net movement on uncertain tax provisions	1,298	9.6	–	–
Overseas available reliefs	(693)	(5.1)	–	–
Adjustment to tax charge in respect of prior years	(633)	(4.7)	(139)	(0.2)
Tax charge and effective tax rate for the year	5,803	43.1	8,988	14.9

In addition to the amount charged to the income statement, a net deferred tax amount of £1,278,000 has been debited (2019: £6,000) directly to equity (Note 27).

Notes to the financial statements

continued

9 Taxation continued

The underlying tax charge of £11,479,000 (2019: £9,533,000) excludes exceptional tax credits of £4,661,000 (2019: £nil) as set out in Note 31, and tax credits on brand royalty charges and certain intangible amortisation of £1,015,000 (2019: £545,000). There are deferred tax assets of £95,000 (2019: £nil) which are not recognised in the balance sheet.

Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 19% in the UK and 25% in Spain.

10 Dividends

An interim dividend of 6.3p per Ordinary share was paid in January 2020 (2019: 6.2p). The Directors propose a final dividend for the year ended 30 April 2020 of 6.8p per Ordinary share (2019: 12.1p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2020. No dividends have been paid between 30 April 2020 and the date of signing the financial statements.

11 Earnings per share

	Underlying 2020 £000	Statutory 2020 £000	Underlying 2019 £000	Statutory 2019 £000
Basic and diluted earnings per share				
The calculation of basic and diluted earnings per share is based on the following data:				
Earnings				
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to the owners of the Parent Company	47,519	7,676	51,582	51,418
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	154,509,197	154,509,197	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares: – share options	1,048,391	1,048,391	2,660,697	2,660,697
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	155,557,588	155,557,588	135,893,215	135,893,215
Basic earnings per share	30.8p	5.0p	38.7p	38.6p
Diluted earnings per share	30.5p	4.9p	38.0p	37.8p

12 Result of the Parent Company

A profit of £33,364,000 (2019: £34,117,000) is dealt with in the financial statements of the Company. The Directors have taken advantage of the exemption available under s408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

13 Goodwill

	£000
At 1 May 2018 and 1 May 2019	3,589
Acquired through business combinations (Note 4)	112,516
At 30 April 2020	116,105

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

The allocation of goodwill by CGU as follows:

	2020 £000	2019 £000
Northgate Vehicle Hire (UK)	3,589	3,589
Auxillis	76,429	–
FMG	31,078	–
NewLaw	5,009	–
	116,105	3,589

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

The current year impairment assessment was based on risk-adjusted cash flow forecasts derived from a business plan, inclusive of the expected impact of COVID-19, approved by the Directors in July 2020. The approved business plan includes the three year strategic plan of the Group and a forecast for a further two years. It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged.

The value in use assessment is sensitive to changes in the key assumptions used, most notably the discount rate and growth rates as follows:

	Goodwill 2020 £000	Pre tax discount rate %	Growth rate applied to terminal values %	Impact of 1% increase in discount rate £m	Impact of 1% reduction in growth rate applied to terminal values £m
Northgate Vehicle Hire (UK)	3,589	8.9	2.5	84.3	78.3
Auxillis	76,429	8.9	2.5	67.9	62.8
FMG	31,078	8.9	2.5	24.6	22.8
NewLaw	5,009	8.9	2.5	1.8	1.3
	116,105				

In all cases the above sensitivity analysis, with no further reasonable changes in assumptions, would not result in an impairment charge to the carrying value of goodwill.

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

14 Other intangible assets

	Group			Company	
	Customer relationships £000	Other software £000	Brand names £000	Total £000	Other software £000
Cost:					
At 1 May 2018	15,285	18,725	–	34,010	102
Additions	–	7,684	–	7,684	47
Disposals	–	(1,650)	–	(1,650)	–
Exchange differences	(90)	(62)	–	(152)	–
At 1 May 2019	15,195	24,697	–	39,892	149
Acquisition (Note 4)	169,600	4,200	12,800	186,600	–
Additions	–	6,509	–	6,509	–
Disposals	(15,263)	283	–	(14,980)	(14)
Exchange differences	68	17	–	85	–
At 30 April 2020	169,600	35,706	12,800	218,106	135
Amortisation:					
At 1 May 2018	14,698	14,107	–	28,805	90
Charge for the year	581	785	–	1,366	10
Disposal	–	(1,648)	–	(1,648)	–
Exchange differences	(90)	(36)	–	(126)	–
At 1 May 2019	15,189	13,208	–	28,397	100
Charge for the year	2,884	949	154	3,987	20
Impairment (Note 31)	–	14,910	–	14,910	–
Disposals	(15,257)	286	–	(14,971)	(14)
Exchange differences	68	5	–	73	–
At 30 April 2020	2,884	29,358	154	32,396	106
Carrying amount:					
At 30 April 2020	166,716	6,348	12,646	185,710	29
At 30 April 2019	6	11,489	–	11,495	49

Notes to the financial statements

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14 Other intangible assets continued

	2020 £000	2019 £000
Intangible amortisation:		
Included within underlying operating profit as administrative expenses	809	657
Excluded from underlying operating profit*	3,178	709
	3,987	1,366

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

At 30 April 2020, the Group had entered into contractual commitments for the acquisition of software assets amounting to £nil (2019: £666,000).

15 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2018	1,221,723
Additions	374,976
Exchange differences	(11,956)
Transfer to motor vehicles	(191)
Transfer to inventories	(343,590)
At 1 May 2019	1,240,962
Additions	345,946
Exchange differences	4,471
Transfer to motor vehicles	(171)
Transfer to inventories	(327,720)
At 30 April 2020	1,263,488
Depreciation:	
At 1 May 2018	324,400
Charge for the year	185,794
Exchange differences	(3,295)
Transfer from motor vehicles	9
Transfer to inventories	(166,281)
At 1 May 2019	340,627
Charge for the year	192,461
Exchange differences	1,101
Transfer to motor vehicles	(44)
Transfer to inventories	(155,368)
At 30 April 2020	378,777
Carrying amount:	
At 30 April 2020	884,711
At 30 April 2019	900,335

At 30 April 2020, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £2,710,000 (2019: £35,816,000).

16 Property, plant and equipment: vehicles for credit hire

Group	£000
Cost:	
At 1 May 2019	–
Acquisition (Note 4)	52,475
Additions	3,718
Transfer to inventories	(3,809)
At 30 April 2020	52,384
Depreciation:	
At 1 May 2019	–
Charge for the year	2,395
Transfer to inventories	(1,051)
At 30 April 2020	1,344
Carrying amount:	
At 30 April 2020	51,040
At 30 April 2019	–
	2020 £000
Vehicles for credit hire by category:	
Leases under HP obligations	43,904
Leases arising following adoption of IFRS 16	7,136
	51,040

At 30 April 2020, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £701,000 (2019: £nil).

Notes to the financial statements

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17 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
At 1 May 2018	83,596	28,711	3,757	116,064
Additions	1,848	5,786	736	8,370
Exchange differences	(835)	(392)	–	(1,227)
Transfer from vehicles for hire	–	–	191	191
Disposals	(733)	(2,413)	(1,357)	(4,503)
At 1 May 2019	83,876	31,692	3,327	118,895
Recognised on adoption of IFRS 16	47,845	–	–	47,845
Acquisition (Note 4)	14,302	3,213	–	17,515
Additions	2,539	4,961	313	7,813
Exchange differences	488	107	–	595
Transfer from vehicles for hire	–	–	171	171
Disposals	(1,205)	777	(781)	(1,209)
At 30 April 2020	147,845	40,750	3,030	191,625
Depreciation:				
At 1 May 2018	26,016	20,712	1,357	48,085
Charge for the year	2,130	2,746	646	5,522
Exchange differences	(213)	(230)	–	(443)
Transfer to vehicles for hire	–	–	(9)	(9)
Disposals	(104)	(2,176)	(823)	(3,103)
At 1 May 2019	27,829	21,052	1,171	50,052
Charge for the year	9,468	3,237	514	13,219
Impairment (Note 31)	1,036	268	–	1,304
Exchange differences	45	51	–	96
Transfer from vehicles for hire	–	–	44	44
Disposals	494	871	(464)	901
At 30 April 2020	38,872	25,479	1,265	65,616
Carrying amount:				
At 30 April 2020	108,973	15,271	1,765	126,009
At 30 April 2019	56,047	10,640	2,156	68,843

The above table includes the right of use (IFRS 16) assets outlined below:

Group	Right of use Asset (IFRS 16) £000	
Cost:		
At 1 May 2019		–
Recognised on transition		47,845
Acquisition		13,759
Additions		1,505
Exchange differences		177
Disposals		(975)
At 30 April 2020		62,311
Depreciation:		
At 1 May 2019		–
Charge for the year		7,113
Impairment		1,036
Exchange differences		(21)
Disposals		(75)
At 30 April 2020		8,053
Carrying amount:		
At 30 April 2020		54,258
At 30 April 2019		–
	2020	2019
	£000	£000
Land and buildings by category:		
Freehold and long leasehold	48,958	49,086
Short leasehold	60,015	6,961
	108,973	56,047

Short leasehold properties include £54,090,000 of leases arising on the adoption of IFRS 16 (2019: £nil).

At 30 April 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2019: £168,000).

Notes to the financial statements

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18 Investments

Company	Shares in subsidiary undertakings £000	Loans in subsidiary undertakings £000	Total £000
Cost and carrying amount:			
At 1 May 2018 and 1 May 2019	73,893	47,000	120,893
Additions	318,394	–	318,394
Capital contribution relating to share based payments	2,608	–	2,608
At 30 April 2020	394,895	47,000	441,895

At 30 April 2020, a full list of subsidiaries of the Group, for all of which the ordinary shares were wholly owned, was as follows:

Name	Registered office
Northgate (CB) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (CB2) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate España Renting Flexible S.A.*	Avd Isaac Newton, 3 Parque Empresarial La Carpetania, 28906 Getafe, Madrid, Spain
Northgate (Europe) Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate Holdings Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Malta) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate (MT) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate Vehicle Hire (Ireland) Limited*	6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland
Northgate Vehicle Hire Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
NG Finance Limited*	6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland
Northgate Vehicle Sales Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Goode Durrant Administration Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Angel Assistance Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Auxillis Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Auxillis Services Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Cab Aid Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
FMG Finance Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Group Holdings Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Support (FIM) Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Support (HO) Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Support (RRRM) Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Support Group Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Support Limited*	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 6NA
FMG Legal LLP*	Helmont House, Churchill Way, Cardiff, CF10 2HE
HAS Accident Management Solutions Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Helphire EBT Trustee Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
HHFS Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
NewLaw Legal Limited*	Helmont House, Churchill Way, Cardiff, CF10 2HE
NewLaw Trustees Limited*	Helmont House, Churchill Way, Cardiff, CF10 2HE
NLS Trustees Limited*	7th Floor Delta House, 50 West Nile Street, Glasgow, G1 2NP
Principia Law Limited*	Bowland House, Gadbrook Business Centre, Rudheath, Northwich, Cheshire, CW9 7TN
Redde Ltd (formerly Redde plc)	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Rose Bidco Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Runmycar Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Total Accident Management Limited*	Pinesgate, Lower Bristol Road, Bath, BA2 3DP

* Interest held indirectly by the Company.

19 Interest in associates

The Group now has interest in associates, which comprise a minority participation in five (2019: nil) active Limited Liability Partnerships (“LLP”) registered and situated in the United Kingdom. All of the LLPs are engaged in the processing of legal claims and are regulated by the Solicitors Regulation Authority. The LLPs are businesses over which the Group is deemed to have significant influence but does not control.

Interest in associates are as follows:

	£000
At 30 April 2018 and 1 May 2019	–
Acquisition (Note 4)	5,646
Group’s share of:	
Profit from continuing operations	952
Distributions from associates	(590)
At 30 April 2020	6,008

Details of the Group’s associates, being interests in the following Limited Liability Partnerships of which a group company is a designated Principal Member, at 30 April 2020 are as follows:

Name	Registered office
Ageas Law LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
Carol Nash Legal Services LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
H&R Legal LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
Interresolve Law LLP (Dormant)	Helmont House, Churchill Way, Cardiff, CF10 2HE
RCN Law LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
Your Law LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE

The Group, through NewLaw Legal Limited (“NewLaw”), is a designated member of each of the above LLPs (which are considered to be joint operations) and has contributed 50% of the capital for each of those LLPs (usually amounting to £1 for each LLP). NewLaw supplies legal processing services to each LLP. Each member firm of the LLP is required to appoint individuals to the management board of the LLPs but NewLaw does not appoint or control the majority of individuals to these boards who are ultimately responsible for the day to day operations, decision making and strategic development of the LLPs and therefore NewLaw is not considered to have overall control of the LLPs. Accordingly, the Group only accounts for the results of these joint operations as associated company income based upon the (variable) share of the net income generated by way of profit share after the deduction of any other fixed allocations of such income.

20 Inventories

Group	2020 £000	2019 £000
Vehicles held for resale	43,383	24,514
Spare parts and consumables	5,379	5,312
	48,762	29,826

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

21 Receivables and contract assets

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables	77,462	–	60,738	–
Contract assets – claims due from insurance companies and self-insuring organisations	162,271	–	–	–
Amounts due from subsidiary undertakings	–	949,117	–	915,124
Other taxes	–	369	–	50
Other receivables and prepayments	56,032	51	11,064	91
	295,765	949,537	71,802	915,265

Allowances for estimated irrecoverable amounts and the Group’s credit risk are considered in Note 33.

The Directors consider that the carrying amount of receivables and contract assets approximates to their fair value due to their short term nature. Amounts due from subsidiary undertakings are non interest bearing and repayable on demand.

Notes to the financial statements

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21 Receivables and contract assets continued

Contract assets – claims due from insurance companies and self-insuring organisations

An analysis of claims from insurance companies is given below:

	Group			
	2020 £000	2019 £000	2020 %	2019 %
Pending claims	7,136	–	5%	–
Between 1 and 120 days old	52,413	–	32%	–
More than 120 days old	102,722	–	63%	–
Total	162,271	–	100%	–

Risk is spread primarily across the major UK based motor insurance companies in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities. The Group does not have a significant concentration of credit risk, with exposure spread across a large number of insurer counterparties. The most significant five insurers represented 32% (2019: £nil) of contract assets. The measurement of contract assets changes from period to period due to the estimation uncertainty.

Contract assets of £162,271,000 (2019: £nil) relate entirely to Redde. The carrying value of assets has decreased from £176,187,000 at the acquisition date of Redde, primarily as a result of lower volumes of trading throughout the COVID-19 pandemic, with the basis of estimating expected settlements remaining consistent between the acquisition date of 21 February 2020 and the year end. The total value of claims carried in the balance sheet at 30 June 2019 (the previous financial year end of Redde) was £164,732,000. An adjustment of £4.2m was made in the 10 months to 30 April 2020 for claims that were settled at a net higher amount than the carrying value at 30 June 2019.

22 Trade and other payables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade payables	94,628	40,667	72	64
Amounts due to subsidiary undertakings	–	–	198,561	238,505
Social security and other taxes	25,173	10,181	418	175
Accruals and deferred income	102,541	21,639	15,616	1,812
	222,342	72,487	214,667	240,556

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

Amounts due to subsidiary undertakings includes £66,759,000 (2019: £106,205,000) non interest bearing and repayable on demand and a term loan repayable in June 2020 of £131,802,000 (2019: £132,300,000) which bears interest at 1.85% above LIBOR (2019: 2.25%).

23 Provisions

Following the acquisition of Redde the Group acquired a number of onerous contracts in relation to properties no longer occupied. The provision reflects the directors' estimate of the net holding cost of these leases between 30 April 2020 and the end date of those leases discounted to their present value at an appropriate risk free interest rate for the period, taking into account the Group's present intended plans for mitigation of these lease costs including refurbishment plans.

	Onerous contracts £000
At 30 April 2018 and 1 May 2019	–
Acquisition (Note 4)	4,616
Provisions made	369
Provisions utilised	(408)
At 30 April 2020	4,577
	2020 £000
Less than one year	3,369
In one year to five years	1,083
More than five years	125
	4,577
	2019 £000
	–
	–
	–
	–

24 Borrowings

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

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Bank loans and overdrafts	451,910	385,545	422,791	374,813
Loan notes	86,868	86,194	86,868	86,194
Cumulative Preference shares	500	500	500	500
Confirming facilities	479	360	–	–
	539,757	472,599	510,159	461,507

The borrowings are repayable as follows:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	54,205	43,830	50,853	33,098
Confirming facilities	479	360	–	–
	54,684	44,190	50,853	33,098
In the third to fifth years				
Bank loans	403,136	343,889	377,136	343,889
Loan notes	86,905	86,248	86,905	86,248
	490,041	430,137	464,041	430,137
Due after more than five years				
Cumulative Preference shares	500	500	500	500
	500	500	500	500
Unamortised finance fees relating to the bank loans and loan notes	(5,468)	(2,228)	(5,235)	(2,228)
Total borrowings	539,757	472,599	510,159	461,507
Less: Amounts due for settlement within one year (shown within current liabilities)	54,684	44,190	50,853	33,098
Amounts due for settlement after more than one year	485,073	428,409	459,306	428,409

The UK bank loans, totalling £403,136,000 (gross of unamortised fees) at 30 April 2020, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £86,905,000 (gross of unamortised fees) at 30 April 2020, would have to be offered full repayment in the event of a change in control of the Group.

Bank loans and overdrafts

Bank loans and overdrafts are unsecured and bear interest at rates of 0.70% to 1.95% (2019: 0.70% to 3.00%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

Loan notes

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

Cumulative Preference shares

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

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2019: 1,300,000), of which 1,000,000 (2019: 1,000,000) were allotted and fully paid at the balance sheet date.

Confirming facilities

Spanish confirming facilities of £479,000 (2019: £360,000) are unsecured and all fall due within one year. The Group pays no interest on confirming.

Notes to the financial statements

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24 Borrowings continued

Total borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities (not including cash available to offset) at the balance sheet date, in respect of which all conditions precedent had been met at that date, are as follows:

	2020 £000	2019 £000
Less than one year	14,894	4,044
In one year to five years	202,196	159,982
	217,090	164,026

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

Analysis of consolidated net debt

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

	At 1 May 2019 £000	IFRS 16 transition £000	Acquisitions £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2020 £000
Bank loans	350,608	–	29,747	22,968	(3,003)	527	400,847
Bank overdrafts	34,937	–	121	16,113	–	(108)	51,063
Loan notes	86,194	–	–	–	16	658	86,868
Leases arising following adoption of IFRS 16	–	48,517	20,099	(8,034)	2,571	(154)	62,999
Leases arising under HP obligations	–	–	42,307	(3,490)	2,136	–	40,953
Cumulative Preference shares	500	–	–	–	–	–	500
Confirming facilities	360	–	–	–	116	3	479
	472,599	48,517	92,274	27,557	1,836	926	643,709
Cash at bank and in hand	(35,742)	–	(8,157)	(24,823)	–	879	(67,843)
Consolidated net debt	436,857	48,517	84,117	2,734	1,836	1,805	575,866

The Group calculates gearing to be net borrowings (including lease obligations) as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net borrowings comprise borrowings and lease obligations less cash and bank balances. At 30 April 2020, the gearing of the Group amounted to 101.1% (2019: 79.6%) where net borrowings (including lease obligations) are £575,866,000 (2019: £436,857,000) and shareholders' funds less goodwill and the net book value of intangible assets are £569,752,000 (2019: £548,532,000).

Financial instruments (see also Note 33)**Financial assets**

The Group's principal financial assets are cash and bank balances, and Receivables and contract assets.

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

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

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

Treasury policies and the management of risk

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

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using more complex financial instruments. Further details regarding derivative financial instruments are shown in Note 26.

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

Financing and interest rate risk

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

Cash at bank, and on deposit, yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings is managed through the use of interest rate derivatives as detailed in Note 26. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. At 30 April 2020 59.6% (2019: 68.5%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £25,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares, £479,000 of confirming facilities and leases arising under HP obligations of £40,953,000 (30 April 2019: interest rate swaps of £50,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £360,000 of confirming facilities).

Notes to the financial statements

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24 Borrowings continued

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euros as net investment hedges against its Euro denominated investments (Note 26).

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

Group	Sterling £000	Euro £000	Total £000
At 30 April 2020			
Bank loans	139,964	260,883	400,847
Bank overdrafts	41,071	9,992	51,063
Loan notes	–	86,868	86,868
Leases arising following adoption of IFRS 16	42,131	20,868	62,999
Leases arising under HP obligations	40,953	–	40,953
Cumulative Preference shares	500	–	500
Confirming facilities	–	479	479
	264,619	379,090	643,709

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

25 Leases

As lessee

Lease liabilities are presented in the statement of financial position as follows:

Group	2020 £000	2019 £000
Current	33,691	–
Non-current	70,261	–
	103,952	–

The table below describes the nature of the Group's leasing activities by the type of right-of-use asset recognised at 30 April 2020:

Right-of-use asset	Number of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term (years)	Carrying value at 30 April 20 £000	Depreciation expense for period to 30 April 20 £000
Land and buildings	116	1–50	8	54,090	7,104
Company cars	17	1–3	1	168	9
Fleet vehicles (IFRS 16)	1,151	1–3	3	7,136	768
Fleet vehicles (HP)	4,184	1–2	1	43,904	1,628

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 April 2020 were as follows:

	<1 year £000	1-2 years £000	2-5 years £000	>5 years £000	Total £000
At 30 April 2020					
Lease payments:					
Arising following adoption of IFRS 16	12,882	11,819	20,308	28,942	73,951
Arising under HP obligations	23,207	19,083	–	–	42,290
Total lease payments	36,089	30,902	20,308	28,942	116,241
Finance charges:					
Arising following adoption of IFRS 16	1,506	1,194	2,609	5,643	10,952
Arising under HP obligations	892	445	–	–	1,337
Total finance charges	2,398	1,639	2,609	5,643	12,289
Net present values	33,691	29,263	17,699	23,299	103,952
At 30 April 2019	–	–	–	–	–

Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases totalling £1,987,000 were expensed on a straight-line basis.

As lessor

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

26 Derivative financial instruments

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

Group and Company	2020 £000	2019 £000
Interest rate derivatives	(184)	(991)
They are represented in the balance sheet as follows:		
Current derivative financial instrument liabilities	(184)	(77)
Non-current derivative financial instrument liabilities	–	(914)
	(184)	(991)

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings is managed through the use of interest rate derivatives. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix a substantial element of the interest cost on outstanding debt. The interest rate derivatives to which the Group was party as at 30 April 2020 are summarised below:

Group and Company	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
At 30 April 2020			
Sterling interest rate swaps	£25,000,000	1.17%	0.2 years
Euro interest rate swaps	€190,000,000	0.06%	0.2 years
At 30 April 2019			
Sterling interest rate swaps	£50,000,000	1.17%	0.8 years
Euro interest rate swaps	€190,000,000	0.06%	1.2 years

All the Group's interest rate swaps are designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, has been deferred in equity. There was no hedge ineffectiveness during the year (2019: £nil).

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26 Derivative financial instruments continued

Net investment hedges

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

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

27 Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payments £000	Intangible assets £000	Losses £000	IFRS 16 £000	Other temporary differences £000	Total £000
At 1 May 2018	777	1,126	(867)	89	(4,498)	–	(2,622)	(5,995)
Charge (credit) to income	2,402	(21)	(131)	(111)	2,041	–	311	4,491
Charge to equity	–	–	–	–	–	–	6	6
Exchange differences	51	(7)	–	–	45	–	39	128
At 1 May 2019	3,230	1,098	(998)	(22)	(2,412)	–	(2,266)	(1,370)
Acquisition (Note 4)	(7,197)	–	–	35,454	–	–	1,257	29,514
(Credit) charge to income	(1,731)	(753)	(664)	(604)	1,307	55	218	(2,172)
Charge to equity	–	–	1,125	–	–	–	153	1,278
Exchange differences	(26)	3	–	–	(30)	–	(16)	(69)
At 30 April 2020	(5,724)	348	(537)	34,828	(1,135)	55	(654)	27,181

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

	Total £000
At 30 April 2020	
Deferred tax assets	(10,133)
Deferred tax liabilities	37,314
Net deferred tax liabilities	27,181
At 30 April 2019	
Deferred tax assets	(6,620)
Deferred tax liabilities	5,250
Net deferred tax assets	(1,370)

In the current year, the net charge to equity of £1,278,000 (2019: £6,000) in respect of other temporary differences relates to derivative financial instruments which has been reflected in the hedging reserve (Note 30). There are deferred tax assets of £95,000 (2019: £nil) which are not recognised in the balance sheet. Net deferred tax assets classified as other temporary differences are £653,000 (2019: £2,266,000). The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior year:

Company	Share based payments £000	Other temporary differences £000	Total £000
At 1 May 2018	(867)	(378)	(1,245)
(Credit) charge to income	(131)	23	(108)
(Credit) Charge to equity	(70)	76	6
At 1 May 2019	(1,068)	(279)	(1,347)
(Credit) charge to income	(594)	71	(523)
Charge to equity	1,125	153	1,278
At 30 April 2020	(537)	(55)	(592)

28 Share capital

Group and Company	Number of shares	£000
Allotted and fully paid Ordinary shares of 50p each:		
At 1 May 2018 and 1 May 2019	133,232,518	66,616
Shares issued (Note 30)	112,858,905	56,430
At 30 April 2020	246,091,423	123,046

On 21 February 2020, 112,858,905 Ordinary shares of 50p were issued in connection with the acquisition of Redde plc (Note 4).

29 Share premium account

Group and Company	£000
At 1 May 2018 and 1 May 2019	113,508
Premium on shares issued (Note 30)	2
At 30 April 2020	113,510

30 Other reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Other reserve £000
At 1 May 2018	40	1,157	67,463	–
Foreign exchange differences	–	(23)	–	–
At 1 May 2019	40	1,134	67,463	–
Foreign exchange differences	–	9	–	–
Acquisition (Note 4)	–	–	–	261,831
At 30 April 2020	40	1,143	67,463	261,831

Company	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Other reserve £000
At 1 May 2018 and 1 May 2019	40	1,371	63,159	–
Acquisition (Note 4)	–	–	–	261,831
Reserve transfer	–	(1,371)	–	–
At 30 April 2020	40	–	63,159	261,831

The above shows the movements on the reserves classified as 'Other reserves' on the Group's statement of changes in equity. Movements on the own shares reserve, hedging reserve and translation reserve are shown in the Statements of changes in equity, which can be seen on page 96.

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30 Other reserves continued

Further information on certain of these reserves is given below:

Own shares

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 32). At 30 April 2020 the Guernsey Trust held 699,625 (2019: 1,365,087) 50p Ordinary shares and the YBS Trust held 11,154 (2019: 18,936) 50p Ordinary shares. The total number of shares held by these employee trusts represents 0.3% (2019: 1.0%) of the allotted and fully paid share capital of the Group.

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

Hedging reserve

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate derivatives that are deferred in equity, as explained in Note 2 and Note 26, less amounts transferred to the income statement and other components of equity.

Translation reserve

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

The management of the Group's foreign exchange translation risks is detailed in Note 24.

Merger reserve

The merger reserve in the Company and Group arose from acquisitions in previous years.

Other reserves

The consideration for the acquisition of Redde plc was settled through the issue of 112,858,905 Ordinary shares of the Company. Holders of Redde plc shares received 0.3669 shares in the Company for each Redde plc share held by them. 112,858,197 shares were issued to holders of Redde plc shares, and where there were fractions of shares that could not be allocated to the holders of Redde plc shares, the total of these fractions of shares were sold in the market. The number of these shares was 708. The other reserve represents the excess of the share price on 21 February, 282p over the nominal share price of 50p. The share premium represents the excess of the share price of 251p at the time of the sale of these shares over the nominal share price of 50p. The company has recorded the premium for the issue of shares for the acquisition of Redde in other reserves in accordance with s612 of the Companies Act 2006 in respect of merger relief.

31 Exceptional items

	2020 £000	2019 £000
Restructuring expenses	8,609	–
Acquisition expenses	18,256	–
Intangible impairment	14,910	–
Exceptional administrative expenses	41,775	–
Refinancing expenses	566	–
Exceptional finance costs	566	–
Total pre-tax exceptional items	42,341	–
Tax credits relating to exceptional items	(4,661)	–

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

Restructuring expenses

The Group incurred total exceptional restructuring costs of £8,609,000 (2019: £nil) of which £4,701,000 arose in Northgate UK&I (2019: £nil), £1,531,000 in Northgate Spain (2019: £nil) and £2,377,000 Corporate (2019: £nil).

Restructuring costs of £4,708,000 (2019: £nil) were incurred in relation to restructuring activities that were undertaken during the year and following the acquisition of Redde plc, as part of the integration of the Combined Group. These costs primarily related to a reduction in headcount and associated redundancy and loss of office costs.

As part of the post-acquisition reorganisation, an exceptional impairment of property, plant and equipment of £1,304,000 (2019: £nil) and an onerous contract provision of £369,000 (2019: £nil) were incurred in relation to property.

Exceptional share based payment charges of £1,659,000 (2019: £nil) were incurred in relation to outstanding EPSP awards previously made to continuing employees that were forfeited following the completion of the acquisition of Redde plc.

Exceptional costs of £569,000 (2019: £nil) were incurred in relation to the closure of sites.

Acquisition expenses

The Group incurred acquisition expenses of £18,256,000 (2019: £nil). These related to expenses directly attributable to the acquisition such as advisor fees, accountancy services, arranging continuation of bank facilities and other acquisition related costs.

Intangible impairment

The Group is in dispute with the provider of certain IT and software development services in relation to the delivery of the planned development of Northgate's new IT system and has therefore paused the project. Given the uncertainty over the outcome of this dispute a decision has been made to write down the carrying values of the related assets. The Group therefore incurred exceptional costs in relation to this impairment of £14,910,000 (2019: £nil).

Refinancing expenses

The Group incurred exceptional finance costs of £566,000 (2019: £nil) relating to debt partially extinguished as part of the refinancing of group bank facilities.

32 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration report on pages 56 to 77.

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

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

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

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

Details regarding the plans in the year ended 30 April 2020 are outlined below:

	DABP Number of share options	MPSP Number of share options	EPSP Number of share options	AESS Number of matching shares	Free shares Number of free shares
At 1 May 2019	163,632	31,588	2,063,547	273,280	128,650
Granted/allocated during the year	–	–	1,355,695	137,685	232,750
Exercised/vested during the year	(28,669)	(15,316)	–	(77,720)	(131,694)
Forfeited/lapsed during the year	(8,226)	–	(3,032,203)	(20,996)	(23,612)
At 30 April 2020	126,737	16,272	387,039	312,249	206,094
Exercisable at the end of the year	62,223	16,272	–	–	–
	DABP 2020	MPSP 2020	EPSP 2020	AESS 2020	Free Shares 2020
Weighted average remaining contractual life at the end of the year	6.5 years	2.3 years	8.8 years	1.9 years	2.3 years
Weighted average share price at the date of exercise of options in the year	£2.37	£2.37	–	£2.94	£3.26
Date options granted/allocated during the year	–	–	September 2019	January 2020	August 2019
Aggregate estimated fair value of options at the date of grant	–	–	£2,170,000	£270,000	£478,000
The inputs into the Black-Scholes/ Monte Carlo model were as follows					
Weighted average share price	–	–	£3.23	£2.94	£3.41
Weighted average exercise price	–	–	£nil	£nil	£nil
Expected volatility	–	–	49.7%	50.0%	49.0%
Expected life	–	–	3 years	3 years	3 years
Risk free rate	–	–	0.34%	0.42%	0.70%
Expected dividends	–	–	4.4%	5.7%	5.0%

In addition to the above, in July 2019, 129,346 options were awarded under the EAB and in September 2019 a further 59,393 options were awarded. These all vested immediately and were valued based on the share price at the grant date for each grant. The shares will be held in trust for the required three-year holding period or until the employee leaves employment with the Group, whichever is the sooner.

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

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32 Share based payments continued

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

	DABP Number of share options	MPSP Number of share options	EPSP Number of share options	AESS Number of matching shares	Free shares Number of free shares
At 1 May 2018	220,804	67,389	1,297,131	275,694	216,785
Granted/allocated during the year	28,467	–	1,112,983	116,534	–
Exercised/vested during the year	(78,944)	(35,801)	(20,286)	(75,979)	(62,195)
Forfeited/lapsed during the year	(6,695)	–	(326,281)	(42,969)	(25,940)
At 30 April 2019	163,632	31,588	2,063,547	273,280	128,650
Exercisable at the end of the year	50,625	31,588	–	–	–
	DABP 2019	MPSP 2019	EPSP 2019	AESS 2019	Free Shares 2019
Weighted average remaining contractual life at the end of the year	7.3 years	3.3 years	8.6 years	1.9 years	0.3 years
Weighted average share price at the date of exercise of options in the year	£3.97	£3.97	£3.97	£3.86	£4.30
Date options granted/allocated during the year	June 2018	–	May 2019*	January 2019	–
Aggregate estimated fair value of options at the date of grant	£81,000	–	£1,589,000	£311,000	–
The inputs into the Black–Scholes/Monte Carlo model were as follows:					
Weighted average share price	£4.07	–	£3.37	£3.86	–
Weighted average exercise price	£nil	–	£nil	£nil	–
Expected volatility	51.6%	–	53.3%	53.1%	–
Expected life	3 years	–	2 years	3 years	–
Risk free rate	0.97%	–	0.78%	0.97%	–
Expected dividends	4.4%	–	4.8%	4.8%	–

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

33 Financial instruments

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 24, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 28 to 30.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as discussed in Notes 24 and 26.

Foreign currency sensitivity analysis

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

The following tables detail the Group's sensitivity to a €0.20 (2019: €0.20) increase and decrease in the Euro/Sterling exchange rate.

A €0.20 (2019: €0.20) movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates in the near term. The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.20 (2019: €0.20) change in foreign currency rates.

	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2020			
Profit before taxation	13,479	9,963	18,487
Total equity	871,567	849,961	902,263
	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2019			
Profit before taxation	60,406	54,497	68,843
Total equity	563,616	536,257	602,378

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

A 1.0% (2019: 1.0%) increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rates in the near term.

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2020			
Profit before taxation	13,479	11,562	15,396
Total equity	871,567	870,014	873,120
	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2019			
Profit before taxation	60,406	58,708	62,104
Total equity	563,616	562,239	564,993

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33 Financial instruments continued

Interest rate swap contracts

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

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

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2020 %	2019 %	2020 000	2019 000	2020 £000	2019 £000
Outstanding receive floating pay fixed contracts						
Sterling						
Within one year	1.17	1.17	£25,000	£25,000	(41)	(77)
In the second to fifth years inclusive	–	1.17	–	£25,000	–	(77)
Euro						
Within one year	0.06	–	€190,000	–	(143)	–
In the second to fifth years inclusive	–	0.06	–	€190,000	–	(837)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. Included in Note 24 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

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

Group 2020	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	144,147	–	–	–	144,147
Fixed interest rate instruments	2.40%	2,093	2,093	89,571	500	94,257
Variable interest rate instruments	1.89%	10,872	7,706	414,223	–	432,801
		157,112	9,799	503,794	500	671,205

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

Company 2020	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	117,685	–	–	–	117,685
Fixed interest rate instruments	2.40%	2,093	2,093	89,571	500	94,257
Variable interest rate instruments	1.89%	139,531	7,277	387,220	–	534,028
		259,309	9,370	476,791	500	745,970

Company 2019	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	139,367	–	–	–	139,367
Fixed interest rate instruments	2.40%	2,078	2,078	88,895	500	93,551
Variable interest rate instruments	2.35%	10,852	140,132	345,632	–	496,616
		152,297	142,210	434,527	500	729,534

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

2020	<1 year £000	2nd year £000	3–5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	97	–	–	97

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

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33 Financial instruments continued

Fair value of financial instruments

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

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

All the financial instruments below are categorised as Level 2.

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

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

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

Credit risk management

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

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

	2020 £000	2019 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	100,346	80,033
Allowance for doubtful receivables	(22,884)	(19,295)
	77,462	60,738
Ageing of trade receivables not impaired		
Not overdue	47,554	21,811
Past due not more than two months	18,061	9,777
Past due more than two months but not more than four months	4,761	12,667
Past due more than four months but not more than six months	7,086	16,483
Total	77,462	60,738

Before accepting any new customers, the Group will perform credit analysis to assess the credit risk on an individual basis. This enables the Group only to deal with creditworthy customers therefore reducing the risk of financial loss from defaults. Of the trade receivables balance at the end of the year, £2,439,000 (2019: £2,965,000) is due from the Group's largest customer. There are no customers who represent more than 5% of the total balance of trade receivables.

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

	2020 £000	2019 £000
Movement in the allowance for doubtful receivables		
At 1 May	19,295	15,811
Impairment losses recognised	11,297	13,732
Amounts written off as uncollectable	(4,380)	(9,492)
Impaired losses reversed	(3,411)	(514)
Exchange differences	83	(242)
At 30 April	22,884	19,295

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

Included in the allowance for doubtful receivables are trade receivables with customers which have been placed under liquidation of £1,452,000 (2019: £1,578,000).

	2020 £000	2019 £000
Ageing of impaired trade receivables		
Not overdue	549	1,971
Past due not more than two months	1,282	1,551
Past due more than two months but not more than four months	2,906	2,364
Past due more than four months but not more than six months	1,674	3,312
Past due more than six months but not more than one year	16,473	10,097
	22,884	19,295

The Directors consider that the carrying amount of Receivables and contract assets approximate their fair value. The Company has no trade receivables and no intercompany receivables past due date.

34 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £3,496,000 (2019: £4,322,000) interest payable and £6,847,000 (2019: £6,775,000) royalty charges receivable.

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 21 and 22.

Transactions with associates

Details of the Group's interests in associates, who are regarded as related parties, are provided in note 19. The Group made sales and recharges of expenses to these associates amounting to £1,507,000 (2019: £nil) and made purchases of £22,000 (2019: £nil) from those associates. At the year end the Group was owed £1,300,000 (2019: £nil) by these associates, included in trade receivables.

Transactions with other related parties

There were no transactions with other related parties in the year. In the year ended 30 April 2019, the Group transacted with Hexameter Services Limited for the provision of professional services. The Group did not transact with Hexameter Services Limited in the year ended 30 April 2020. Hexameter Services Limited was a related party of the Group as one of the members of the key management personnel of the Group was also a director of Hexameter Services Limited. The director of Hexameter Services Limited is no longer a member of key management personnel of the Group. The total value of transactions in the year ended 30 April 2020 is £nil (2019: £141,000), of which £nil (2019: £nil) is a creditor balance in the Group financial statements.

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

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

Remuneration of key management personnel

In the current and prior year, the Directors of the Company are determined to be the key management personnel of the Group. There are other senior executives in the Group who are able to influence the Company in the achievement of its goals. However, in the opinion of the Directors, only the Directors of the Company have significant authority for planning, directing and controlling the activities of the Group.

In respect of the compensation of key management personnel, the short term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the Remuneration report on pages 56 to 77.

The fair value charged to the income statement in respect of equity-settled share based payment transactions with the Directors is £816,000 (2019: £243,000). There are no other long term benefits accruing to key management personnel, other than as set out in the Remuneration report.

35 Contingent liabilities

The Group is currently in legal dispute with a provider of certain IT and software development services over the failure to deliver agreed software and services to the Group. Both parties are claiming against each other. However, the Group has disclaimed liability and is defending the action. No provision in relation to the claim has been recognised in the financial statements as legal advice indicates that on the balance of probabilities significant liability will not arise.

36 Events after the reporting period

On 4 September 2020 the Group acquired certain businesses and assets of Nationwide Accident Repair Services by way of a purchase from administrators, for an initial cash consideration of up to £11m, plus a deferred consideration of up to £5m conditional on retention of certain trade business on satisfactory terms.

Glossary

Term	Definition
AGM	Annual General Meeting
Annual Report on Remuneration	That section of the Remuneration report which is subject to an advisory shareholder vote
B2B	Business to Business
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
Certain intangible assets	Intangible assets recognised on business combinations and other non-recurring items
CFO	Chief Financial Officer
DABP	Deferred Annual Bonus Plan
Disposal profit(s)	This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs)
Defra	The Department for Environment, Food and Rural Affairs
EAB	Executive Annual Bonus scheme
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Basic earnings per share
EPSP	Executive Performance Share Plan
Facility headroom	Calculated as facilities of £711m less net borrowings of £477m. Net borrowings represent net debt of £576m excluding lease liabilities of £104m and unamortised arrangement fees of £5m and are stated after the deduction of £17m of net cash and overdraft balances which are available to offset against borrowings
FCA	Financial Conduct Authority
Free cash flow	Net cash generated before the payment of dividends
FTSE	The Financial Times Stock Exchange
FY2019	The year ended 30 April 2019
FY2020	The year ended 30 April 2020
FY2021	The year ending 30 April 2021
GAAP	Generally Accepted Accounting Practice: meaning compliance with IFRS
Gearing	Calculated as net debt divided by net tangible assets
Growth capex	Growth capex represents the cash consumed in order to grow the total rental fleet or the cash generated if the fleet size is reduced in periods of contraction
H1/H2	Half year period: H1 being the first half and H2 being the second half of the financial year

Term	Definition
HMRC	Her Majesty's Revenue & Customs
HP (leases)	Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16
IFRS	International Financial Reporting Standards
IFRS16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
ISO	International Organisation for Standardisation
ISS	Institutional Shareholder Services
KPIs	Key Performance Indicators
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
Listing Rules	The Listing Rules of the Financial Conduct Authority
MPSP	Management Performance Share Plan (closed to new awards from 2013)
Net replacement capex	Net capital expenditure other than that defined as growth capex
Net tangible assets	Net assets less goodwill and other intangible assets
Northgate	The Company and its subsidiaries prior to the Merger or that part of the business following the Merger
Northgate Spain	The Northgate Spain operating segment representing the commercial vehicle hire part of the Group located in Spain
Northgate UK&I	The Northgate UK&I operating segment representing the commercial vehicle hire part of the Group located in the United Kingdom and the Republic of Ireland
OEMs	Original Equipment Manufacturers: a reference to our vehicle suppliers.
Partnership Shares	Shares purchased by the Company on behalf of employees who participate in the SIP
PBT	Profit before taxation
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposals profits (as defined), divided by the number of vehicles sold
PwC	PricewaterhouseCoopers LLP
Redde	The Redde operating segment representing the insurance claims and services part of the Group or the Redde plc company and its subsidiaries prior to the Merger
Redde Northgate	The Group

Term	Definition
ROCE	Underlying return on capital employed: calculated as underlying EBIT (see non-GAAP reconciliation) divided by average capital employed excluding acquired goodwill and intangible assets
RTA	Road Traffic Accident
SAYE Scheme	The Company's all employee share saving scheme
SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme (AESS)
SMEs	Small and medium sized enterprises
Steady state cash generation	Underlying EBITDA less Net replacement capex
The Code	The UK Corporate Governance Code
The Combined Group	The Company and its subsidiaries following the Merger
The Company	Redde Northgate plc
The Group	The Company and its subsidiaries
The Merger	The acquisition by the Company of 100% of the share capital of Redde plc on 21 February 2020
TSR	Total Shareholder Return
UKAS	United Kingdom Accreditation Service
Underlying free cash flow	Free cash flow excluding growth capex
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
VCP	Value Creation share Plan
VOH	Vehicles on hire. Average unless otherwise stated
WACC	Weighted average cost of capital

Shareholder information

Classification

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

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

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

The company is registered in England and Wales

Company number 00053171

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Financial calendar

December

Publication of interim statement

January

Payment of interim dividend

June

Announcement of year end results

July

Report and financial statements posted to shareholders

September

Annual General Meeting

Payment of final dividend

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