



Delivering integrated mobility solutions

Annual Report and Accounts 2021

Redde Northgate plc

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Our purpose

To keep customers mobile, whether meeting their regular needs or servicing and supporting them when unforeseen events occur.

Underpinned by our employee culture, delivering for all our stakeholders.

Our vision

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

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 amortisation of acquired intangible assets.

Exceptional items are explained in the Notes to the financial statements and a reconciliation of GAAP to non-GAAP measures is included on pages 31 and 32.



Martin Ward
CEO

This year has been a challenging year but also one of exceptional progress against our Focus, Drive and Broaden strategic framework, and I am proud of our people and the way they responded to the pandemic.

Last year we focused on the integration of the businesses following the Merger. That work is largely complete, ahead of time, with £20.5m of cost savings secured. Our next strategic priority is to grow revenue under our Drive phase and to utilise the services and infrastructure platform we have built to extend our market reach.

Cash generation was strong, providing headroom to finance future growth. All our core KPIs have improved and the return on our capital employed is growing.

There is significant sustainable compounding growth and quality earnings potential in the combined business. The actions and measures we are taking are already creating value which will be further enhanced as we deliver on our priorities. Recent trading has been strong and we enter FY2022 from a position of strength.

Martin Ward
Chief Executive Officer



This year has been a challenging year but also one of exceptional progress, and we have endeavoured to deliver value for all our stakeholder groups.



**Underlying profit
before tax £m**

£93.2m

2020: £59.0m

Underlying EPS (p)

31.0p

2020: 30.8p

Revenue £m

£1.1bn

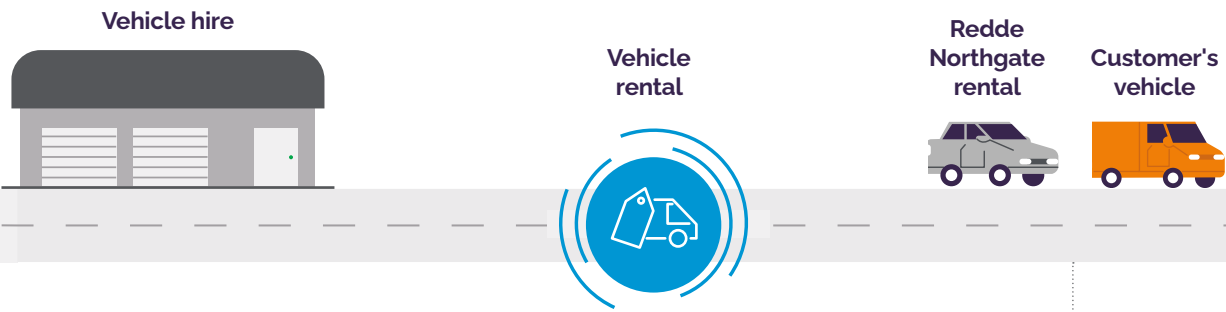
2020: £779.3m

ROCE %

9.5%

2020: 7.0%

Redde Northgate is a leading integrated mobility solutions provider

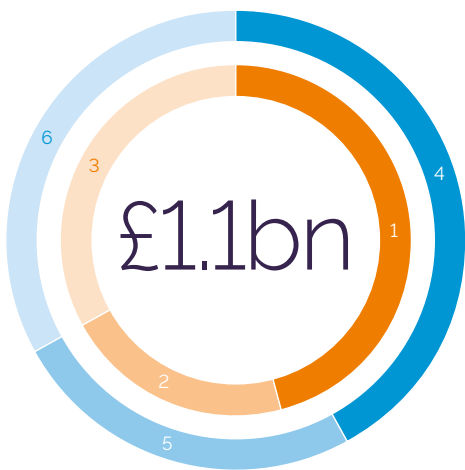


Key metrics

Vehicles owned	Vehicles managed	Sites	Employees
110,000	600,000	170	6,000

Fleet management, service and maintenance

Our revenue



1. Northgate UK&I	42%
2. Northgate Spain	25%
3. Redde	33%
4. Hire of vehicles	46%
5. Sale of vehicles	21%
6. Claims and services	33%



Vehicle ancillary services



- Legal services
- Vehicle inspection app
- Electric vehicle charging
- Fuel cards

We service our customers through a network and diversified fleet of over 110,000 owned and leased vehicles, supporting over 600,000 managed vehicles, with more than 170 workshop, body shop and rental locations across the UK, Ireland and Spain and a specialist team of over 6,000 automotive services professionals.



Our compelling investment case

Our highly disciplined approach to investment, returns and capital efficiency underpins our compelling investment case made up of these key attributes:

Delivering growth

- Operating in growing markets and well positioned to benefit from longer term market dynamics
 - Our mobility solutions are aligned to changing market dynamics including the shift from vehicle ownership to usership, convergence of mobility solutions, the need for improved customer interfaces, big data in automotive services and the transition to electric and alternative fuel vehicles.
- Strategy set to deliver growth
 - Focus, Drive and Broaden is delivering strategic initiatives designed to achieve sustainable compounding growth.
 - Strong potential for further organic and acquisition-led growth including growth into adjacent product and geographic markets.

Experienced team

- Team with deep technical expertise across the vehicle lifecycle.
- Management's acquisition and integration expertise enabling cost synergies and savings, alongside planned revenue synergies.
- Commitment to drive cultural change helping achieve growth objectives.

Trusted partner and market leading customer offering

- We are well known and trusted in our markets.
- We have a unique proposition through our integrated mobility solutions – our integrated service offering adds value to customers and delivers a broad range of mobility solutions.

Purpose driven, responsible business

- Our purpose is to keep customers mobile, whether through meeting their regular mobility needs or by servicing and supporting them when unforeseen events occur.
- We are a responsible business which aims to embrace change, for example the transition to EVs.
- We aim to have a positive impact on the communities in which we operate and strive to maintain the highest standards of conduct in everything we do.
- We are building out our ESG strategy and are committed to the journey we are embarking on.

Disciplined approach to capital allocation

- We are disciplined in our approach to drive increasing returns.
- We actively seek out investment opportunities aimed at delivering returns substantially ahead of WACC.
- We remain open to disposal opportunities where investment returns can be maximised through a sale.
- Appropriate dividend distribution.

Strong financial profile

- We maintain a strong financial position through our focus across cost and margin optimisation and returns through scale and efficiency.
- Diversified revenue streams from products and services across the vehicle lifecycle.
- Prudent leverage targeted at net debt/EBITDA of 1-2x in the near term.

Chairman's Statement



Avril Palmer-Baunack
Committee Chairman



The Group has managed exceptionally well through COVID-19 whilst at the same time integrating the two businesses, delivering cost synergy savings ahead of target and 10 months ahead of time. The strategy of the merger and the opportunities provided are now being demonstrated further through new revenue and customer opportunities not previously accessible.



Dear stakeholder,

Performance

Shortly after the Merger the COVID-19 pandemic arose providing new challenges for the business. These have been well navigated and in some areas we have been able to use this as a catalyst for faster integration which has now delivered £15m of cost synergies, 50% higher than targeted at the time of the Merger and 10 months ahead of schedule.

The Group has clearly benefited from the Merger to deliver its suite of products and services that can uniquely be offered from its integrated mobility solutions platform. This has been demonstrated with a robust performance through COVID-19 with the rental and vehicle sales businesses performance offsetting the incident management and credit hire and repair segment which was heavily impacted due to lower volumes of traffic on the roads but which are now well placed for recovery in FY2022.

As we execute our strategy and build on our unique platform of integrated mobility solutions the Board has ensured that our suite of products and services has continued to evolve. Our digital eAuction platform has been further developed alongside our 'click and collect' capabilities, and during the period we sold over 10,000 digitally handled vehicles. Elsewhere in the business we have continued to develop

our digital capabilities with a traffic officer App for Highways England to support roadside recovery and a legal claims portal to support our insurance related work.

The Group's performance was ahead of the Board's expectations for the year and this combined with strong cash delivery has enabled the business to benefit from strategic acquisitions including in September 2020 the purchase of assets from Nationwide forming FMG RS, our bodyshop repair network of 70 sites and the acquisition of 2,000 vehicles along with customers in June 2021 from a Scottish rental company, extending our geographical presence and customer reach.

During the year the Board has agreed upon a strategy with respect to migrating our customers towards electric vehicles and supporting them through this transition. This provides an exciting opportunity for the business to extend its products and services further, utilising the extensive platform that it now operates and fits directly with the strategy for our growing ESG agenda. The Merger has enabled us to develop our thinking on how we deliver for all our stakeholders and we continue to develop our ESG plan for the Group and this year we have included a separate ESG section within this report.

Board

Following the completion of the Merger and one year on after establishing a new Board we conducted an independent review of the new combined Board. The review concluded that, notwithstanding the tremendous change over the past 12 months in the business, the Board operated effectively and efficiently during this period.

The review found that the Board is characterised by mutual trust in which all Directors contribute to the success of the business. The efficacy of this is evident in the considerable operational progress of the Merger integration so far and our focus continues on our long term strategy. The core findings of the review and the recommendations made are included in the Corporate Governance section on pages 63 and 64.

Dividend

The Board has considered all of its stakeholders and 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 2021 the Board is proposing a final dividend of 12.0p. Along with the interim dividend of 3.4p paid to shareholders this brings the total dividend for the year to 15.4p, compared to 13.1p in the prior year.

Outlook

The Group is starting FY2022 from a position of strength ready to benefit from the increased flow of traffic on the roads, from the delivered cost synergies and the evolving revenue synergies and I have confidence in our ability to deliver our strategic ambitions and continue to create value for all our stakeholders.

Avril Palmer-Baunack
Chairman



Martin Ward
CEO of Redde Northgate



This year has been a challenging year but also one of exceptional strategic progress, and we have endeavoured to deliver for all our stakeholder groups.



Chief Executive Review

FY2021 has been a year dominated by two major factors – delivering on our strategy of Focus, Drive and Broaden and COVID-19. Our approach throughout has been to make sure we balance these two factors appropriately, responding to different levels of activity and demand, and endeavouring to deliver value for all our stakeholders.

Focus, Drive and Broaden

We set out our vision at the time of the Merger to be the leading supplier of mobility solutions to a wide range of businesses and customers, accompanied by our strategy to achieve that vision, through the framework of Focus, Drive and Broaden. Each phase of the strategy is expected to last approximately one year, although they are not completely sequential – Drive and Broaden actions have also been taken in the first year, FY2021, and some Focus actions will also be completed in FY2022 and FY2023.

In the Focus phase, the key phase for FY2021, we have been concentrating on the integration of the two businesses, the development of the enlarged Group's products and services, optimisation of the capital funding model, and on starting to leverage the platform to enable revenue synergy growth based on the broader offering. Stepping through these:

1. Successfully execute the integration and implement cost synergies and savings

The Group has now successfully completed the main elements of the integration and achieved our Merger integration savings target of £15m, already increased at the Interim results announcement from the original target of £10m, ten months ahead of schedule.

Synergies were achieved broadly in the areas originally expected, although with greater value and more quickly. Having confirmed the new Board and quickly appointed a new leadership team we then achieved cost synergies from reduced dual listing costs, combined procurement, branch rationalisation and removal of duplication in key support functions including Fleet, HR, IT and Finance. Implementation costs for the £15m cost synergies were limited to £2.6m.

We also sought further permanent annual cost savings¹ across the Group, and achieved £5.5m savings from different initiatives, such that the total annual run rate of cost synergies and permanent cost savings achieved was £20.5m at the end of June.

In addition to these savings, the Group has also seen improved utilisation² over the year from 89% to 90% primarily due to the UK where improvements have been driven from centralising the fleet management and combining this with the national branch rationalisation.

We have also continued to develop contract hire as a source of vehicle funding, expanding to LCVs in the fleet, and at year end £17m of credit lines had been utilised on 1,600 vehicles. Contract hire reduces the cash payment for a vehicle up front and leaves the residual value risk with the funder. It is therefore a useful additional source of funding where the pricing is appropriate.

2. Finesse products and services and leverage the mobility solutions platform

The Group's products and services span the vehicle lifecycle and much of the work completed in the year was to improve these where required and launch them across the wider Group. In October we launched the accident and incident management products to Northgate customers using all of the know-how and processes from Redde. This product offers customers end to end management of all their accidents and incidents on all of their vehicles, not just their Northgate hire vehicles, thus widening the Group's scope of service. We have been pleased with the early progress on cross-selling accident and incident management services into the Northgate customer base and leading with this service with new prospects we have also benefitted from stimulating orders for additional rental product. Overall, we have gained several thousand fleet under management following the launch of this service and enabled a broader dialogue with customers and prospects.

We strengthened our EV proposition and brought further EVs and alternative fuel vehicles onto the fleet in FY2021, with over 2,300 electric, LPG and hybrid vehicles at year end. EV charging capabilities were installed in a first wave of three branches in UK&I and five branches in Spain and we are continuing with further branches in FY2022. Our wider strategic aim is to ensure we are at the forefront of this transition which will grow over time. We now have over 300 fully trained technicians within the Group who are certified to work on EVs, with the majority of the wider team also trained on EV awareness, and we will be enhancing our workshop and bodyshop capacity in this area over time.

The Group has invested in several digitalisation projects over the year, further enhancing our products and services. Amongst these projects we have created a new small claims system to manage claims post accident whiplash reforms, a new traffic officer app to support Highways Agency traffic officers at the roadside and a new online claims portal to enable more efficient processing of claims. The UK Van Monster eAuction platform and Spain's equivalent eAuction platform enabling trade sales has also been further improved and volume increased substantially in the year to ten thousand vehicles sold digitally, as online purchasing became ever more normal.

In Spain, our management team has developed several new initiatives, including a flexible B2C car rental proposition through an app which targets customers looking to rent a vehicle over a number of months, an automated damage assessment image tool which uses machine learning and AI to make damage costs assessment and a robotic sanding arm which can reduce the resource time to prepare panels for painting. Some of these developments are at pilot stage but have the potential to have a wider rollout across the Group.

The Group has also developed more marketing and sales collateral to explain our combined services to customers across vehicle rental, vehicle data, accident and incident management, vehicle repair, fleet management, service and maintenance, vehicle ancillary services and vehicle sales.

A real highlight for the combined businesses was in the last few months to progress to an advanced stage some significant tenders from leading insurance brands which were borne out of the ability to offer a wider mobility platform as a result of the Merger, which energises the strategy we set out. If successful, these will come online in H2 FY2022.

3. FMG RS acquisition and integration

Whilst Nationwide (now called FMG RS) had been in the sights of the Group for several years, its acquisition, which was an example of a Broaden initiative, did not come with the easiest timing given COVID-19 and the evolution of the strategy. However, being the UK's largest wholly owned repair network and the largest independent accident repair company in Europe, the Board chose to pursue the acquisition and it completed on 4 September 2020, bringing approximately 70 new bodyshop sites into the Group and the capacity and capability of a strong team of skilled technicians.

The integration of FMG RS into the Group was a key focus over the remaining eight months of the year, both in terms of securing the supply chain and managing volumes between external insurer customers and internal work referred from other Redde businesses.

1 Permanent annual cost 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.

2 Utilisation drives depreciation cost savings but these are not included as cost synergies or cost savings as these categories are both at EBITDA level, to be consistent with the Merger Quantified Financial Benefits Statement (QFBS) process.



Timeline

→ March/April 2020

- first lockdowns implemented across UK, Ireland and Spain
- new social distancing measures and controls introduced
- substantial reduction in economic activity and reduced traffic volumes affect all of the Group businesses, particularly Redde all businesses remain fully open (apart from retail vehicle disposals), classified as essential services and key workers
- customer support packages provided, furlough accessed to protect jobs, actions commenced to minimise costs and conserve cash

→ June 2020

- Alert levels reduce but local lockdowns continue. Traffic volumes start to recover
- Disposal prices in the UK are substantially higher than pre lockdown

→ October/November 2020

- VOH recovers fully to be slightly above pre-Covid levels at the end of October
- UK new three-tier system introduced culminating in second national lockdown in November
- More severe restrictions reduce traffic volumes.

→ January 2021

- UK third lockdown introduced with similar impacts on traffic volumes to previous ones

→ March/April 2021

- UK Schools return and traffic volumes start to pick up

→ May/June 2021

- Restrictions ease further and traffic volumes recover further

Volumes have been lower than originally envisaged, mainly due to COVID-19 and the continuation of lockdowns across the UK, and the business made a loss of £6.5m in the eight months, but in the final quarter that loss was reduced to £0.5m for the quarter and the business remains confident that the acquisition will be earnings enhancing in the first full financial year of ownership. With the post lockdown bounce back in volumes it is foreseeable that the business can get to full capacity over a short period, and coupled with our extended independent network of bodyshops we have several options to increase overall capacity. This asset purchase, together with the trained people we secured at the time of acquisition is proving to be a "king maker" in our wider platform of services.

4. Asset purchases post year end

On 11 June 2021 the Group completed the purchase of c2,000 vehicles, most with existing customer contracts, from a Scottish vehicle rental business, for approximately £25m subject to final mileage and condition checks. This will strengthen our offering in Scotland and bring significant benefits from the ongoing customer relationships, which we would hope to further strengthen through our expanded Group offerings.

COVID-19 and trading

Having completed the Merger on 21 February 2020 and started on integration activities, our world was almost immediately impacted by the global pandemic and the beginning of national lockdowns.

The Board took decisive action 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.

Initially these proactive measures included new guidelines and controls to enable social distancing and safe working environments, furloughing employees, limiting new fleet capex, voluntary pay reductions across the Board and senior leadership positions and cost control measures, including a freeze on recruitment and pay reviews, and limiting all non-essential spend and capital expenditure projects.

Over the year we have been able to reduce or remove some of these measures, but we have also kept many of the controls in place to ensure that we maintain strong disciplines and we are adapting to the different levels of demand on the business quickly and efficiently. For example, the new fleet capex controls have remained in place but we started to replace the fleet again from June 2020 and over the year returned to a normal pattern of purchasing vehicles.

All of the Group businesses were impacted by the pandemic in different ways. After a challenging first couple of months of the year, the main performance indicators across the businesses started to improve and by the end of H1 were fully recovered or substantially improved. Over H2 volumes

of activity in some parts of the business initially reduced as COVID-19 case numbers increased but the business responded quickly to changing levels of demand and the impact was, in aggregate, less severe than in H1. In more detail the path of the main performance indicators were as follows:

- Customer support packages, which were a core part of measures to support customers during the first national lockdowns and totalled £3.4m in H1, reduced to £nil monthly cost at the end of September and there were no customer support packages for subsequent lockdowns.
- In vehicle rental, VOH, which started the year 7% lower due to the first lockdown, recovered by the end of H1 to 2% above pre-COVID levels and over H2 grew by a further 2% across the Group, with no discernible impact of the pandemic over the winter, and with strong demand in several key sectors, particularly in the UK.
- In vehicle sales, channels re-opened over the course of May such that they were fully operational from June and, whilst in November the UK&I retail sites had to close again, vehicles continued to be sold via our digital channels. Once UK&I markets re-opened in June residual values on LCVs strengthened quickly to approximately 15% higher than prior year driven by strong market pricing across all channels, and pricing has remained strong during H2 2021. Residual values in Spain were only slightly higher than prior year.
- Accident and incident volumes have moved broadly with the levels of traffic volumes on the road. Post the first national lockdown, accident and incident volumes started to increase as traffic volumes picked up. They remained below expectations, approximately 20-30% below pre-COVID levels in September to October, and then reduced to approximately 30-50% below pre-COVID levels in November to April due to the third lockdown, only starting to materially recover again post year end. With volumes varying through the year the cost base was kept continuously under review.

More generally, the impact of COVID-19 has accelerated the use of home delivery with many independent businesses adapting to online trading. Infrastructure and construction industries are also seeing a strong upturn and we are well represented in these sectors. Demand for commercial vehicles is high and we are seeing that across a number of sectors.

The global fallout from COVID-19 is still playing a factor in new commercial vehicle supply with social distancing and factory closures disrupting global supply chains. The automotive industry is also experiencing a shortage of semiconductors which is impacting normal supply patterns which comes with some challenges. This supply/demand effect is net positive for the Group, given we control a fleet of over 110,000 vehicles and can benefit from higher used vehicle prices and increased demand for vehicles.

In the Redde businesses we always believed there would be a reversion to the mean post COVID-19 lockdowns, and early indications are that these volumes have rebounded strongly.

Delivering value for all our stakeholders

As set out at the top of this review, we have endeavoured to deliver value for all our stakeholders in the year, across customers and partners, suppliers, employees, investors and the community, and also to start to develop more detail around the Group's ESG plans. In more detail these include the following:

- **Customers** – as referred to above, the Group provided customer support packages by way of waiver, discount or deferral to customers assessed on need, which reduced revenue by £3.4m in the current year in addition to the £3.8m provided in March and April in FY2020. The Group has improved its products and services, and this can be seen in improved customer scores and ratings as detailed further in the stakeholder engagement section on page 44.
- **Employees** – our colleagues are at the heart of everything we do and to respond to the uncertainty of the pandemic the Group increased the level of communications across the business. The Group also put in place a new home working policy, a new mental health initiative including workshops, guidance and champions, all employee access to an Employee Assistance Programme, as well as commencing a review of all employees' benefits to widen provision across the Group, including new SAYE, life assurance and cycle2work schemes. The Group also continued with its apprenticeship programmes in many of the businesses, including technical apprenticeships, such as motor vehicle technicians.
- **Environment** – the Merger presented the Group with the opportunity to reset the environmental agenda and enhance and formalise the strategy for the future. The Group takes its environmental responsibilities seriously and has initiated a project focused on the transition to EVs as well as other initiatives to improve its operations and reduce carbon emissions and impact.

The Group provides further detail on ESG initiatives and the impact on different stakeholder groups within the ESG section of the Annual Report. Our aim is to drive continued incremental improvements across our businesses to reduce carbon emissions. The Board has engaged with experienced advisers to support our aims in delivering climate change initiatives and making a positive contribution to our environment, and we intend to set out more fully the detailed plans and KPIs that we will measure to report on progress in our next reporting period.

Group performance

Against a backdrop of COVID-19, Group performance was ahead of Board expectations for the year.

Revenue (excluding vehicle sales) was 50.2% higher than the prior year, with the increase mainly due to the inclusion of Redde for a full year. Northgate UK&I and Northgate Spain revenue (excluding vehicle sales)³ was broadly flat at £311.6m (2020: £314.0m) and £205.5m (2020: £204.2m) respectively and included the impact of COVID-19 customer support packages. Redde revenue² was £371.7m (2020: £67.4m), reflecting the short period post-Merger in prior year, and including the impact of reduced traffic and thereby accident volumes due to COVID-19.

Total Group revenue, including vehicle sales, was 42.4% higher. Vehicle sales revenues were 18.6% higher, mainly due to higher UK&I sales prices, which were driven by both reduced supply from OEMs and increased demand for used vehicles since the first lockdown.

Underlying PBT of £93.2m (2020: £59.0m) was ahead of expectations driven mainly by improving UK&I margins, including the impact of higher merger integration savings, and higher disposals profits, offset by a slower recovery in Redde than originally expected.

Underlying EPS was 31.0p (2020: 30.8p), 0.6% higher than prior year, including the impact of COVID-19 on Redde. Statutory EPS was 26.6p (2020: 5.0p).

Statutory EBIT of £83.8m and statutory PBT of £67.2m were 180% and 398% higher than prior year respectively. Statutory measures include exceptional items of £8.0m (2020: £41.8m and £42.3m respectively), £1.5m gain on acquisition (2020: £nil) and amortisation on acquired intangibles of £19.5m (2020: £3.2m). Exceptional costs in the current year relate to restructuring costs, mainly to deliver cost synergies and the restructure of FMG RS post acquisition.

There was continued strong net cash inflows with free cash flow of £97.8m (2020: £10.1m) benefitting from lower total net capex including lease principal payments of £143.1m (2020: £225.2m) driven mainly by higher disposal sales prices and some fleet ageing. Steady state cash generation also remained strong at £140.1m (2020: £75.4m).

Net debt closed at £530.3m including IFRS 16 (leases), or £437.9m excluding IFRS 16 (leases), resulting in headroom to bank facilities of £304.9m (2020: £234.1m). Year-end leverage remained stable at 1.5x (2020: 1.6x).

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 2021, the Board is proposing a final dividend of 12.0p (2020: 6.8p) which, together with the interim dividend of 3.4p (2020: 6.3p), gives a full year dividend of 15.4p (2020: 13.1p), an increase of 2.3p or 17.6% on 2020. If approved by shareholders,

the final dividend will be paid on 24 September 2021 to shareholders on the register on 3 September 2021.

People

I have always remained of the view that to deliver good results you need good people, sufficiently motivated with the right attitude and skills to get the job done. We were fortunate with the Merger that the culture of the Redde and Northgate businesses were very similar and these attributes were clearly evident. FMG RS was added to the Group and that culture is also evident. The management team that supports the Board and their managers have shown strong leadership and worked relentlessly to smooth the bumps, keep our people engaged and produced some game changing outcomes that have created value. There is more to be done but I am extremely grateful to all the members of our team, who have persevered during what seemed the darkest times we may see in a generation and to support each other, our customers, communities and wider stakeholders this year. Thank you all.



OUR FY2021 PERFORMANCE

Northgate UK&I

Year ended 30 April	2021	2020	Change
KPI	('000)	('000)	%
Average VOH	47.3	46.9	0.9%
Closing VOH	49.2	43.5	13.1%
Average utilisation %	92%	88%	3ppt
Year ended 30 April	2021	2020	Change
Profit & Loss (Underlying)	£m	£m	%
Revenue – Vehicle hire ³	311.6	314.0	(0.8%)
Revenue – Vehicle sales	161.4	137.1	17.7%
Total Revenue	473.0	451.1	4.9%
Rental profit	39.5	31.2	26.8%
Rental Margin %	12.7%	9.9%	2.8ppt
Disposal profit	37.3	6.7	453%
EBIT	76.8	37.9	103%
EBIT Margin % ⁴	16.2%	8.4%	7.8ppt
ROCE %	13.4%	6.6%	6.8ppt

Northgate UK&I had a very strong year with underlying EBIT of £76.8m (2020: £37.9m) driven by both a strong rental business performance, with rental margin improving from 9.9% in 2020 to 10.3% in H1 2021 (both periods impacted by COVID-19 customer support packages) to 15.1% in H2 2021, and a very strong disposal business performance with higher sales prices driving very strong profit per unit (PPU).

Rental business

Hire revenue in the Northgate UK&I business declined 0.8% compared with the prior year to £311.6m (2020: £314.0m). This decline was driven principally by lower average hire rate, with average VOH increasing 0.9%. The average hire rate was lower due to customer and vehicle mix, and the impact of COVID-19 support in H1 of £2.4m (2020: £1.9m) offset by an annual rate increase.

Closing VOH was 13% higher at 49,200, although it should be noted the comparator included a reduction of 6% from the first COVID-19 lockdown, such that closing VOH was 7% above pre-COVID levels.

At the year end, Northgate's minimum term proposition accounted for around 35% (2020: 33%) of closing VOH. The average term of these contracts is approximately three years, providing both improved visibility of future rental revenue and earnings and lower transactional costs.

The rental margin has continued to grow ever since H2 2018, increasing from 6.0% in H2 2018, to 7.8% in 2019, to 9.9% in 2020 to 10.3% in H1 2021 to 15.1% in H2 2021. This improvement between H1 and H2 reflects the absence of COVID-19 support in H2, which equates to approximately 1.5% of rental margin, as well as the execution of the strategic priorities including cost synergies. The net impact of the lower hire revenue and higher rental margin was a 27% increase in Northgate UK&I rental profits to £39.5m (2020: £31.2m).

³ Including intersegment revenue.

⁴ Calculated as underlying EBIT divided by total revenue.



Management of fleet and vehicle sales

The total Northgate UK&I year-end rental fleet size of 54,000 vehicles increased from 51,400 in the prior year. The increase of 5% reflects the increase in closing VOH of 13% but is lower than 13% due to the substantial improvement in utilisation in the year from 88% to 92% driven by the revised post-Merger approach to fleet management and supply shortages. 12,500 vehicles were purchased during the year (2020: 14,600), 1,600 were acquired under contract hire and approximately 11,500 vehicles were de-fleeted. The average age of the fleet at the end of the year was three months higher than at the same time last year, due to conserving cash over the initial COVID-19 period and the ongoing impact of the fleet optimisation policy, with more vehicles now evaluated as having a longer optimal holding period.

A total of 15,800 vehicles were sold in Northgate UK&I during the year, 8% lower than prior year. Whilst volumes were initially impacted in the first COVID-19 lockdown, sale volumes normalised subsequently as buyers made use of our online platforms.

Disposal profits of £37.3m (2020: £6.7m) increased 453% versus the prior year, as a result of a 504% increase in the average PPU on disposals to £2,360 (2020: £391). To put this in context, the average disposal price net of costs increased approximately £2,100 due primarily to the strong market pricing in the period which has been approximately 15% above expected levels, plus the £1.4m unwind of depreciation rate changes, which equates to approximately £80 of PPU reduction.

EBIT and ROCE

Underlying EBIT of £76.8m grew 103% over the prior year (2020: £37.9m) driven by both higher rental profits and higher disposal profits as explained above.

The ROCE in Northgate UK&I also improved substantially to 13.4% (2020: 6.6%) reflecting the increase in EBIT but also a reduction in capital employed driven by lower working capital with stock levels reduced and strong cash collection.

Capex and cash flow

Year ended 30 April	2021 £m	2020 £m	Change £m
Underlying EBITDA	164.2	158.1	6.1
Net replacement capex	(66.2)	(129.8)	63.6
Lease principal repayments	(5.4)	(4.0)	(1.4)
Steady state cash generation	92.6	24.2	68.3
Growth capex	18.8	0.8	18.0

Underlying EBITDA improved by £6.1m to £164.2m (2020: £158.1m) mainly due to the drivers of increased rental profit.

Net replacement capex⁵ in the year was £66.2m, £63.6m lower than in 2020, driven by higher sales prices, conserving cash over the initial COVID-19 period and fleet optimisation which led to less frequent replacement of the fleet. Steady state cash generation increased by £68.3m to £92.6m (2020: £24.2m) reflecting the higher EBITDA and lower net replacement capex. Growth capex was a contraction of £18.8m, relating to the reduction in fleet of 2,500 owned vehicles, as stock levels, which were higher in April 2020 due to COVID-19 closures, were normalised by April 2021, 1,600 contract hire vehicles were transitioned from ownership in the year and utilisation was improved to 92% during the year.

Northgate Spain

Year ended 30 April KPI	2021 ('000)	2020 ('000)	Change %
Average VOH	46.0	46.4	(0.9%)
Closing VOH	46.8	43.1	8.6%
Average utilisation %	92%	91%	1ppt
Year ended 30 April Profit & Loss (Underlying)	2021 £m	2020 £m	Change %
Revenue – Vehicle hire	205.5	204.2	0.6%
Revenue – Vehicle sales	68.4	56.7	20.7%
Total revenue	273.9	260.9	5.0%
Rental profit	30.8	36.4	(15.5%)
Rental margin %	15.0%	17.8%	(2.9ppt)
Disposal profit	2.9	3.3	(11.2%)
EBIT	33.7	39.7	(15.2%)
EBIT margin % ⁴	12.3%	15.2%	(2.9ppt)
ROCE %	7.5%	8.8%	(1.3ppt)

Northgate Spain EBIT decreased 15.2% to £33.7m (2020: £39.7m) driven by a decline in rental profit driven mainly from a reduction in rental margin which decreased from 17.8% in 2020 to 14.4% in H1 2021 (both periods impacted by COVID-19 support) to 15.6% in H2 2021, with the disposal business performance delivering similar disposal profit to prior year at £2.9m (2020: £3.3m).

Rental business

Hire revenue in Northgate Spain grew 0.6% to £205.5m (2020: £204.2m), but removing the impact of foreign exchange, reduced by 1.2%. Average VOH declined 0.9% due mainly to the impact of COVID-19 in the early months of the year, and hire rate was broadly flat including the impact of COVID-19 support in H1 of £1.0m (2020: £1.9m), with additional income from other initiatives including the recent launch of the workshop commercialisation product. This product provides service and maintenance to customers on non Northgate vehicles using our existing workshops.

Closing VOH was 9% higher at 46,800, although it should be noted the comparator included a reduction of 7% from the first COVID-19 lockdown, such that closing VOH was 2% above pre COVID levels, with a continuing positive recovery trend post year-end.

At the year end, Northgate Spain's minimum term proposition accounted for around 36% (2020: 37%) of closing 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 FY2021 rental margin of 15.0% (2020: 17.8%) declined year on year including the new initiatives launch costs and Q1 FY2021 COVID-19 costs, which was partially offset by cost and pricing actions in H2 2021 such that the H2 2021 rental margin was higher than H1 (from 14.4% to 15.6%).

The net impact of the increased hire revenue and lower rental margin was a 15.5% decline in Northgate Spain rental profits to £30.8m (2020: £36.4m). Rental profits declined 17% at constant exchange rates. This decline was mainly due to H1 performance, adversely affected by COVID-19, with the business stabilising margins in H2 and into FY2022.

5 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.

Management of fleet and vehicle sales

The total rental fleet size in Northgate Spain increased by 0.6% to 51,800 vehicles, driven by the growth in VOH in the period offset by a 0.7% improvement in utilisation in the year to 92%. 11,500 vehicles were purchased during the year and approximately 11,200 vehicles were de-fleeted. The average age of the fleet at the end of the year was three months higher than at the same time last year, mainly due to the ongoing impact of the fleet optimisation policy where more vehicles are now evaluated as having a longer optimal holding period.

A total of 11,600 vehicles were sold by Northgate Spain during the year, 17% higher than in the previous year mainly from the delayed sales due to COVID-19 in the prior year. Increasingly sales are completed via Spain's eAuction platform, which saw a 103% increase in volume in the year.

Disposal profits of £2.9m (2020: £3.3m) declined 11.2% versus the prior year, driven by a 24% reduction in the average PPU on disposals to £254 (2020: £334) due to the £4.0m unwind of previous depreciation rate changes (approximately £400 of PPU reduction) offset by stronger pricing in the market, but to a lesser extent than in UK&I. Vehicle sales performance has been higher since January 2021, both in terms of vehicles sold and average PPU.

EBIT and ROCE

The decline in both rental profit and disposal profit explained above led to a decline in EBIT of 15.2% to £33.7m (2020: £39.7m). At constant exchange rates, operating profits in Northgate Spain declined 16.7%.

The ROCE in Northgate Spain was 7.5% (2020: 8.8%) reflecting primarily the decline in EBIT.

Capex and cash flow

Year ended 30 April	2021 £m	2020 £m	Change £m
Underlying EBITDA	121.6	125.6	(4.0)
Net replacement capex	(73.8)	(69.6)	(4.1)
Lease principal repayments	(2.8)	(2.6)	(0.2)
Steady state cash generation	45.0	53.4	(8.4)
Growth capex	0.3	(17.5)	17.9

Underlying EBITDA decreased by £4.0m to £121.6m (2020: £125.6m) and net replacement capex⁵ was £73.8m, £4.1m higher than in 2020, driven by OEM price inflation which was approximately 2%. Steady state cash generation decreased by £8.4m to £45.0m (2020: £53.4m) reflecting the lower EBITDA and higher net replacement capex. Growth capex was a contraction of £0.3m, with the rental fleet growing 300 vehicles, offset by stock reducing 400 vehicles.



Redde

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

Year ended 30 April	2021 £m	2020 £m	Change %
Profit & Loss (Underlying)			
Revenue – Claims and services ³	371.7	67.4	452%
Gross profit	70.2	10.0	600%
Gross margin %	18.9%	14.9%	4.0ppt
Operating profit	3.4	2.4	42.8%
Income from associates	4.4	1.0	358%
EBIT	7.7	3.3	134%
EBIT margin % ⁴	2.1%	4.9%	(2.8ppt)
ROCE %	6.0%	-	-

Redde was the business in the Group most impacted by COVID-19. The material reduction in traffic volumes and thereby incidents and accidents led to reduced revenues and profits across the year.

Accident and incident volumes moved broadly with the levels of traffic volumes on the road. Post the first national lockdown, accident and incident volumes started to increase as traffic volumes picked up. They remained below expectations, approximately 20-30% below pre-COVID levels in September to October, and then reduced to approximately 30-50% below pre-COVID levels in November to April due to the third lockdown, only starting to materially recover again post year-end. With different volume levels the cost base was kept continuously under review, but the margin reduced due to lack of operational leverage, although this is reversing as volumes return.

2021 also includes the result from FMG RS, acquired at the beginning of September 2020. FMG RS was particularly impacted by reduced volumes in the year, and made a loss of £3.3m in the two months of H1 2021 and a loss of £3.2m in the six months of H2 2021 to give a loss of £6.5m for the year. In the final quarter the loss reduced to £0.5m, providing confidence that as volumes return in 2022 the business will soon become earnings enhancing.

Revenues and profit

Revenue was £371.7m, gross profit was £70.2m and the gross margin was 18.9%. FMG RS contributed revenues (external only) of £44.6m with approximately 60% of the work completed being internal.

EBIT was £7.7m, made up of operating profit of £3.4m and income from associates of £4.4m, with an EBIT margin of 2.1%. Excluding FMG RS's loss of £6.5m, Redde EBIT was £14.2m with a margin of 3.8% but this was still materially below pre-COVID levels of profit. A normalised EBIT margin of this business is substantially higher and would deliver a materially higher profit and ROCE than in the current period.

Management of fleet

The total fleet size in Redde closed the year at 6,500 vehicles, reduced from 9,000 vehicles in prior year as the fleet was managed to address the lower volumes of incidents and accidents.

The average fleet age was 14 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	2021 £m	2020 £m	Change £m
Underlying EBITDA	25.0	6.3	18.7
Net replacement capex	32.5	2.5	30.0
Lease principal repayments	(46.6)	(4.9)	(41.7)
Steady state cash generation	10.9	3.9	7.0
Statutory debtor days	179	123	56

Underlying EBITDA was £25.0m for the year and steady state cash generation was £10.9m. Net replacement capex includes the sale proceeds from hire purchase vehicles and lease principal payments includes both the monthly principal payments on both hire purchase and contract hire vehicles together with the bullet repayment at the end of a hire purchase agreement, as well as the monthly principal payments on property and other leases captured under IFRS 16.

Debtor days were 179 days at 30 April 2021, 56 days higher than in the prior year due to the reduction in revenue in the last 12 months due to COVID-19 as well as lower cash collection in the period. 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.

Martin Ward

Chief Executive Officer

Our markets

Our integrated mobility solutions operate in seven key markets across automotive services



Vehicle hire

Description

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.

Market size

In the UK, Republic of Ireland and Spain (the Combined Group's existing geographic markets) approximately 9 million LCVs were in operation in 2020, of which approximately 1 million were operated on hire or leased terms.

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.

The principal drivers in the recent evolution of the LCV hire market include:

- 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;
- limited new vehicle supply created by production shortfalls as a result of the COVID-19 pandemic; and
- balance sheet management by businesses seeking to reduce their capital employed in depreciating assets.

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, Redde Northgate is one of the largest participants in LCV hire by supply of vehicles.



Vehicle data

Description

Redde Northgate is evolving its fleet solutions to offer customers a comprehensive range of additional services alongside their vehicle hire, including telematics. Fleet telematics relates to the monitoring and tracking of a fleet of commercial vehicles, typically to optimise their use.

Market size

The estimated size of the fleet telematics market has been estimated to be approximately £350m in annual revenue with around 30% of B2B vehicles estimated to have some form of fleet telematics hardware installed.

Market drivers

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. The fleet telematics market is forecast to grow with a compound annual growth rate of 20% to 2025.



Accident management

Description

Accident management is provided to motor insurers, company fleets and local public authorities with services including first notification of loss, roadside recovery, liability assessment, third party intervention, replacement vehicle hire including credit hire, vehicle repair and claims handling.

Credit hire

Credit hire providers supply replacement vehicle hire 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.

Market size

In the UK, in 2019 accident management companies handled an estimated £2.1 billion in claims. In 2020 this figure was lower due to COVID-19.

Credit hire

The size of the credit hire market has been estimated to be approximately £700m.

Market drivers

Redde Northgate's accident and incident management business focuses on growing its customer base, including the on-boarding of insurer, brokers and fleet customers for the provision of accident management services, reducing costs for its customers.

Credit hire

The credit hire market is largely consolidated and is directly impacted by road traffic volumes and subsequent accident frequencies.



Vehicle repair

Description

Redde Northgate provides accident repair services to insurance and fleet customers as well as credit repair to customers who have been involved in a non-fault traffic accident.

Market size

The size of the UK vehicle body repair market was reported to be £4.9 billion in 2019 with 4.3 million private car body repairs carried out in the same period.

Market drivers

There are estimated to be over 3,000 car body repair locations in the UK with the primary purpose of repairing accident damaged vehicles on behalf of insurance, accident management and fleet companies.

Vehicle repair costs are expected to increase between 5% and 7% per annum over the next three years due to the ever greater complexity of repairs inclusive of modern technologies.



Servicing and maintenance

Description

Redde Northgate provides vehicle servicing and maintenance to its customers utilising its network of workshops across its territories and a team of skilled technicians.

Market size

The estimated size of the UK car servicing and aftercare market is £9.0 billion with over 30 million workshop visits made per year.

The equivalent market data is not available for Spain but is estimated to be 90% of the size of the UK market.

Market drivers

The automotive servicing market is large and highly fragmented with over 30,000 garages in the UK, an estimated two thirds of which are small independents.

Vehicles are becoming more complex, equipped with an increasing number of intelligent features, which requires investment in training and technology to service and maintain.



Legal services

Description

Redde Northgate 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.

Market size

The size of the UK personal injury market was estimated to be £3.9 billion in 2020.

Market drivers

In response to the government reforms of RTA soft tissue injury compensation, Redde Northgate has invested in IT systems to provide a customer portal that will integrate with the Ministry of Justice portals and provide efficiencies to deal with low value claims.

While non-RTA cases, including Redde Northgate'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.



Vehicle sales

Description

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 Redde Northgate through its Van Monster, Van Monster Remarketing and NGO brands.

Market size

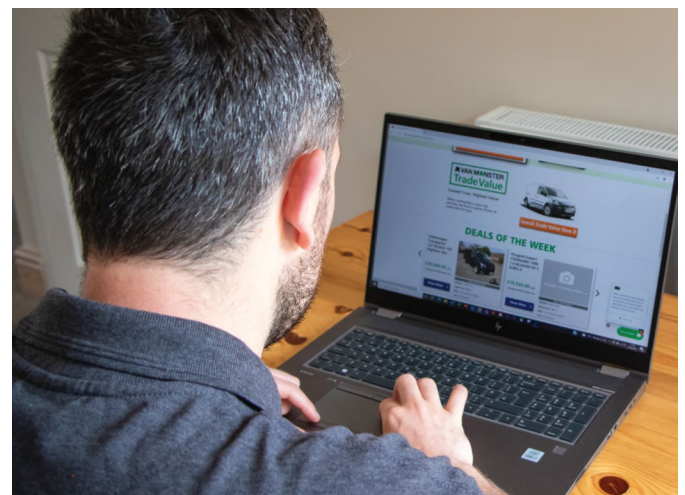
In the UK, the overall used vehicle sales market splits into three key segments: used car auctions; online marketplaces; and dealer sales. Dealer sales have been estimated to equate to £50 billion in annual revenue, of which approximately £10 billion is business to business sales, including approximately £6 billion in LCV sales, which are driven by c.900,000 used van sales per year.

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 100 franchises holding less than 25% of the used cars market.

Given that this market segment is fragmented, there are opportunities to further consolidate the market, making it more efficient and transparent.

Increasingly participants in used LCV sales purchase online, Redde Northgate provides this via its eAuction platform Van Monster Remarketing. Online activity has increased as a result of the COVID-19 pandemic.



Creating long term value

The Group operates across the UK, Ireland and Spain providing integrated mobility solutions to businesses and personal customers. These solutions comprise vehicle rental services, accident and incident management services, repair services, vehicle disposal services and other ancillary services to keep customers mobile. Many of our customers benefit from taking multiple services together thus simplifying their procurement and operational processes. Our systems, expertise and product offering enable us to access growing markets and position ourselves for sustainable growth.

Driven by

Our purpose

To keep customers mobile, whether meeting their regular needs or servicing and supporting them when unforeseen events occur.

Underpinned by our employee culture, delivering for all our stakeholders.

Impacted by

Our markets

The markets we operate in provide opportunities to grow and meet customer needs through an integrated solution.

[Read more](#) Our markets pages 15 to 17

Our resources

Our vehicle fleet, network of branches and our people allow us to leverage scale and offer a wider range of services in an efficient way.

Our relationships

The key relationships with our suppliers, customers and local communities support our business model.

[Read more](#) Stakeholder engagement pages 44 and 45

The world we live in

We recognise the need for our business to safeguard the environment we live in and sustainability underpins our business model.

[Read more](#) Our environment page 46

[Read more](#) Principal risks page 35

How we add value

Our core activities

Putting the customer first

Our market leading customer proposition is focused on placing customers at the centre of our business, offering a broader range of services that can be flexed and tailored to the needs of each customer.

Minimising holding cost

We leverage our scale to access the best possible supplier terms and manage the mix and age of assets efficiently. We continually manage the mix of assets and holding period to minimise holding cost. Our range of disposal channels including retail and eAuction enable us to minimise holding cost through optimising disposal values.

Maximising operational efficiency

We aim to maximise operational efficiency through maintaining high levels of asset utilisation. The scale of our network and people allows us to service customers in the most effective way including the efficiency and speed of handling repairs and managing insurance claims. Our in-house workshops have been expanded in the year enabling us to service repairs more efficiently and offer a wider range of solutions to customers.

[Read more](#) Our integrated mobility solutions page 2

Underpinned by our strategy



Focus

Completing the integration of the Group, accessing cost synergies and developing the widened customer proposition



Drive

Diversifying our current offering into complementary markets and exploring growth in further markets and geographies



Broaden

Developing our offer further into new markets and geographic growth opportunities

[Read more](#) Our strategy page 20

Whilst taking care of our stakeholders

Customers

By offering a range of flexible mobility solutions our customers remain on the move and focus on what is important to them.

Suppliers

We partner and maintain close working relationships with our suppliers which allows us to operate efficiently and has a positive contribution to their businesses.

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 encourage employees to share in the success of their hard work through our share schemes.

Community

We strive to be a good neighbour and give back to the communities in which we operate and support employees to champion local causes.

Investors

We provide investors with regular updates so that they can make informed investment decisions. Our business model is underpinned by our capital allocation policy to ensure that capital is allocated efficiently and provides regular returns to shareholders without putting the financial position of the Group under undue risk.

[Read more](#) Our stakeholders page 44

Outcomes

ROCE

9.5%

2020: 7.0%

Utilisation

90%

2020: 89%

Staff retention

24%

2020: 24%

Customer satisfaction (Consumer Review Score)

4.4

2020: 2.3

Climate change

This is a key area of focus and we are currently building a plan which will include a targeted reduction in our impact on the environment that will be reported against in future periods.

[Read more](#) Our KPIs page 24

Our strategy

Following the Merger, we set our vision and purpose and our strategic framework of Focus, Drive and Broaden to help us achieve that vision. In FY2021, the first year post Merger, we have made significant progress across all three areas of the framework, but primarily within Focus, and we set out here some of the detail on that progress and the actions we have taken. Some initiatives, like the implementation of cost synergies and savings, have clear quantified targets, whilst other initiatives, like service diversification, are less quantifiable so progress is monitored through qualitative actions. Both quantitative and qualitative measures of progress are used to monitor the initiatives and are detailed below.

Our vision

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

Our purpose

To keep customers mobile, whether meeting their regular needs or servicing and supporting them when unforeseen events occur. Underpinned by our employee culture, delivering for all our stakeholders.



Successfully execute integration

Implement cost synergies and other savings

Finesse products and services

Leverage mobility solutions platform to enable revenue growth on basis of broader offering

Service diversification into complementary markets

Explore further market and geographic growth opportunities



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.



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.



Culture

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



Scale

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



Key initiative

Successfully execute integration

Why this is important

To bring together Redde and Northgate to operate as a single Group, through a planned, disciplined and robust process to create the integrated mobility solutions platform

Progress to date

New Board and leadership team appointed
Integration Management Office set up and integration process managed. New Group change function created
Centralised digital PO process set up to strengthen controls around spend and give appropriate visibility to CEO and CFO

Next steps

Change team refocussed onto normal business change activities, including IT implementations across the Group

Key initiative

Implement cost synergies and savings

Why this is important

To achieve one of the key strategic rationales for the Merger, and deliver a more efficient Combined Group

Progress to date

Increased synergy target from £10m to £15m and achieved this increased target 10 months ahead of schedule, for £2.6m of implementation costs, again substantially ahead of target
Savings achieved from reduced Board and leadership team, dual listing costs, combined procurement, branch rationalisation and fleet, HR, IT and finance functions restructuring
Additional cost savings of £5.5m implemented
Utilisation improved from 89% to 90%

Next steps

Further cost savings to be sought as part of normal business activity



Key initiative

Finesse products and services

Why this is important

To make our products and services meet and exceed the expectations of our customers and to bring them together as integrated mobility solutions

Progress to date

October 2020 launch of accident and incident management product to Northgate customers in the UK covering all customers vehicles

Launch of new products taking our internal knowledge and processes and delivering externally

EV strategy developed, infrastructure investment commenced, EV training programmes completed and new EV products launched. EV specialists trained to assist customers in their decisions

Digitalisation – online claims portal introduced, eAuction platform improved, new Traffic Officer app for Highways England and new small claims system, called Pilot, launched to manage claims post whiplash reforms

Next steps

Further product and service developments

Further infrastructure delivery and further development of EV service proposition

Further digitalisation projects and new product innovation team to be established

Key initiative

Leverage mobility solutions platform to enable revenue growth on basis of broader offering

Why this is important

To widen the strategic benefit of the Merger, bringing revenue synergies from the combination of mobility solutions for customers

Progress to date

Sales teams trained on wider products and services enabling new wins

Large tenders won, enabled by the expanded products and service offerings of the Combined Group, the wider network for the Group delivering lower delivery and collections cost, the technical expertise and solutioning mindset to solve customers' and partners' bespoke issues and an expanded fleet managed centrally to achieve utilisation benefits

Next steps

Further business opportunities and rollout of route to market and integrated mobility solutions strategies



Key initiative

Service diversification into complementary markets

Why this is important

To ensure that our products and services encompass the full vehicle lifecycle and deliver seamless customer journeys

Progress to date

Repairs transformed with acquisition of Nationwide, forming FMG RS, and bringing in-house capability to deliver repairs and enabling integration into seamless customer journeys

Launch of B2C and workshop commercialisation in Spain, providing new services to existing and new customers

Next steps

Further updates to be provided in due course

Key initiative

Explore further market and geographic growth opportunities

Why is this important

To deliver further growth through expansion into product or geographic adjacencies that further support the customer proposition and deliver returns substantially ahead of WACC

Progress to date

Business Strategic Planning Reviews ongoing to assess market opportunities across all businesses

Next steps

Further updates to be provided in due course

Delivering for our stakeholders (non- financial KPIs)

We use non-financial KPIs to measure progress of our strategic priorities in delivering our ESG agenda and to monitor performance on how we are delivering for the Group's stakeholders.

[Read more](#) Our stakeholder engagement pages 44 and 45

Key performance indicators

Core financial KPIs

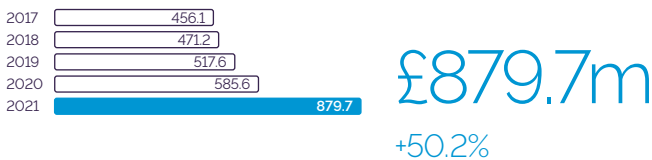
We use our KPIs to assess and monitor the performance of the Group and to measure progress against how we execute our strategy. Specifically, our Core financial KPIs measure progress of our strategic priorities in delivering profitability, revenue and returns.

Revenue

Group revenue (excluding vehicle sales) is an important measure on how we monitor achievement of Group strategy.

Performance

Revenue (excluding vehicle sales) (£m)



Target

Our target is grow the underlying revenue of the Group from our products and services across our integrated mobility solutions.

Strategic link

Monitoring the revenue of the Group measures the success of our strategy, particularly our Drive and Broaden initiatives.

Business model link



Risk factor



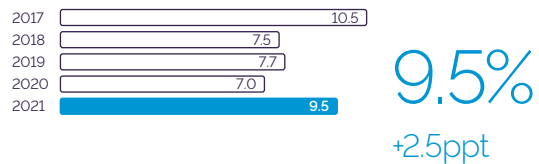
Remuneration link

ROCE

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

Performance

ROCE (%)



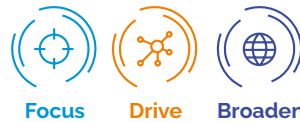
Target

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

Strategic link

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

Business model link



Risk factor



Remuneration link

Operational

Operational KPIs – We use these KPIs to measure progress of our strategic priorities in delivering our strategy and in driving operational and commercial excellence.

Due to the nature and make up of the enlarged Group, we have a wide ranging set of operational metrics for individual business and operations which the Board uses to review and manage performance. The key operational KPIs are included within the CEO's review from page 10. Three of the main Group operational metrics are highlighted here:

Performance

Average Vehicles on hire (000)



93.2 +0.1

Performance

Utilisation (%)



90% +1.0ppt

Key to principal risk factors

- 1 Economic environment
- 2 Market risk
- 3 Vehicle holding costs
- 4 Employee environment
- 5 Legal compliance
- 6 IT systems
- 7 Recovery of contract assets
- 8 Access to capital

Earnings

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

Performance

Underlying profit before tax (£m)



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.

Strategic link

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

Business model link



Risk factor



Remuneration link

75% of executive Director annual bonus is based on PBT targets.

50% of executive Director long term incentive awards are measured against PBT targets.

Performance

Underlying earnings per share (p)



Target

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.

Strategic link

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

Business model link



Risk factor



Remuneration link

50% of executive Director long term incentive awards are measured against EPS targets.

Performance

Underlying EBIT margin (%)



9.9% +0.3ppt

Target

There are a wide ranging targets for our operational metrics, all of which are set to deliver the Group's strategy.

Risk factor



Strategic link

Operational performance is integral to the achievement of our strategy. The KPIs used by the Board and management ensure performance is reviewed and managed effectively.

Remuneration link

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

Business model link





Philip Vincent
Chief Financial Officer
of Redde Northgate



Against the backdrop of COVID-19, we have delivered a robust set of financial results and demonstrated our ability to increase cash generation during a global downturn.



Financial review

Against the backdrop of COVID-19, we have delivered a robust set of financial results for the year ended 30 April 2021, demonstrating our flexibility and operational agility to respond to changing market conditions.

We took prompt actions to optimise cash flow, reducing capital expenditure and operating costs, and strengthening further our liquidity position. This rigorous liquidity management has enabled us to continue to invest in our medium and longer term strategic priorities, as evidenced by the acquisition of Nationwide in September 2020.

The Group is well positioned to take advantage of future growth opportunities as they arise.

Highlights

- Revenue increased 42.8% to £1,109m
- Continued strong cash flow with free cash flow of £97.8m
- Net debt decreased by 8% to £530.3m including establishing new contract hire arrangements for the commercial fleet
- Borrowing facility headroom has increased 30.3% to £305m
- The Group acquired the trade and assets of Nationwide on 4 September 2020

Group revenue and EBIT

Year ended 30 April	2021 £m	2020 £m	Change £m	Change %
Revenue – Vehicle hire	515.6	518.2	(2.6)	(0.5%)
Revenue – Vehicle sales	229.8	193.8	36.0	18.6%
Revenue – Claims and services	364.1	67.4	296.7	440%
Total revenue	1,109.5	779.3	330.2	42.4%
Rental profit	70.3	67.6	2.7	4.0%
Disposal profit	40.2	10.0	30.2	301%
Claims and services profit	3.4	2.4	1.0	42.8%
Corporate costs	(8.4)	(6.1)	(2.3)	(37.5%)
Underlying operating profit	105.5	73.9	31.6	42.8%
Income from associates	4.4	1.0	3.4	358%
Underlying EBIT	109.8	74.8	35.0	46.8%
Underlying EBIT margin	9.9%	9.6%	–	0.3ppt
Statutory EBIT	83.8	29.9	53.9	180%

Revenue

Total Group revenue, including vehicle sales, of £1,109.5m was 42.4% higher than prior year (41.7% at constant exchange rates). Revenue excluding vehicle sales of £879.7m was 50.2% higher (49.5% at constant exchange rates) than the prior period with the increase attributable to a full year of claims and services revenue.

Hire revenues were broadly flat and include the impact of customer support packages issued during COVID-19 and change in mix of customers and fleet.

Group vehicle sales revenue increased by 18.6%, with the number of vehicles sold consistent with prior year but reflecting higher sales prices achieved driven by both reduced supply from OEMs and increased demand for used vehicles during COVID-19.

Claims and services revenue has increased by 440% to £364m (2020: £67.4m), reflecting the short period post Merger in prior year, and including the impact of reduced traffic and thereby accident volumes due to COVID-19.

EBIT

Underlying EBIT of £109.8m was 46.8% higher, reflecting the strong performance in the Northgate UK&I business, a resilient performance in the Northgate Spain business and a full year of the profits from the Redde business. Staff costs include credits for furlough grants received in the year of £17.2m (2020: £1.8m) to protect jobs.

Statutory EBIT of £83.8m was 180% higher, reflecting higher underlying EBIT offset by £19.5m of amortisation of acquisition intangibles, £1.5m credit in relation to the gain on the acquisition of Nationwide and £8.0m of exceptional items, of which £2.8m related to post Merger restructuring, £6.8m related to the Nationwide acquisition, set up and integration and an exceptional credit of £1.5m in relation to a legal settlement.

Group PBT and EPS

Year ended 30 April	2021 £m	2020 £m	Change £m	Change %
Underlying EBIT	109.8	74.8	35.0	46.8%
Net finance costs	(16.6)	(15.8)	(0.8)	4.9%
Underlying profit before taxation	93.2	59.0	34.2	58.0%
Statutory profit before taxation	67.2	13.5	53.7	398%
Underlying effective tax rate	18.2%	19.5%	-	(1.3ppt)
Underlying EPS	31.0	30.8	0.2	0.6%
Statutory EPS	26.6	5.0	21.6	432%

Profit before taxation

Underlying PBT was 58.0% higher than prior year, reflecting the higher EBIT and higher finance costs, which were 4.9% higher.

Statutory PBT was 398% higher, mainly due to the £42.3m of exceptional costs in the prior year, primarily in relation to the Merger, in comparison to exceptional costs of £8.0m during the current year. The movement also reflects the higher underlying PBT offset by £19.5m (2020: £3.2m) of amortisation of acquisition intangibles and £1.5m (2020: £nil) in relation to gain on bargain purchase on the Nationwide acquisition.

Taxation

The Group's underlying tax charge was £17.0m (2020: £11.5m) and the underlying effective tax rate was 18% (2020: 19%). The statutory effective tax rate was 2% (2020: 43%), impacted by a £10.0m exceptional release of uncertain tax provisions following resolution of a previous tax position. The FY2020 rate was impacted by non-deductible Merger expenses.

Earnings per share

Underlying EPS of 31.0p was consistent with prior year, reflecting improving Group rental margins and higher disposals profits offset by lower profits from the Redde business in the period driven primarily by lower volumes due to COVID-19.

Statutory EPS of 26.6p was 432% higher, reflecting the movement in underlying EPS and the impact of exceptional costs and amortisation of acquisition intangibles mentioned above.

Business combinations

The Group acquired certain businesses and certain assets of Nationwide on 4 September 2020 by way of a purchase from administrators, for a cash consideration of up to £11.0m, plus a deferred consideration of up to £5.0m conditional on retention of certain trade business on satisfactory terms.

The provisional fair value of consideration is estimated to be £11.1m. A provisional purchase price allocation exercise has been undertaken in order to identify and recognise intangible assets with finite useful lives amounting to £3.6m and other net assets of £9.0m, resulting in a gain on bargain purchase of £1.5m which has been recognised in the income statement in the period.

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 (NBV) on the disposal date requires significant judgement for the following key reasons:

- Used vehicle prices are subject to short term volatility which makes it challenging to estimate future residual values.
- 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.
- 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 NBV 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 FY2021 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 FY2021 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	UK&I £m	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.

Interest

Net underlying finance charges increased by 4.9% to £16.6m (2020: £15.8m). The net cash interest charge for the year was £15.0m (2020: £14.5m) representing decreased borrowing offset by inclusion of lease interest for the full year following completion of the Merger. Non-cash interest was £1.6m (2020: £1.3m).

Exceptional items

During the year the Group incurred exceptional costs of £6.5m (2020: £42.3m) in relation to restructuring expenses of £2.8m (2020: £8.6m), acquisition expenses of £1.1m (2020: £18.3m), FMG RS set up and integration costs of £5.7m (2020: £nil), a legal settlement credit of £1.6m (2020: £nil) and the gain on bargain purchase credit of £1.5m (2020: £nil) in relation to the acquisition of Nationwide. In the prior year there were further exceptional costs in relation to an impairment of intangible assets of £14.9m and £0.6m in relation to exceptional refinancing expenses. Further detail on exceptional items is included in Note 31 to the financial statements.

Dividend and capital allocation

Subject to approval, the final dividend proposed of 12.0p per share (2020: 6.8p) will be paid on 24 September 2021 to shareholders on the register as at close of business on 3 September 2021.

Including the interim dividend paid of 3.4p (2020: 6.3p), the total dividend relating to the year would be 15.4p (2020: 13.1p). The dividend is covered 2.0x 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:

- Dividend: appropriate dividend distribution.
- Core business growth: organic capital investment to grow the core business at returns substantially ahead of WACC.
- Disposal: potential disposal of non-core assets where investment returns can be maximised through sale.
- 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.

Group cash flow

Steady state cash generation

Year ended 30 April	2021 £m	2020 £m	Change £m
Underlying EBIT	109.8	74.8	35.0
Depreciation and amortisation	192.5	209.0	(16.5)
Underlying EBITDA	302.3	283.8	18.5
Net replacement capex	(107.5)	(196.9)	89.5
Lease principal payments ¹	(54.8)	(115)	(43.3)
Steady state cash generation	140.1	75.4	64.7

- Steady state cash generation remained strong at £140.1m (2020: £75.4m), driven by strong EBIT and lower net replacement capex.
- Underlying EBITDA was £18.5m higher, driven by higher underlying EBIT partially offset by lower depreciation due to reduced rental fleet size.
- Net replacement capex was £89.5m lower, reflecting lower cycling of the fleet, the strong used vehicle prices achieved in the period and also includes the impact of contract hire purchases.

1 Lease principal payments are included so that steady state cash generation includes all maintenance capex irrespective of funding method.

Free cash flow

Year ended 30 April	2021 £m	2020 £m	Change £m
Steady state cash generation	140.1	75.4	64.7
Exceptional costs (excluding non-cash items)	(5.0)	(25.6)	20.6
Working capital and non-cash items	(16.9)	6.1	(23.0)
Growth capex	19.1	(16.8)	35.9
Taxation	(12.7)	(10.2)	(2.5)
Net operating cash	124.6	29.0	95.6
Distributions from associates	4.3	0.6	3.7
Interest and other financing	(20.4)	(19.5)	(0.8)
Acquisition of business	(10.8)	-	(10.8)
Free cash flow	97.8	10.1	87.7
Dividends paid	(24.9)	(24.3)	(0.6)
Lease principal payments ²	54.8	11.5	43.3
Net cash generated (consumed)	127.6	(2.7)	130.4

- Free cash flow increased by £87.7m to £97.8m (2020: £10.1m) reflecting higher steady state cash generation and growth capex inflow of £19.1m due to a net reduction in owned fleet over the period of 2,500 vehicles.
- Exceptional costs (excluding non-cash items) of £5.0m were £20.6m lower than prior year due to Merger related costs in prior year.
- Working capital outflow and non-cash items of £16.9m which included £4.4m associate income (2020: £1.0m), £4.6m relating to release of provisions (2020: £nil) and £5.2m relating to FMG RS working capital.
- Acquisition of business of £10.8m represents the initial cash paid for the acquisition of the trade and assets of Nationwide.
- If the impact of growth capex in the period is removed from free cash flow, the underlying free cash flow of the Group was £78.7m (2020: £26.9m).

Net debt

Net debt reconciles as follows:

Year ended 30 April	2021 £m	2020 £m
Opening net debt	575.9	436.9
Net cash (generated) consumed	(127.6)	2.7
Other non-cash items	80.3	1.8
Exchange differences	1.8	1.8
IFRS 16 transition	-	48.5
Net debt acquired in Merger	-	84.1
Closing net debt	530.3	575.9

Closing net debt was £530.3m, £45.5m lower than opening net debt, driven by net cash generation of £127.6m partially offset by new leases acquired of £79.3m included within other non-cash items.

² Lease principal payments are added back to reflect the movement on net debt.

During the year the Group has established new contract hire arrangements for the Northgate commercial fleet in addition to the leasing arrangements already in place in the Redde business. New leases of £79.3m were entered into during the year including £32.8m HP (leases), £25.3m contract hire and £21.2m property leases.

Borrowing facilities

As at 30 April 2021 the Group had headroom on facilities of £305m, with £406m drawn (net of available cash balances) against total facilities of £711m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing cost
UK bank facilities	610	311	299	Nov-23	1.9%
Loan notes	87	87	-	Aug-22	2.4%
Other loans	14	8	6	Nov-21	2.5%
	711	406	305		2.1%

The other loans consist of £7.5m of local borrowings in Spain and £0.5m of Preference shares.

During the period, the previous Redde £50m bank facility was cancelled and at the same time the existing bank facility commitment was increased by the same amount, thus simplifying the bank financing structure.

The above drawn amounts reconcile to net debt as follows:

	Drawn £m
Borrowing facilities	406
Unamortised finance fees	(4)
Leases arising following adoption of IFRS 16	92
Leases arising under HP obligations	36
Net debt	530

The overall cost of borrowings at 30 April 2021 was 2.0% (2020: 2.3%).

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 2021 corresponded to a margin of 1.85% (2020: 1.85%).

There were no interest rate swap contracts at 30 April 2021. During the prior year contracts were in place that fixed a proportion of bank debt at 2.4%.

The split of net debt by currency was as follows:

Year ended 30 April	2021 £m	2020 £m
Euro	367	370
Sterling	167	211
Borrowings and lease obligations before unamortised arrangement fees	534	581
Unamortised finance fees	(4)	(5)
Net debt	530	576

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

	Threshold	April 2021	Headroom	April 2020
Interest cover	3x	8.2x	£67m (EBIT)	5.3x
Loan to value	70%	41%	£315m (Net debt)	48%
Debt leverage	2.75x	1.5x	£125m (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 2021 were £908.1m (2020: £871.6m), equivalent to net assets per share of 369p (2020: 354p). Net tangible assets at 30 April 2021 were £622.8m (2020: £569.8m), equivalent to a net tangible asset value of 253p per share (2020: 232p per share).

Gearing at 30 April 2021 was 85.2% (2020: 101.1%) and ROCE was 9.5% (2020: 7.0%).

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.

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 ensure that the exposure to future changes in interest rates is managed to an acceptable level by having in place an appropriate balance of fixed rate and floating rate financial instruments at any time. The proportion of gross borrowings (including leases arising under HP obligations) hedged into fixed rates was 28% at 30 April 2021 (2020: 60%).

Foreign exchange risk

The Group's reporting currency is Sterling and 73% of its revenue is generated in Sterling during the year (2020: 63%). 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:

	2021 £ : €	2020 £ : €
Average	1.12	1.14
Year end	1.15	1.15

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 2021, 75% of Euro net assets were hedged against Euro borrowings (2020: 71%).

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 page 39), 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 2021 £000	Group 2020 £000
Operating profit	77,922	28,916
Income from associates	4,364	952
Gain on bargain purchase (Note 4)	1,489	–
EBIT	83,775	29,868
<i>Add back:</i>		
Exceptional operating expenses (Note 31)	8,017	41,775
Amortisation on acquired intangible assets (Note 14)	19,513	3,178
Gain on bargain purchase (Note 4)	(1,489)	–
Underlying EBIT	109,816	74,821
	Group 2021 £000	Group 2020 £000
Profit before tax	67,179	13,479
<i>Add back:</i>		
Exceptional operating expenses (Note 31)	8,017	41,775
Amortisation on acquired intangible assets (Note 14)	19,513	3,178
Gain on bargain purchase (Note 4)	(1,489)	–
Exceptional finance costs (Note 31)	–	566
Underlying profit before tax	93,220	58,998
	Group 2021 £000	Group 2020 £000
Profit for the year	65,566	7,676
<i>Add back:</i>		
Exceptional operating expenses (Note 31)	8,017	41,775
Amortisation on acquired intangible assets (Note 14)	19,513	3,178
Gain on bargain purchase (Note 4)	(1,489)	–
Exceptional finance costs (Note 31)	–	566
Tax on exceptional items, brand royalty charges and intangible amortisation (Note 9 and 31)	(5,369)	(5,676)
Tax credit in relation to the release of uncertain tax provisions (Note 9)	(10,008)	–
Underlying profit for the year	76,230	47,519
Weighted average number of Ordinary shares	246,091,423	154,509,197
Underlying basic earnings per share	31.0p	30.8p

The Note references above relate to notes to the Financial Statements on pages 98 to 141.

GAAP reconciliation continued

	Group 2021 £000	Group 2020 £000
Underlying EBIT	109,816	74,821
<i>Add back:</i>		
Depreciation: vehicles for hire and vehicles for credit hire	173,145	194,856
Other depreciation	18,464	13,219
Loss on disposal of assets	226	144
Intangible amortisation included in underlying operating profit	685	809
Underlying EBITDA	302,336	283,849
Net replacement capex	(107,454)	(196,904)
Lease principal payments	(54,808)	(11,524)
Steady state cash generation	140,074	75,421

	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Group Sub-total 2021 £000
Underlying operating profit	76,800	33,700	110,500
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the period	(37,285)	(2,929)	(40,214)
Rental profit	39,515	30,771	70,286
<i>Divided by:</i> Revenue: hire of vehicles	310,066	205,500	515,566
Rental margin	12.7%	15.0%	13.6%

	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:</i> Revenue: hire of vehicles	313,922	204,235	518,157
Rental margin	9.9%	17.8%	13.0%

	Group 2021 £000	Group 2020 £000
Net replacement capex	107,454	196,904
Growth capex	(19,134)	16,753
Total net capex	88,320	213,657
Lease principal payments	54,808	11,524
Total net capex (including lease principal payments)	143,128	225,181
Purchases of vehicles for hire	303,537	362,011
Proceeds from disposal of vehicles for hire	(188,592)	(156,290)
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment	(35,919)	(3,823)
Purchases of other property, plant and equipment	7,460	5,250
Purchases of intangible assets	1,834	6,509
Lease principal payments	54,808	11,524
Total net capex (including lease principal payments)	143,128	225,181

Identifying and managing risk

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.

Risk focus

The risks facing the Group continue to be wide ranging with both external and internal factors providing a high level of uncertainty across the year. COVID-19 continues to be a significant risk to the Group and all its stakeholders.

As the pandemic developed throughout 2020 and into 2021, risk management and the safety of our employees and customers have been at the core of everything we have done. A summary of Board oversight and response to COVID-19 is included within the S172 statement on page 54.

Another key area of risk focus during the year has been oversight of post Merger integration. The achievement of cost synergies and effective execution of bringing the enlarged Group together were key areas of focus in order to support delivery of Group strategy and benefit all stakeholders. A new Group Risk Committee was established, which will ensure that risks are identified and managed effectively throughout the Group. A summary of the Board's involvement in relation to post Merger integration is included within the S172 statement on page 54.

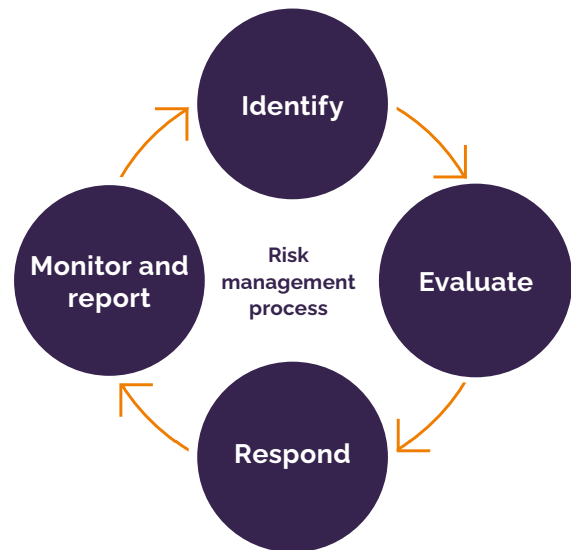
Identifying and managing risks

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. The Board has performed a robust assessment of the principal and emerging risks facing the Group.

The Board has overall responsibility for risk management with a focus on determining the nature and extent of exposure to the principal and emerging risks the business is willing to take in achieving its strategic objectives. The amount of risk is assessed in the context of our business model and the external environment in which we operate.

The Audit and Risk Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems on behalf of the Board and advises the Board on the principal and emerging risks facing the business.

The Group Risk Committee (comprising the Group Head of Internal Audit, executive Directors, and senior management across the business) is responsible for managing the principal risks in order to achieve our performance goals within the context of risk appetite.



Oversight and governance process:

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

The Board

Has overall responsibility for risk management and defines risk appetite.

Audit and Risk Committee

Reviews risk appetite, monitors risk exposure, sets objectives of and monitors the activities of Group internal Audit and the Group Risk Committee.

Group Internal Audit

Monitors risk management approach across the Group, supports the Audit and Risk Committee in evaluating risk exposure and identifying emerging risks. Oversees the operation of the Group Risk Committee.

Group Risk Committee

Facilitates the identification of principal risks and emerging risks facing the Group's businesses on a business led bottom up basis and a Board led top down basis. Ensures that risks are allocated to appropriate risk owners and monitors the operation of controls in place to manage risk to an acceptable level within the context of tax risk appetite.

Regional executive teams

Identify, analyse, manage and report on risk to Group Internal Audit via the Group Risk Committee and allocate management of risks.

Top down

Bottom up

Whilst ultimate responsibility for oversight of risk management rests with the Board, the effective day to day management of risk is embedded within our operational business units and forms an integral part of how we work. This bottom up approach allows potential risks to be identified at an early stage and escalated as appropriate, with mitigations put in place to manage such risks. Each business unit maintains a comprehensive risk register. Changes to the register are reviewed quarterly by the Group Risk Committee, with significant and emerging risks escalated to the Audit and Risk Committee.

Risk appetite

The UK Corporate Governance Code requires companies to determine their risk appetite. This is an expression of the amount and types of risk that the Company is willing to take in order to achieve its strategic and operational objectives.

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 any impact.

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 business, or that may cause future Group results to differ materially from expected results. Our approach is not intended to eliminate risk entirely, but to manage our risk exposures across the business, whilst at the same time making the most of our opportunities.

The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. For each risk we state what it means for us and what we are doing to manage it.

During the prior year we identified the emergence of COVID-19 as a new risk to the Group. Given the continued impact and wide reaching nature of the pandemic these risks have now been embedded into our principal risks. Further information on the impacts of COVID-19 and our response to the pandemic is included throughout the Strategic Report.

The risks specified are not intended to represent an exhaustive list of all potential risks and uncertainties. The risk factors outlined should be considered in conjunction with the Group's system for managing risk, described on page 33 and in the Corporate Governance Report from page 57.

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:

- identify 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 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 them where appropriate.

As a result of this analysis during FY2021, the Board specifically considered climate-related, matters including the recommendations from the Task Force on Climate-related Financial Disclosures. Further detail of our consideration of these emerging risks are included within the ESG section from page 41. As this area develops further, it will be integrated into the assessment of principal risks and the overall risk management framework of the Group.

Principal risks and uncertainties

Strategic risks

↓ Economic environment

Principal risks

The demand for our products and services could be affected by a change in economic activity in the countries the Group operates including the impact of the UK leaving the EU.

Risk description

Adverse changes in economic conditions, including COVID-19, could result in declines and changes in the business activity of customers. Changes to driving patterns and vehicle usage could result in lower numbers of accidents and therefore reduced credit hire business, credit repair volumes and demand for our legal services.

An adverse change in macro economic conditions, including COVID-19, could also increase the risk of customer failure, increasing the risk of non recovery of receivables.

Controls and mitigating activities

- The business model supports high levels of utilisation and vehicles returned from customers are redeployed within the fleet.
- Flexibility over asset management means that in the event of a downturn the Group can generate cash and reduce debt by reducing vehicle purchases.
- The cost base related to management of insurance claims and services is flexible and can be scaled back in response to a downturn in revenue.
- The Group maintains close relationships with key suppliers to ensure continuity of supply including any potential impact of Brexit. In the event of short term supply interruption, the fleet can be aged.
- Transactional foreign exchange exposure is minimised though sourcing supplies in the same currency as the revenue is generated.

Developments in the year

- COVID-19 has reduced economic activity levels across the UK, Spain and Ireland.
- The Group's business customer base is not exposed to industry sectors that have been most affected by COVID-19 and additional revenue has been generated from customers who have increased activity throughout this period.
- Revenue from claims and insurance services continues to be affected by reduced volumes due to continuation of COVID-19 lockdown measures in the UK.
- There has been no significant business interruption or increased cost of supply following the UK's exit from the EU in January 2021.

Risk level

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

- ⊖ No change
- ⊕ Increased
- ⊖ Decreased

⊖ Market risk

Principal risks

The loss of a major customer or key insurance referral partner would adversely impact the Group's revenues. Without any adjustment to pricing, service or cost base, this will result in lower returns.

There is a risk that demand for the Group's products could materially diminish if it fails to respond to behavioural, structural, legal or technological changes in the markets in which it operates.

Risk description

The markets in which the Group operates are fragmented, with low barriers to entry, meaning that price competition is high. The Group could fail to attract and retain customers if pricing is uncompetitive or it fails to adequately differentiate its service offer. Significant increases in the commission rates paid to insurance referral partners could threaten the viability of the returns model of that part of the Group.

Loss of a major existing customer or insurance referral partner could materially diminish returns if the cost base is not managed appropriately.

Changes to usage of fleet such as regulations around operation of diesel vehicles and low emission zones will change the demand for existing products and services. Other structural changes to the rental and insurance markets could eliminate the viability of the business model.

Controls and mitigating activities

- Minimising the concentration of business customers.
- Maintaining contracts and long term relationships with insurance partners.
- Comprehensive suite of products and services decreases risk of competition and increases barriers to compete.
- Continual benchmarking of pricing and service offer with competitors.
- Pricing controls over target levels of returns and discount authorities.
- Diversification of service offering to customers.
- Evolution of the fleet towards EV with supporting infrastructure.

Developments in the year

- Continued development of customer proposition, providing an integrated mobility solution.
- Our competitive position in the flexible rental solution and complementary service markets has continued to improve during COVID-19, leading to increased VOH and rental margins.
- Establishment of a project team to manage transition of the fleet towards EV.

⊖ No change

↑ Increased

↓ Decreased

Operational risks

↓ Vehicle holding costs

Principal risks

An increase in holding costs, if not recovered through hire rate increases or operational efficiencies, would adversely affect profitability, shareholder returns and cash generation.

Risk description

The holding cost of vehicles is dependent upon the purchase price negotiated and the expected residual value at the date of disposal. The operational cost of fleet is dependent upon efficient fleet management and maintenance of the fleet.

COVID-19 has increased the volatility of used vehicle pricing with some interruption to supply in used vehicle markets.

Controls and mitigating activities

- Maintaining strong relationships with suppliers and negotiating pricing directly with manufacturers on an annual basis.
- Managing the number and mix of suppliers to optimise buying terms and to efficiently maintain the fleet in-life.
- Holding a proportion of the fleet on a leasing basis with fixed implicit residual values.
- Optimising the holding period of vehicles to minimise overall holding costs.
- Balancing high levels of utilisation with availability of fleet for customers.
- Using in-house workshops to efficiently manage in-life maintenance and total holding cost.
- Diversification of sales channels in order to maximise residual value including in-house eAuction site.
- Ageing out of the fleet if necessary, to mitigate short term pricing disruption in used vehicle markets.

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 fleet until the market improves.

Developments in the year

- The risk of short term reductions to residual values due to COVID-19 has alleviated throughout the year as used vehicle markets reopened and demand for used vehicles remained strong, partly supported by a reduction in supply of new vehicles.
- Despite the short term closure of our retail sales sites during lockdowns, we were able to continue to sell used vehicles through digital solutions (click and collect) and strengthening of our online remarketing platform.
- We have not experienced any significant supply disruption as a result of Brexit and continue to maintain close relationships with key suppliers to ensure continuity.

⊖ The employee environment

Principal risks

Failure to safeguard employees and retain, develop and motivate the right talent will impede the successful operation of the business model and delivery of the Group's strategic objectives.

Risk description

Not safeguarding employees' health and welfare and failure to invest in our workforce will lead to high levels of staff turnover, which will affect customer service, operational efficiency and overall delivery of the Group's strategy.

The COVID-19 pandemic has disrupted normal working practices and created an uncertain environment across the world.

The Merger has increased the complexity of the Group's operations and geographies and the successful integration of the Combined Group requires effective collaboration of all our colleagues.

Controls and mitigating activities

- Ongoing benchmarking of reward and benefits against the market.
- Regular performance reviews including personal development and tailored training.
- Regular communication across the business of progress against post Merger integration and Group strategy.
- Regular engagement with employees and access to health and wellbeing initiatives.
- Group health and safety initiatives to promote an ongoing safe working environment.

Developments in the year

- Increased engagement with employees throughout the COVID-19 period through regular business updates.
- Establishing safe working practices for employees at our sites including provision of protective equipment and implementation of social distancing measures.
- Establishment of the new Employee Engagement Forum (EEF) made up of representatives from across the business giving all employees a voice into the executive leadership team and the Board.
- Progression towards harmonisation of Group wide HR policies and standardisation of terms and conditions.
- Supporting flexible working, giving employees more flexibility to work from home, whilst balancing the needs of the business.
- Rollout of Group wide SAYE in order for employees to share in the future success of the Group.

Further details of the above is included within "Our people" section on pages 48 to 50

- ⊖ No change
- ↑ Increased
- ↓ Decreased

Operational risks

⊖ Legal and Compliance

Principal risks

Certain activities and arrangements within the Group are regulated, therefore ongoing compliance with regulations is required to ensure continuity of business.

Historical legal cases relating to the provision of credit hire and insurance related services 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.

Risk description

Inadequate operation of systems to monitor and ensure compliance with regulation could expose the Group to fines and penalties or operating licences could be suspended. 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.

Changes to the legislation underlying one or more of the Group's core markets could impact revenue and profitability, particularly within the credit hire, insurance and legal services businesses of the Group.

Controls and mitigating activities

- In-house legal and compliance team continuously monitoring regulatory and legal compliance.
- 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.
- External advisors are retained where necessary.

Developments in the year

- No significant changes to laws and regulations impacting operations in the year.
- No significant instances of non-compliance or legal issues across the Group during the year.

⊖ IT systems

Principal risks

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.

Incorrectly handling data, or unsuccessfully defending against data theft, cyber-attacks and the like, would cause significant reputational harm and affect relationships with all stakeholders negatively.

Risk description

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 systems is central to the operation of the business.

IT systems can be at risk from failed processes, systems or infrastructure and from error, fraud or cyber-crime.

The Merger has increased the complexity and diversity of operations, IT systems and infrastructure.

Controls and mitigating activities

- Ongoing monitoring of the continuity of IT systems with access to support where required.
- Back-up and recovery procedures for key systems including disaster recovery plans.
- Operation of information security and data protection protocols to ensure that data is held securely, and is adequately protected from cyber-attacks or other unauthorised access.
- Changes to key IT systems are considered as part of wider Group change programmes and are implemented in phases where possible with appropriate governance structures put in place to oversee progress against project objectives.

Developments in the year

- Progress made over the integration of core IT systems of the group following the Merger.

⊖ No change

↑ Increased

↓ Decreased

Financial risks

↑ Recovery of contract assets

Principal risks

Our credit hire and repair business 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.

Risk description

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.

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.

Controls and mitigating activities

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.

Developments in the year

- As a result of COVID-19 the courts have been operating at much reduced capacity, increasing the expected time for settlement.
- It is possible that, following the removal of the government COVID-19 support schemes, business insolvencies will increase adversely impacting the level of bad debts.

⊖ Access to capital

Principal risks

The Group needs access to sufficient capital to maintain and grow the fleet and fund short term working capital requirements.

Risk description

Failure to maintain or extend access to credit and fleet finance facilities or non-compliance with debt covenants could affect the Group's ability to achieve its strategic objectives or continue as a going concern.

COVID-19 has created some disruption to banking and credit markets.

Controls and mitigating activities

- Bank, loan note and fleet funding facilities are in place which provide adequate headroom and maturities in order to support the strategy of the Group.
- Facilities are diversified across a range of lenders and close relationships are maintained with key funders of the Group to ensure continuity of funding.
- The Group continually monitors cash flow forecasts to ensure adequate headroom on facilities and ongoing compliance with debt covenants.
- The Group maintains leverage within stated policy and the business model allows cash to be generated through economic cycles.

The impact of access to capital on the Group's viability is considered in the viability statement on page 39.

Developments in the year

- Actions have been taken throughout the COVID-19 period to conserve cash, and therefore net cash has been generated over the period and facility headroom has increased.
- Banking facilities inherited with the Merger have been integrated into the Group banking facility.
- Further contract hire credit lines have been negotiated, which has further diversified the funding base.

Viability statement

The successful integration of the Group following the merger and the acquisition of Nationwide in the year has allowed the Group to further increase its service offering, rationalise the cost based and provide a platform for future growth.

The Combined Group is well established within the markets it operates and has demonstrated resilience through the COVID-19 period as explained further below and also throughout 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 has created a great deal of disruption across all areas of the Group. This has required changes in working practices in order to provide a safe working environment for employees, customers and suppliers.

Volumes of insurance claims handled have remained below pre-COVID levels as a result of reduced traffic volumes on the roads. However, the cost base of the business has been addressed in order to minimise the impact of this reduction in trading resulting.

Overall vehicles on hire numbers have increased throughout the year as our customers have accessed our products in order to provide support for essential supplies or to restart their businesses following disruptions from lockdowns. Temporary closures of vehicle sales sites have been mitigated through an increase in online sales and a short term boost to used vehicle prices has supported profitability and cash generation.

Significant actions were also taken in order to conserve cash and manage the liquidity of the Group throughout this period. These included but were not limited to deferral of capital expenditure and renegotiation of certain payment terms with creditors. Overall, this resulted in an increase of headroom against banking facilities of £71m from £234m at 30 April 2020 to £305m at April 2021. Headroom against related debt covenants also remained adequate as outlined on page 29 which included £67m EBIT headroom against the interest cover covenant. 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 during the year, taking into account the impact of COVID-19 experienced to date and the expected impact throughout FY2022, with financial forecasts also prepared for the three year period to 30 April 2024. 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 2024, 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 2024.

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 macroeconomic 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 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 banking facilities at 30 April 2021 was £305m

as detailed on page 29. This compares to headroom of £234m at 30 April 2020. The Group's principal banking facility has a maturity date of November 2023 and 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. Given the financial strength of the Group throughout the COVID-19 period we do not anticipate any material deterioration in credit status of the Group or access to credit markets that would contradict this assumption.

Taking this into account, the Group's facilities provide sufficient headroom to fund the capital expenditure and working capital requirements during the planned period.

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. Revenue from insurance claims and services is closely linked to the volume and density of traffic on the roads which in the past has been resilient through economic cycles but has been materially impacted by COVID-19 lockdowns. 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 takes into account the impact of COVID-19 experienced to date and the expected impact on subsequent trading. The Plan was separately stress tested for a slower post COVID-19 recovery in insurance claims volumes than expected, a reduction in vehicles on hire and a larger reduction in residual values, and a further slow down in the collection of historical insurance claims. After taking into account the above variables, sufficient headroom remained against available debt facilities and the covenants attached to those facilities.

In addition to the above scenario, 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 plausible scenarios over the planned period as follows:

- No further growth in vehicles on hire with rental customers.
- No further increase in pricing of rental hire rates.
- A 2% increase in the purchase cost of vehicles and other operating expenses not passed on to customers.
- A 12.5% reduction in the residual value of used vehicles.
- A 25% volume reduction in insurance claims and services revenue in aggregate, either through lower demand or through ending the commercial relationship with a group of key insurance partners.
- A slow down of 50 days in the time taken to settle outstanding claims with insurers.

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 2024.



Martin Ward
CEO of Redde Northgate

Environmental, social and governance

Our ESG Journey

Dear stakeholder,

Following the Merger the Group has had the opportunity to review our ESG positioning and enhance and formalise our strategy for the future. As such, the Group has embarked upon a process to review the various operating and management systems and processes, harmonising our people, customer and environmental practices where appropriate. The recent acquisition of Nationwide, forming FMG RS, similarly presents new opportunities and areas of social and environmental focus and we have begun the process of harmonisation of policies and practices across all parts of the business.

One of our core products and services is vehicle rental. We know we have a key role to play in meeting the requirements and expectations of our customers, whilst also seeking to deliver a more carbon efficient fleet. Senior management and the Board of Directors are actively engaged in a number of workstreams to consider the strategic investment into EVs and our built infrastructure in support of our own carbon transition considerations. Of course, the introduction of legislation by the UK Government banning the sale of new petrol and diesel cars and vans by 2030, as well as targets put in place in Ireland and Spain, have significant strategic importance and have influenced our own EV transition planning.

Our workforce has dealt with the impact of COVID-19 with the utmost professionalism, and we are very proud of their response and the positive approach to meeting customer demands. This is a culture that we can be proud of and seek to maintain and nurture, particularly as we continue to integrate three working cultures into one. We have consolidated our HR team and have begun to roll out a number of initiatives that will improve the cohesiveness of the business, with Group wide policies and infrastructure supporting our operations. Ultimately, we want to ensure all employees are operating in accordance with the same standards and developing plans for harmonisation and standardisation has been a key action for the management team.

Engagement with our stakeholders through the course of the year yielded a number of insights, one of which has driven improvement in the way that we report our ESG activities. For instance, we recognise that investors are increasingly seeking alignment to the Task Force on Climate-related Financial Disclosures (TCFD) to support climate risk analysis across their portfolios. Equally, we see the advantages of the framework when considering our own strategies and future investments. We have begun a process of alignment with the recommendations of the TCFD, addressing our governance, strategy, risk management, and performance in relation to climate change.

The UN's Sustainable Development Goals (SDGs) were developed with the purpose of tackling a number of global issues such as hunger, climate change and inequality. At Redde Northgate, we want to contribute towards realising this sustainable future for all and we have identified our key areas of impact in line with the SDGs, through supporting our people and working to minimise our environmental impact.

Martin Ward
Chief Executive Officer

The ESG journey at Redde Northgate

The transition

Given our size and scale, the Group has the ability to support the reduction of carbon emissions through the effective investment and management of its fleet and infrastructure. Both the demand for manufacturing new vehicles and the number of vehicles in use declines when consumers rent instead of buying vehicles. Furthermore, the nature of our business means we are early adopters of new technology and capabilities because the manufacturers of such vehicles can introduce them far more quickly to the used market through the rental and leasing industry. We also keep vehicles on our fleet for an average of three to four years, often selling them on after two years or earlier where possible. This means we are able to offer customers the most modern vehicles achieving the highest standards on exhaust emissions; as a result, at least 96% of the vehicles in our fleet are compliant with local emissions standards.

As well as investing in a fleet that meets the demands of our customers today, Our management and Board are engaged in a programme to assess the investment strategies to build an EV fleet. The objective of the project is to transition our fleet to solely EVs, with the expectation that by the mid-2030s almost 100% of the UK&I fleet and around 25% of the Spanish fleet will be electric, and by the mid-2040s we expect our entire fleet will be electric. With increased pressure across all industries to reduce carbon emissions and the introduction of legislation in the UK to ban the sale of petrol and diesel cars and vans in the coming years, we are committed to making this transition. We are developing our approach in accordance with the TCFD.

Governance

Our Board has been proactive in monitoring climate-related risks and opportunities, engaging with stakeholders and senior management to consider any potential impacts to the business. There are working groups overseeing climate-related matters, in which there are discussions on the Group's transition to a fleet of solely EVs, as well as the current changes and potential innovations in infrastructure to improve energy efficiency and reduce environmental impact. Ultimate responsibility and accountability for the Group's approach to climate change sit with the CEO, who discusses and assesses business risks and opportunities with the Board and is supported by the working groups.

Strategy

We appreciate the importance of progressing towards a low carbon economy and as such we are making the transition to an EV fleet. Our objective is for the UK&I fleet to be almost 100% EVs by the mid-2030s, and the whole fleet across all countries we operate in to be fully electric by the mid-2040s. As we roll out EVs into the fleet, we are assessing both consumer demand and energy capacity. EVs are being first introduced in locations where the take up will be high and the sites have the grid capacity to support the surrounding EV infrastructure. The transition will enable the Group to significantly reduce its carbon emissions, as well as those of its customers.

The scope of the transition to EV is broad, covering many areas across the Group, including fleet, charging infrastructure and its impact on property strategy, products and services offered, funding, training and tooling. In order to support this transition, we will invest in a scalable charging infrastructure network that we can easily flex and respond to market forces and changes in technology. In the UK, we commissioned a specialist consultancy to conduct a site survey at three of our locations and several recommendations have been made including use of smart chargers and retractable cables, mounting locations, and consideration of adequate electricity supply. The next phase of the rollout will be conducted at locations selected based upon their proximity to larger cities and customer demand.

As well as adapting our property strategy to take account of new requirements, we want to ensure that our employees are equally prepared for the introduction of EVs. Our mechanics have been properly trained to work on EVs and we will be conducting employee training as well to ensure our staff know how the vehicles work and to encourage engagement with and understanding of the project. To keep our customers informed of this transition, our commercial team is able to explain to customers how to operate the EVs and we have filmed some instructional videos to enable quick understanding.

Making the transition to EVs will also be greatly beneficial to our customers and other corporates; through renting our EVs, they will be able to reduce their own emissions as well. In this way, we can support our customers meet their own environmental targets and reporting obligations. We have hired EV specialists both to support this project internally, and to provide guidance to customers in understanding the choice available and the infrastructure required to support the use of EVs.

In tandem with this transition, the improvements being made to the energy efficiency of our facilities will further reduce our environmental footprint. Foremost, increasing the oversight of energy usage and waste will enable the Group to review practices and set targets to reduce impact – the hiring of new waste management contractors and the piloting of smart meters this year being integral to this process.

Risk management

The CEO has ultimate responsibility for managing and addressing climate risk. As a Board member, this issue is shared and considered with the Board. The CEO has established working groups, as set out above. The Board is responsible for overseeing risk management as it relates to climate-related risks and their potential impact on the business. The Audit and Risk Committee reviews the Group's risk appetite and monitors risk exposure on behalf of the Board, and this includes consideration of climate-related risks.

Transition risks



Political and legal

A key consideration in adapting our business has been the introduction of new legislation. In November 2020, the UK Government announced a new target to ban the sale of new petrol and diesel cars and vans with internal combustion engines (ICE) by 2030 and for all new cars and vans to be zero emission from 2035. In Ireland, a similar target was announced earlier in the year and in Spain, while the transition is currently planned at a slower pace, the Government has set an objective of 15% of vehicles to be electric by 2030 and a new Climate Change Law is currently being discussed with initial estimations that it will ban ICE vehicles altogether from 2050. In all countries a range of measures have also been implemented incentivising or regulating towards similar goals.



Technology

New technologies are continually being introduced to the vehicle market that have positive implications for fuel economy, which benefits the customer, and that reduce air emissions of all types. As we update the vehicles in our fleet regularly, by keeping vehicles for an average of three to four years, we are able to offer our customers the most modern vehicles achieving the highest standards on exhaust emissions.



Market

Customer demands are evolving, and we must remain cognisant of this as we develop our business for future markets. Economic considerations, such as fuel costs, and increasing environmental awareness of global climate change are driving these changes in consumer attitudes. As part of our transition, we are considering customer demand, and hence assessing EV investment strategies on a site by site basis. Engaging with our customers to understand their expectations now and into the future is essential to understanding how and where to invest.

Physical risks



Market

The TCFD categorises the physical risk of climate change as being event driven or longer term shifts in climate patterns that could have financial impact upon a business. As such, being based in UK, Ireland and Spain, and being in the vehicle renting and leasing industry, physical climate risk posed has been identified as low risk to the business and its strategic success. The Group will continue to invest in its owned properties, and support investment opportunities with leaseholders as appropriate to ensure facilities and offices remain in keeping with relevant standards and accreditations.

Performance

We report our Scope 1 and 2 greenhouse gas (GHG) emissions and understand the importance of both monitoring the data and working to reduce our impact. We expect to make operational emissions reductions through improvements in the energy efficiency of our properties.

Scope 3 encompasses companies' indirect emissions. While we do not currently track Scope 3 emissions, we do consider the use of our vehicles by our customers. This is therefore a key consideration as we make the transition to EVs, as we will be able to offer our customers the option to significantly reduce their carbon footprint by hiring EVs from our fleet.

Metrics	Performance
UK fleet: Vehicles compliant with Ultra Low Emission Zone in London and all clean air zones (%)	97%
Ireland fleet: Vehicles EURO6 compliant or higher	96%
Spain fleet: Vehicles are Distintivo Ambiental C compliant or higher	97%

Stakeholder engagement

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, so we can ensure the interests and views of stakeholders are always considered in our decision making.



Customers & partners

Including:

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

Key issues

The key priority for our customers is to have their mobility needs met and be supported when unforeseen events occur.

[Our customer and partners Read more page 51](#)

Why we engage

Customers and partners are at the heart of our business. We aim to be the first choice for customers' 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.

Engaging with customers and partners helps us to identify their changing needs, set our strategy accordingly and ensure that we continue to improve the delivery and range of our mobility solutions to suit their needs.

Maintaining positive relationships with our customers and partners minimises reputational risk to the Group and drives long term demand for our services.

How we engage

- Our customer service and business development teams
- Customer feedback – comment forms, surveys etc.
- Direct conversations
- Social media

How we measure our performance

	FY2021	FY2020
Consumer Review Score*	4.4	2.3
Net Promoter Score	56%	35%
Company Customer Satisfaction Surveys	88%	81%

* We monitor a number of consumer review scores but use Trustpilot for consistency across all UK businesses and Google My Business for Northgate Spain. The Group KPIs included above are based on individual entity scores weighted by revenues.

Suppliers

Key issues

Suppliers are concerned with fair engagement and payment terms, collaboration, and a responsible supply chain.

[Our suppliers Read more page 51](#)

Why we engage

We recognise that maintaining strong and open relationships with suppliers is integral to our success. These relationships contribute to the Group'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.

How we engage

- Regular, informal discussions with our key suppliers
- Policies in place in relation to working with our suppliers fairly
- Clear procurement terms

How we measure our performance

	FY2021	FY2020
Average time taken to pay invoices (days)*	36	40

* The above Group KPI is based on UK entity payment practices reporting submissions.

Employees

Key issues

Attracting and retaining talent in a competitive market and allowing employees to fulfil their potential.

Why we engage

Understanding what motivates our employees and how we can support their wellbeing helps us to provide a supportive workplace with opportunities that enrich skills and experience, helping us attract and retain the best talent.

How we engage

- Employee engagement forum
- Annual engagement survey
- Ad hoc surveys (e.g. home working approach)
- Teams calls and townhall meetings
- CEO briefings
- Announcements on the Group's intranet

How we measure our performance

	FY2021	FY2020
Staff retention	24%	24%
Accident Frequency Rate (AFR)*	1.5	2.2

* AFR is calculated as the number of lost time incidents, multiplied by 200,000, divided by the number of hours worked.

→ Our people [Read more](#) pages 48 to 50

Investors and lenders

Key issues

Delivering long term, sustainable income and capital growth, while meeting investors' expectations around environmental and social responsibilities.

Why we engage

We have a clear responsibility to engage with shareholders as the owners of our business as well as appealing to new shareholders so their views are an important driver of our strategy.

How we engage

- Annual Report and other formal/regulatory communications
- Results presentations
- Annual general meeting
- Group Investor relations team

How we measure our performance

	FY2021	FY2020
Dividend per share	15.4p	13.1p
Free cash flow	97.8	10.1
Leverage	1.5x	1.6x

→ [Linkage to Governance section](#)

→ How the Board engages with shareholders [Read more](#) page 62



Communities and the environment

Key issues

Social challenges around equality, health, skills, employment and social cohesion as well as environmental and local concerns.

Why we engage

The Group values the communities in which it operates, and the aim is for our business activities to have a positive impact on them. As well as supporting local businesses, we employ over 6,000 people across our 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.

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

As a Group, we also value industry association participation, as we want to contribute to discussions that drive innovation in our sector as a whole, as well as utilise these platforms to enhance our own knowledge and benefit the business and our stakeholders. Individuals within the Group are members of the British Vehicle Rental and Leasing Association ("BVRLA") and our Fleet Director is the Deputy Chair of its Commercial Vehicle Committee.

How we engage

- Being actively involved in the communities in which we operate
- Employing local people and supporting local charities
- Fundraising
- Industry association memberships

How we measure our performance

	FY2021	FY2020
Impact on climate change – CO ₂ e intensity ratio (tonnes per £m revenue)	12.6	18.1

→ Our environment [Read more](#) pages 46 and 47

→ Our communities [Read more](#) page 50

Our environment

The Group takes its environmental responsibilities seriously and recognises its obligations to contribute to the resolution of global and local environmental issues by reducing its environmental impacts and by taking a leading role in promoting environmental good practice. The Head of Group Health, Safety and Environment (HSE) leads the Group department responsible for all HSE matters and reports directly to the Group CFO. Northgate environmental management system is ISO 14001 certified in UK&I and Spain, and we are conducting the necessary assessments and system upgrades to achieve ISO 14001 across the entire Group in the next 12-24 months. We have a Group wide environmental policy available on the Company's website, which includes our commitment to comply with legislation, improve our performance and minimise our future impact. The Head of Group HSE provides monthly HSE reports to the executive team and Board of Directors.

We take a thorough approach in the way we manage our business. In both property and fleet management, we ensure oversight from planning and acquisition, through operation and service provision, to the end of trading of a vehicle or from a site. This allows scrutiny across all aspects of our operations and identification of areas for improvement. The business is comprised of both offices and industrial sites, the latter incorporating forecourts, car parks, wash pads and workshops. There are, therefore, a plethora of environmental issues to be considered, from soft office issues such as energy efficiency, to water and waste management from washing and workshops.

We have defined a practical approach to the management of environmental concerns. As a Group we have looked at where improvements to our operations can be made and what areas need to be invested in to reduce carbon emissions and improve our environmental impact. In doing so, we have conducted thorough assessments on a case by case basis and taken advice to ensure any innovations will be both possible and effective. While this measured approach is more time consuming, it will ultimately be more environmentally and financially efficient.

Energy and water use

Across our properties in the UK, Ireland and Spain we are installing LED lighting. Our property requirements are particular and not often met by modern sites; however, we do consider retrospective improvements that can be made to improve the energy efficiency of the properties we rent or own. In the UK, the Group is looking at green energy solutions whilst taking a considered approach as, being a newly merged Group, we want to ensure the most effective consolidation of operations and are therefore considering solar installation on a site by site basis. Additionally, our new energy suppliers will track the water use of the Group. In Spain, new smart meters that can monitor all internal energy use, including heating, electricity and water, are being tested in 2021, and parallel consideration is being given to the introduction of solar panels at a number of sites.

Energy & carbon reporting

This section incorporates the new requirements for reporting of 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 2020 to 30 April 2021. Given the materiality of the change following the Merger, this year will also replace the year ended 30 April 2014 as the baseline data for subsequent periods, since we do not have the equivalent data to restate the previous baseline.

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 FMG RS facilities given the proximity of the acquisition to the financial year end. Emissions data relating to FMG RS will be consolidated into the Group reported results from FY2022 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 2020 conversion factors in arriving at the information supplied below:

Greenhouse gas emissions source	Tonnes of CO ₂ e 2021
Scope 1 – Combustion of fuel and operation of facilities	8,311
Scope 2 – Electricity, heat, steam and cooling	2,743
Intensity ratio: Tonnes of CO ₂ e per £m of revenue*	12.6
Global emissions – Scope 1	2,978
Global emissions – Scope 2	1,052
UK emissions – Scope 1	5,333
UK emissions – Scope 2	1,691

*Revenue (excluding vehicle sales)

Energy consumption	kWh 2021
Combustion of fuel	10,960,883
Operation of facilities	25,547,095
Electricity, heat, steam and cooling	11,767,089
Global (excluding UK) consumption	17,117,198
UK consumption	31,157,869

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

Waste

The Group manages numerous waste streams, from office based waste such as paper and plastics to hazardous materials from workshops including oil and vehicle batteries. To support material improvements to our waste management approach in the UK, the Group has hired two new waste contractors. The contractors will support us by not only collecting and disposing of all our waste streams, but also providing insight into our activities and assessing where we can reduce waste, increase recycling and introduce waste management targets. Furthermore, we are conducting employee training to improve awareness and ensure the correct recycling practices are being followed. We encourage employees to adopt sustainable practices in the workplace and at home, including reuse of stationery and food containers, recycling, sending documents electronically and avoiding printing. The Group's waste minimisation and recycling policy is available on the Company's website.



Cooltra

"Northgate helps us to achieve our commitment to being a sustainable company, offering 24/7 maintenance service and excellent customer service support".

Victor Galdó
Operations Manager

Cooltra, a leading European, sustainable scooter and motorcycle hire company, offer sharing services, such as the rental by the minute, as well as renting services for individuals, companies and public administrations. Their current fleet is 64% electric that operate with a zero-emissions footprint.

To align their customer offer and their company strategy, they are transitioning to electric vehicles for both their fleet and company vehicles. Cooltra's aim is to reduce carbon emissions as well as noise pollution, which is a major concern in bigger cities like Barcelona or Madrid.

In such a fast paced business, their logistics team works continuously, and therefore require a fast-responding, expert, reliant provider. This was the key driver as to why Cooltra chose Northgate to provide electric fleet support vehicles.

Our people

As a newly merged Group, the principal task this year has been harmonising our approach to looking after our people and supporting them today and in their careers. Businesses with differing cultures have been brought together and management are working to introduce the best elements to the enlarged Group. Furthermore, as a people focused business that is both business to business and business to consumer, employees and customer satisfaction are critical to the long term strategic success of the Group. Supporting our people therefore remains a key priority for us.

This year we have focused upon consolidating the disparate platforms and systems, rolling out consistent policies and procedures across the Group, and bringing all our businesses up to the same standard. While this process is not yet complete, we have made considerable progress and will continue to standardise company practices in the coming year to ensure that all parts of the Group are operating in accordance with the same expectations.

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

	2021			2020		
	Male	Female	Total	Male	Female	Total
UK & Ireland	3,373	1,909	5,282	2,523	1,477	4,000
Spain	820	405	1,225	808	406	1,214
Total	4,193	2,314	6,507	3,331	1,883	5,214

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

	2021			2020		
	Male	Female	Total	Male	Female	Total
Directors	6	1	7	7	1	8
Senior managers	18	6	24	15	4	19



Our employees

Looking after our people

Harmonisation has been most evident in the Group's HR function. Following the Merger and acquisition, we have made it a priority to integrate Northgate's HR practices across the Group, including consolidating the HR team itself, standardising the onboarding process, and beginning the consolidation of all HR policies. We have also insourced all recruitment to allow oversight of this process, which in turn resulted in strong economic benefits.

Our planning has also been informed by employee engagements across the businesses, and we have identified areas for development which are directly linked to the feedback we have received. We are introducing one integrated HR and payroll system, enabling employee self service as well as standardising compensation and benefits, including rolling out life assurance for all employees and implementing pay progression plans, where appropriate, to enable understanding of pay levels, which will be rolled out in the next financial year. We will also be creating one centralised Group intranet, to facilitate greater engagement and awareness.

Other areas identified for improvement were our graduate and apprentice offerings. The Learning & Development team is conducting a review into how to maximise this apprenticeship offering, which is advantageous to the Group in allowing development of talent from the grassroots. Apprenticeships have been utilised in differing functions in many of the Group's businesses, including technical apprenticeships, such as motor vehicle technicians, and non-technical apprenticeships.

Training and development

An important objective for the business is to increase awareness amongst our workforce of the benefits of working within the Redde Northgate Group. We are publicising opportunities for promotion and progression across the different businesses – something which will be made easier through the integration of one Group wide HR system in the next financial year.

We have created a roadmap for talent planning, the aim of which will be to enable the businesses to identify talent and talent development opportunities. In conjunction with this, we have initiated a succession planning pilot. The strategy underpinning this is our wish to develop talent within the business so that we have a succession pipeline, as far as possible, rather than being reliant upon external recruitment.

We will also be rolling out the online e-learning platform, The Academy, that Northgate currently uses across the other parts of the business, to improve access to employee training.



Trainee programme in Spain

In Spain, we have been offering trainee placements since 2011. We have established agreements with 15 universities and 105 schools to accept their students as trainees. Almost 800 individuals have taken part in this programme, and 133 of those trainees have gone on to become employees of the Group.

Through this programme, we are particularly proud to have been able to support young people from disadvantaged backgrounds, with 24 individuals becoming trainees, and two subsequently becoming permanent employees. Additionally, since 2018 we have collaborated with the Exit Foundation on two projects to improve the employability of disadvantaged young people, providing coaching and interview training to 34 individuals in total.

Culture and engagement

While engagement with our employees has always been a key priority, the impacts of both the pandemic and the Merger and acquisition have meant that this is more important than ever. Foremost, while good lines of communication from the executive level to the rest of the Group were already established, enhanced engagement was required to ensure our employees remained informed and felt supported as they worked remotely. Secondly, in bringing together businesses with different cultures, we increased communications to enable harmonisation across the Group.

Collaborating with our new colleagues was critical in establishing an effective communications network across our employee base. Senior teams at Redde and the new management at FMG RS were engaged with early on enabling us to establish a coherent vision and alignment on expectations and standards, to satisfy not only workforce expectations but also the evolving requirements of customers. To engage with the workforce directly during the pandemic and integrate our new employees, we conducted Teams calls, townhalls and toolbox talks, as well as continuing with CEO briefing updates, announcements on the Group's intranet, and direct written communications.

Another initiative we have launched to increase engagement is the Employee Engagement Forum (EEF), replacing the Northgate Workforce Advisory Panel. The EEF is made up of individuals from across the business who represent their fellow employees in communications with the CEO, leadership team and Board, and ensures every business in the Group has a voice feeding into our plans. The EEF sits once a month to discuss key topics and feeds back to the Board, enabling consideration of the differing needs across our business.

The businesses in the Group currently have individual intranets; we plan to create a Group intranet forming a centralised platform for employees to use, which will act as a one-stop shop and a portal for our policies. The platform will also provide an intranet app, which will facilitate greater engagement and allows for contact to be made with all employees quickly and easily at any time.

In Spain, the introduction of an internal communications app has greatly enhanced engagement. Currently, 930 employees have downloaded the app, and there have been more than 16,800 reactions and more than 5,700 comments. The app provides access to the online training platform, the development platform and the performance appraisal processes. It is also used to welcome new hires and congratulate individuals who have been promoted. An additional communications tool utilised by our colleagues is their internal magazine, which is created and written by employees and released quarterly through the internal communications platform. To keep employees up to date with the business, Managing Director videos are produced every three to four months.

Our 2021 employee engagement survey was the first survey of the Combined Group, with questions on a range of topics, including health and safety, personal development, and pay and benefits. The responses overall being positive demonstrated that the Group's actions in the past year have been well received by employees. This feedback also enabled the Group to identify further initiatives to build upon our progress this year.

To understand how everyone felt about working remotely, we invited employees to complete an online survey to share their views and recommendations. As a result of this feedback, we developed a new home working approach which gives employees the opportunity to work more flexibly whilst balancing the needs to the business.

The Group encourages involvement of our employees in the Company's performance through the SAYE employees' share scheme (See page 81).

Wellbeing and mental health

To support and promote the mental wellbeing of our employees, we ran campaigns, with the help of industry professionals, aimed at providing information and proactive tips to maintain strong mental wellbeing. All of our colleagues also have access to professional support through the Employee Assistance Programme.

Equality and human rights

We are committed to equality of opportunity and maintaining fair recruitment practices. Job applicants are judged on the basis of merit, with no bias based on race, nationality, gender, age, disability, sexual orientation or politics. 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 communicates its ethical standards to employees through the Group's equal opportunities policy and our Code of Business Conduct, which includes bribery, competition, conflicts of interest, inside information, confidentiality, gifts and entertainment, discrimination, harassment and fair dealing with customers and suppliers. Information on the above as well as a statement of compliance with the Modern Slavery Act 2015 is contained on our website. In addition, the Group's whistleblowing policy and procedures means every employee can have a voice and a means to raise concerns to the Group.

Health and safety

Employee and customer health and safety is critical to the Group. Northgate UK&I has received OHSAS 45001 certification for H&S management, and we intend to achieve the standard across the UK&I Group within the next 12 to 24 months. The Group wide H&S policy applies to all employees and suppliers, to ensure that all our people are operating in a safe environment where the foreseeable risks have been assessed and appropriate control measures put in place. This policy, which is available on the Company's website, has been signed by the CEO who is responsible for establishing and monitoring health and safety arrangements within the organisation in order that the objectives of this H&S policy can be achieved at all times.

The Head of HSE is responsible for HSE across the Group, and is supported by an established team. The Head of HSE reports directly to the CFO, providing monthly Group wide H&S reports issued to the Board summarising performance and detailing incidence events, findings, learnings and actions taken forward, and Internal and External Audit activity. At all times we seek to have zero workplace incidents for our employees, customers and suppliers.

As the size of the Group has increased, so too has the scope of work in H&S. Our well established and managed processes have enabled a smooth transition, as has the self-sufficiency of existing Northgate branches and their managers. As we continue to integrate Redde and FMG RS into the business, we will be rolling out Group HSE policies and procedures this year to ensure that all employees are beholden to the same standards.

We are audited yearly by our OHSAS accreditors, and three to four times a year by customer third parties. Our "Safe and Sound" programme allows all colleagues to raise concerns about working practices and conditions and lays out the principles for working safely.

Our stakeholders



Our IT and data security

IT is the central nervous system of our business and the efficiency of this infrastructure directly impacts upon the operation of the Group. Furthermore, it is particularly critical now that more and more employees, who are able to, work remotely. From a data security perspective, the Group manages customer data and must ensure the correct handling of our stakeholders' information. IT and data security are therefore of crucial concern to the Group.

We have restructured our IT department to bring all the disparate teams together, allowing them to operate far more effectively and support any employee across all the businesses in the Group. We will continue to consolidate and simplify our IT infrastructure, so that all employees are using one integrated system. We do penetration testing and our IT team conducts phishing tests internally for staff, and we have third party audits conducted on behalf of suppliers and customers. We have commenced a security assessment review and are looking to consolidate our suppliers to improve efficiency and security.



Our communities

We have lent our support to a number of charitable causes throughout the year. We made a donation to the NSPCC, which has seen an increase in activity this past year due to the impact of lockdown. The Group also made a financial contribution to the English National Opera's Breathe programme, which supports people suffering from the effects of long COVID. Northgate teams in Spain have supported frontline workers in the response to COVID-19 with the provision of 76 vehicles to the Spanish Red Cross free of charge, for the transport of sick people, medicines and first aid supplies.

A number of our colleagues also volunteered their time to support a variety of causes. Our team put their creative talents to good use throughout lockdown, sewing medical scrubs for frontline healthcare and NHS staff. Using our fleet of Northgate vans, several members of our team carried out deliveries of Easter eggs to frontline staff and communities to keep spirits up in lockdown. Our team in NewLaw supported the increase in demand for will writing services; hundreds of wills were written for NHS staff and key workers, providing reassurance and comfort to them and their families.



Our customers and partners

At Redde Northgate, we want to deliver the highest quality service to our customers. The key priority for our customers is to have their mobility needs met and be supported when unforeseen events occur. We have dedicated teams to address the needs of our customers, from corporate clients through to small business owners. As the leading integrated mobility solutions platform providing automotive services across the vehicle lifecycle, the Group offers customers solutions across six key areas: vehicle rental, vehicle disposal, vehicle ancillary services, repairs, accident management and vehicle data.

In vehicle rental we are continuing to improve the customer experience as we transition towards EVs and introduce new features and add-ons to our offering, including enhancing our telematics, with fuel cards and dual facing cameras. We have seen a 15% increase year on year of people taking telematics, with a particular focus on our risk products which have grown 22% year on year and increased the share of our overall telematics by 4%. In vehicle disposal we have created an eAuction platform and also allowed customers to purchase vehicles via click and collect. In accident management we have developed an online claims portal to allow customers to access information more easily. As part of the EV transition, we will be creating instructional videos for customers to enable ease of use and will ensure that employees are trained to support customers using the new vehicles. We have increased our focus on engagement and retention and introduced a quarterly customer newsletter as well as appealing for feedback from our customers.

Throughout the past year, we ensured that we were still supporting our customers and enabling them to keep their businesses running. Our sales teams adapted quickly to support customers with record numbers of new accounts opened, even whilst working remotely.



Our suppliers

The Group has a diverse supply chain which encompasses a wide variety of requirements, from office and IT supply to vehicular goods. Given the volume of vehicles the Group purchases, we engage with the manufacturers to firmly understand the technical developments taking place and the positive implications this will have for the customer.

With expansion of the Group, the standards of procurement varied in the new areas of business, and we therefore centralised our tender process. All contractors must complete a pre-qualification questionnaire, and each new contractor is inducted on site by the appropriate branch manager. We are continuing to develop the standards that we set for our suppliers, and as we advance on our ESG journey, we will be expanding our questions to incorporate carbon credentials.



Our industry associations

As a Group, we value industry association participation, as we want to contribute to discussions that drive innovation in our sector as a whole, as well as utilise these platforms to enhance our own knowledge and benefit the business and our stakeholders. Individuals within the Group are members of the BVRLA and our Fleet Director is its Deputy Chair of the Commercial Vehicle Committee. As a member of this organisation, we have the ability to share knowledge, provide advice and influence policy, as the association works closely with the Government. In the early stages of the pandemic, we were successful in advising the Government to expand the definition of critical businesses that must stay open to include van rental, where only car rental had been included. We have also advised on the communications around new Clean Air Zones, and decarbonisation, fair treatment of customers and consistency in the industry are key topics we discuss through our participation in the BVRLA.



UN Sustainable Development Goals (SDGs)

At Redde Northgate, we are committed to supporting the UN SDGs in realising a sustainable future for all. We support the intentions of all 17 SDGs, and we have identified the goals towards which we are making a particular contribution and highlighted the targets which our business is supporting specifically.

SDG	Purpose	SDG Target	Case studies
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>We are committed to providing secure, fulfilling jobs with training and development opportunities to our employees.</p>	<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>We provide secure jobs to over 6,000 employees.</p>
		<p>8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training</p>	<p>In our Spanish operations, we work with schools and universities across the country to provide work placements for young people, and a significant proportion of these trainees go onto to become our employees.</p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>We encourage progressive innovation. We are committed to the sustainable development of our business through the application of innovative technologies and practices that will positively impact both our own activities as well as our clients' operations.</p>	<p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>	<p>We are constantly upgrading our fleet to ensure that we are offering our customers the most modern vehicles achieving the highest standards on exhaust emissions. As we make the transition to EVs, we will be enabling our customers access to increasingly sustainable vehicles.</p>
 <p>10 REDUCED INEQUALITIES</p>	<p>We are an equal opportunity employer and support initiatives to reduce inequality and improve outcomes.</p>	<p>10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	<p>We treat all individuals equally and without discrimination. In Spain, we have supported young people from disadvantaged backgrounds through our trainee programmes and are working with a charity to support projects which improve employability through coaching.</p>
		<p>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard</p>	<p>We are committed to equality of opportunity and maintaining fair recruitment practices, with no bias based on race, nationality, gender, age, disability, sexual orientation or politics.</p>
 <p>13 CLIMATE ACTION</p>	<p>We understand that action must be taken to combat climate change and we have integrated relevant initiatives into our future planning.</p>	<p>13.2: Integrate climate change measures into national policies, strategies and planning</p>	<p>In order to reduce our own carbon emissions as well as those of our customers, we are transitioning our fleet to EVs and assessing improvements we can make to improve the energy efficiency of our properties.</p>
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>We appreciate the importance of building multi-stakeholder partnerships and sharing knowledge and expertise.</p>	<p>17.17: Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p>	<p>Through our membership of the BVRLA, We contribute to the sharing of knowledge in our industry, as well as lending our expertise to the Government.</p>

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 – Waste minimisation and recycling policy 	<p>Stakeholder engagement page 45</p> <p>Our environment pages 46 and 47</p> <p>Health, safety and environment page 50</p>
Employees	<ul style="list-style-type: none"> – Equal opportunities policy – Diversity policy – Code of business conduct 	<p>Stakeholder engagement page 45</p> <p>Our people pages 48 to 50</p> <p>Employee numbers by gender page 48</p> <p>Diversity page 64</p> <p>CEO's remuneration compared to employees pages 79</p> <p>Gender pay gap report published on the Company's website</p>
Human Rights	<ul style="list-style-type: none"> – Modern slavery statement – Code of business conduct 	<p>Equality and human rights page 49</p> <p>Whistleblowing page 49</p>
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> – Code of business conduct 	<p>Equality and human rights page 49</p>
Social matters		<p>Stakeholder engagement page 45</p> <p>Our communities page 50</p>
Policy embedding, due diligence and outcomes		<p>Governance framework and structure pages 58 and 59</p> <p>Board activity during the year page 54</p> <p>Report of the Audit and Risk Committee pages 67 to 70</p>
Principal risks and impact on business activity		<p>Identifying and managing risks pages 33 and 34</p> <p>Principal risks and uncertainties pages 35 to 38</p>
Description of business model		<p>Our business model pages 18 and 19</p> <p>Our strategy pages 20 to 23</p>
Non-financial key performance indicators		<p>Operational highlights pages 11 to 14</p> <p>Key performance indicators pages 24 and 25</p> <p>Stakeholder engagement pages 44 and 45</p>

Promoting the success of the Company for the benefit of all – Section 172 statement

Throughout the Annual Report, we provide examples of how the Group takes into account the likely consequences of long term decisions; builds relationships with stakeholders; understands the importance of engaging with our employees; understands the impact of our operations on the communities in our region and the environment we depend upon; and

attributes importance to behaving as a responsible business. The Board appreciates the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision making. More details on stakeholder engagement can be found on pages 44 and 45.

The key principal decisions of the Board during the year have been:

COVID-19

The Group's response to COVID-19, and the impacts on the Group's stakeholders, were discussed in depth at Board meetings throughout the year. The Board challenged and approved a number of specific COVID-19 responses as a result of these discussions.

Post Merger integration

Following the Merger towards the end of the prior year, the Board has provided ongoing oversight of post Merger integration to ensure that the strategy of the Combined Group has been executed, cost synergies have been delivered, and that restructuring activities have been well executed in order to retain key talent and create opportunities for employees, enhance relationships with suppliers based on the enlarged scale of the Group and support delivery of the widened customer proposition.

Given that these were key activities for the Board during the period under review we believe that an analysis of these principal decisions provides an appropriate and effective illustration of the ways in which the Board approached and met its Section 172(1) duties.

Nationwide trade and assets acquisition

In approving the transaction, the Board reviewed the business case and opportunities of integrating the repair network into the business balanced against the risks of acquiring assets from a business in administration, managing integration and taking on the ongoing operating risk. The Board was satisfied that the potential benefits outweighed the possible downsides and would contribute positive returns. The Board considered all stakeholders, in particular the safeguarding of jobs and fostering relationships with key suppliers that previously traded with Nationwide. The Board was satisfied that the decision was in line with the Group's long term business strategy and vision to be a leading supplier of mobility solutions and automotive services to a wide range of business customers.

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

Section 172 factor

Making long term decisions

COVID-19 response

The Board and management continued with decisive actions put in place at the end of FY2020 to protect employees, assist customers, have regard to stakeholders' interests and protect the business against the impacts of COVID-19 including:

- limiting new fleet capital expenditure and introducing cost control measures in order to conserve cash and protect the long prospects of the Group;
- ensuring the safety and protection of all employees, customers and suppliers;
- supporting customers through business interruption to protect their long term interests; and
- ensuring continuity of dividend policy to provide consistent returns to shareholders.

The above measures were all implemented to safeguard the business and protect the long term prospects of the Group.

Merger integration

The Board recognises that the successful delivery of the Group's strategy is dependent upon the efficient and effective execution of integration of the Combined Business.

Delivery of cost synergies was a key factor in recommending the Merger to shareholders, therefore successful delivery of cost synergies is critical in order to return positive value from the combination.

In order to monitor this, the Board has ensured that the appropriate governance arrangements have been put in place to ensure that integration team are supported to deliver the long term benefits to the Group.

Nationwide acquisition

The Board identified that the acquisition of certain business and assets from Nationwide (in administration) would provide the Group with an opportunity to increase internal efficiencies and repair capabilities as well as further enhancing the Group's customer proposition, unlocking further value for shareholders.

The Board concluded that the transaction was ideally placed to complement the long term business strategy and the Group's vision to be a leading supplier of 'end-to end' mobility solutions and automotive services to a wide range of customers.

Section 172 factor

Having regard to employees' interests

COVID-19 response

We continue to be a responsible employer in our approach to employees, ensuring we communicate and engage with them regularly in a variety of ways and that the voice of the workforce is heard and taken into account when making decisions.

This has been especially important during the COVID-19 pandemic where the safety our employees has been paramount. For employees working at our sites, full protective equipment and social distancing measures are in place. We are supporting employees who are able to work from home through provision of appropriate equipment and working arrangements.

Our CEO and senior management have regularly communicated with employees, keeping everyone informed of impacts of COVID-19 on the business, key decisions, as well as ensuring all staff members are aware of the available support to staff.

We recognise our employees are fundamental to the long term success of our business. Their health, safety and wellbeing are one of our primary considerations in the way we operate and the support we provide to them.

The Group's Health and Wellbeing programme provides employees with support and tips to safeguard their physical and mental health. All employees have access to the Employee Assistance Programme which offers 24/7 confidential advice to all employees.

Merger integration

Following the Merger, there have been a number of employee restructuring programmes which have taken place in order to deliver Group strategy, access cost synergies and align culture.

The Board has ensured that restructuring activity has been conducted in a transparent way so that employees are engaged with the delivery of strategy.

Key talent has been nurtured and the combination of both businesses has provided new opportunities for rising stars to progress their careers through the Group.

The establishment of a new Employee Engagement Forum during the year will increase the engagement between Board and employees of the Combined Group. This will enable employees to have more access and transparency over Board decisions, and provide the Board with improved insight over the needs of the workforce.

Introduction of a new share save scheme across the Group, encourages employees to share in the success of the Group going forward.

Nationwide acquisition

During the process of acquiring certain of the Nationwide business and assets from administration the Group was able to safeguard jobs that are important to the ongoing success of the business and ensure the employment rights and entitlements of those employees who transferred to the Group.

The former Nationwide employees will be encouraged to share in the success of the Combined Group and will be provided with access to development opportunities within the wider Group.

Section 172 factor**Fostering business relationships****COVID-19 response**

We have committed to helping those customers who have been affected by COVID-19 by implementing various measures such as offering support packages to those customers whose businesses have been interrupted.

We also ensured continuity of supply to customers delivering essential services throughout the pandemic.

Merger integration

The Board has overseen integration activity across the Group which has enabled relationships with key suppliers to be enhanced based upon the enlarged scale and diversity of operations of the wider Group.

Development of a wider customer proposition was a key component of the rationale for the Merger. The Board has overseen the development and delivery of the new customer proposition.

Nationwide acquisition

The acquisition has increased the Group's service offering for customers and fits our vision of being a leading supplier of mobility solutions and automotive services to a wide range of business customers.

Relationships with key suppliers of the former business have been developed to ensure business continuity and sharing in success of the growth opportunities that the acquisition provides.

Section 172 factor**Impact on community and environment****COVID-19 response**

The Board and management consider the impact of our actions as a business on the wider interests of society is an important part of being a responsible business, especially during COVID-19 including when the business supported some of our business partners in keeping key workers mobile. We understand that our decisions can have a wider impact and we take our stewardship responsibilities seriously. We see ourselves as part of the communities in which we live and work, and seek to actively contribute, and actively engaging with them is important to us.

Nationwide acquisition

As part of the Nationwide acquisition we have gained expertise and access to a leading training centre which will enable us to roll out our internal training plans in relation to transition of the fleet and customer proposition towards EVs.

Section 172 factor**Maintaining high standards of business conduct****COVID-19 response**

The Board is committed to operating the Group in a responsible manner, operating with high standards of business conduct and good governance.

Merger integration

As part of the integration process, the standards of business conduct have been standardised across the Group including management of modern slavery, employee policies and access to whistleblowing and promoting the culture of integrity throughout the Group.

Nationwide acquisition

The Board moved quickly, following the acquisition, to integrate the newly acquired business into the Group, harnessing the assets and skilled teams, supporting and challenging management to make sure that the interests of all stakeholders are considered.

Section 172 factor**Acting fairly between members****COVID-19 response**

The decisions made by the Board during the COVID-19 period have safeguarded the business and provided a platform for future growth.

After careful consideration, the Board decided to maintain payment of dividends acknowledging that was important to many of the Group's shareholders.

Merger integration

Successful delivery of the Merger integration will deliver the value to shareholders that was outlined to them as part of rationale for the Merger.

Nationwide acquisition

The acquisition will provide sustainable long term returns for shareholders at an acceptable level of risk.

Further information on the Board's principal activities can be found in the Governance section from page 57.

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

The Strategic Report was approved by the Board on 7 July 2021 and signed on its behalf by:

Martin Ward
Chief Executive Officer

Chairman's introduction to governance



Avril Palmer-Baunack
Chairman

2021 Key activities

- Our response to the COVID-19 pandemic across the Group.
- Focus on continued integration and achievement of synergies across the Group.
- Approval of the acquisition of Nationwide.

Dear stakeholder,

On behalf of the Board, I am pleased to present our Corporate Governance Report for 2021. This section of the Annual Report highlights the Company's corporate governance processes (alongside the work of the Board and Board Committees) which are the framework through which we build our business and form our decisions. 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 Board has played an active and ongoing role in the Group's response to the COVID-19 pandemic. As a Board, we have held all our meetings virtually and the executive team has kept us well informed of developments within

each of the Group's markets and operating businesses. We wholeheartedly supported initiatives to help our people, communities, customers, suppliers and other stakeholders.

Excellent progress has been made on integration following the Merger. The FY2022 Merger integration savings target of £15m, already increased at Interims from £10m, has been fully achieved as at the end of June 2021, ten months ahead of schedule. Further details on these integration savings are included in the CEO review from page 6.

During the year, the Board approved the acquisition of Nationwide. In reaching this decision, the Board received information and analysis of the potential impacts of the transaction and were satisfied that the benefits of this transaction far outweighed the possible downsides. In approving the transaction, the Board considered all stakeholders and was satisfied that the decision was in line with the Group's long term business strategy and the Group's vision to be a leading supplier of mobility solutions and automotive services to a wide range of business customers.

Further information on these key decisions and how the Board had regard for the long term success of the business as well as the interests of all stakeholders is included in the Section 172(1) statement on page 54.

Compliance with the Code

The revised UK Corporate Governance Code (2018 version) (the Code) came into effect last 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 63.

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 Group's strategy and to address future challenges and opportunities as they arise. The Board believes in our strategy and its importance across all our markets, and in the coming year, will focus on the Company's progression and the implementation of the business strategy.

Avril Palmer-Baunack
Chairman
7 July 2021

Responsibilities of individuals charged with governance

Individual	Role
Chairman	Oversees Board responsibilities
CEO	Develops and executes the strategic plan and manages 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. 	<ul style="list-style-type: none"> Ensuring continued optimal integration across the enlarged Group and achievement of synergies. Embedding vision and values throughout the Group. Ensuring execution of Group strategy by executive team. Monitoring progress against strategic objectives. Received information on, and discussed the impact of COVID-19 across the Group.

Executive Directors	Key focus
<p>Executive Directors are responsible for:</p> <ul style="list-style-type: none"> - ensuring the Group strategy is executed effectively via the Group Management Boards; - monitoring Group performance; - managing the Group's financial affairs; and - implementing the system of internal control. 	<ul style="list-style-type: none"> Ongoing response to COVID-19. Achievement of integration and synergies.

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.

Key focus

Risk management

Supporting 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.

Overseeing the operation of the new Group Risk Committee to ensure that risks are managed in line with overall risk appetite and that risks are correctly allocated to the relevant owners.

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

Setting appropriate targets for bonus and long term incentive schemes having regard to the long term value creation objectives of the Group and the impact of COVID-19.

Bringing the executive Directors' pension arrangements into line with best practice by 31 December 2022.

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

Reviewing the performance of the Chairman and the executive Directors.

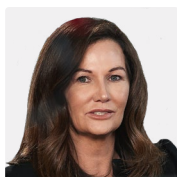
Arranging to review the findings of the Board evaluation review and implement recommendations from that review in the new financial year.

Reviewing succession plans 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: www.reddenorthgate.com

- Chairman of Committee
- Member of Committee
- Ⓐ Audit and Risk Committee
- Ⓡ Remuneration Committee
- Ⓝ Nominations Committee



Avril Palmer-Baunack

Non-executive Chairman



Joined Board

August 2019

Key areas of expertise

Avril has more than 25 years' experience in leading businesses in the automotive industry in a number of senior executive and non-executive roles and was appointed as Non-executive Chairman in August 2019.

Current external appointments

Currently executive Chairman of Constellation Automotive Group, and Non-executive Chairman of Safe Harbour Holdings plc.

Previous experience

Previously held roles as Non-executive Chairman of Quartix plc, Non-executive Chairman of Redde plc, executive Chairman of Stobart Group and Chief Executive Officer of Autologic Holdings plc and of Universal Salvage plc.



Martin Ward

Chief Executive Officer

Joined Board

February 2020

Key areas of expertise

Martin was appointed to the Board as CEO in February 2020 as the former CEO of Redde plc having been in that role since 2011 after joining a subsidiary of the group as managing director in 2005. Martin has over 25 years' insurance industry and vehicle sector experience.

Current external appointments

None.

Previous experience

Jointly founded the Rarrigini & Rosso Group in 1994, a leading independent wholesale motor fleet, property and risk management insurance business, which was later acquired by THB plc in 2003. Martin has an MBA from Durham University.



Philip Vincent

Chief Financial Officer

Joined Board

July 2018

Key areas of expertise

Philip was appointed as Chief Financial Officer in July 2018. He has extensive experience in senior finance roles across a range of sectors worldwide.

Current external appointments

None.

Previous experience

Regional Finance Director Asia Pacific of SABMiller plc and before that he was the Group Director of finance and control. Prior to SABMiller, Philip held several senior positions at BBC Worldwide, the largest commercial arm of the BBC, including three years as group Chief Financial Officer and board Director. He is a qualified Chartered Accountant having trained with KPMG.



John Pattullo OBE

Senior Independent Director



Joined Board

January 2019

Key areas of expertise

John was appointed to the Board as a Non-executive Director in January 2019 and as Senior Independent Director in September 2019 and has a wide range of experience in a number of executive roles particularly in the logistics sector and non-executive roles across a range of other industries.

Current external appointments

None.

Previous experience

Chairman of V Group until December 2020. Other previous non-executive roles include Senior Independent Director and remuneration committee Chairman of Electrocomponents plc, Chairman of NHS Blood & Transplant, Chairman of Marken Logistics and Chairman of In Kind Direct, a Prince's charity. Chief Executive Officer of Ceva Logistics Ltd between 2007 and 2012. Before that, he worked for Exel plc/DHL where he led the EMEA logistics business and, prior to that, held a number of senior global supply chain appointments with Procter & Gamble.



John Davies
Non-executive Director and
Remuneration Committee Chairman
Ⓡ Ⓜ Ⓝ

Joined Board
February 2020

Key areas of expertise

John was appointed to the Board as a Non-executive Director and Chairman of the Remuneration Committee in February 2020. Prior to that, and since August 2019, John was interim Non-executive Chairman and, since January 2013, Chairman of the audit committee of Redde plc, having joined the board of Redde as Non-executive Director in December 2011. Extensive experience in the asset financing and vehicle rental sectors and in other non-executive public company roles.

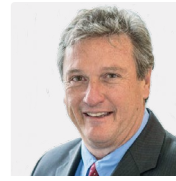
Current external appointments

Director of Local Car and Van Rental Limited.

Previous experience

Non-executive Chairman of Autologic Holdings plc and Chairman of the Vehicle Remarketing Association, a Non-executive Director and Chairman of the remuneration and nomination committees of Mpac Group plc (previously called Molins plc).

Until retirement in 2006, managing Director of Lloyds TSB's Asset Finance Division which, amongst other businesses, included the bank's motor related operations. Prior to that John was Group Head of Consumer Finance for Standard Chartered Bank and Managing Director of its UK finance house subsidiary Chartered Trust. He has also held the positions of Managing Director of United Dominions Trust, a subsidiary of Lloyds TSB, and a Director of the Finance and Leasing Association. John has also been involved throughout his career in a number of joint ventures with motor manufacturers and motor importers.



Mark Butcher
Non-executive Director and Audit
and Risk Committee Chairman
Ⓡ Ⓜ Ⓝ

Joined Board
September 2019

Key areas of expertise

Mark was appointed to the Board as a Non-executive Director and Chairman of the Remuneration Committee in September 2019; since the Merger he has chaired the Audit and Risk Committee. Mark has more than 20 years' public company experience including international accounting, corporate finance and banking transactions, as well as sitting on a number of public company boards.

Current external appointments

Currently a Non-executive Director of AssetCo plc and National Milk Records plc.

Previous experience

More than 20 years' public company experience working predominantly for GPG (UK) Holdings plc, the UK investment arm of Guinness Peat Group plc, where he managed a significant proportion of group investments.



Mark McCafferty
Non-executive Director

Joined Board
February 2020

Key areas of expertise

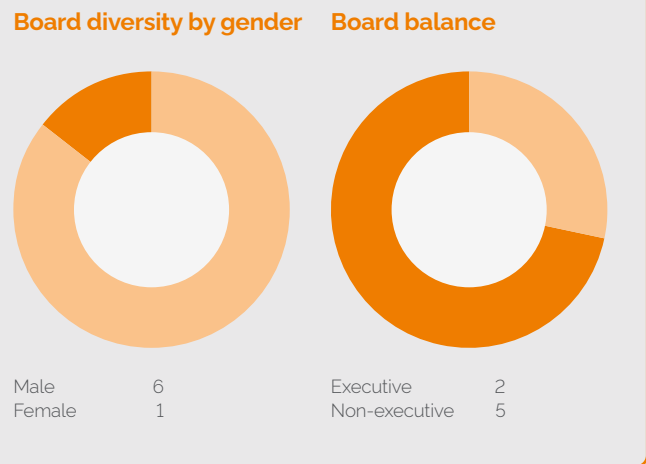
Mark was appointed to the Board as a Non-executive Director in February 2020. He had previously joined the board of Redde plc as Non-executive Director in March 2009, chairing the remuneration committee for a large part of his tenure. He brings extensive sector management and commercial experience having spent six years as CEO of Avis Europe plc.

Current external appointments

Currently an adviser to CVC Capital Partners as well as Chairman of the Warwickshire CCC board.

Previous experience

Prior to Avis, Mark was Group Managing Director of Thomas Cook's global travel and foreign exchange business and before that spent seven years with Midland Bank International in corporate finance and international operations. He was CEO of Premiership Rugby until July 2019. Previously held non-executive directorships with HMV Group plc, Umbro plc and Horserace Totalisator Board (Tote).



Corporate governance

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, being the UK Corporate Governance Code updated in July 2018. 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 pages 54 to 56.

How the Board monitors culture

The Board regularly monitors the culture of the business in a number of ways:

- Through interaction with executives, members of the leadership team, and other colleagues in Board meetings.
- Through regular Board agenda items and supporting papers, covering culture indicators such as risk management, Internal Audit reports and follow-up actions, customer engagement, health and safety, staff engagement and retention, whistleblowing, modern slavery and regulatory breaches.
- Receipt of reports from executives on a range of indicators, including engagement, retention, absence, gender pay and diversity.

During the year, the Board was satisfied that the policy, practices and behaviour of the Board and Group employees aligned with the Company's purpose, values and strategy and that no correction was required by management.

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 or another Regulatory Information 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 pages 60 and 61. 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 58 and 59.

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 review 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 Annual Report and Accounts.

Following the Merger, Mark McCafferty and John Davies joined the Group Board. They have completed 12 (as at March 2021) and 9 (as at December 2020) years' service respectively on the Redde and Combined Boards which is highlighted in provision 11 of the Code as a matter that is relevant to the Board's determination of their independence. However, the Board remains of the opinion that Mark and John continue to be independent of character and judgement notwithstanding their long service within the Redde business and the enlarged Group Board will benefit from their counsel and knowledge through the Merger and integration process.

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 their retention as Board members is essential to provide Board continuity and to retain that experience following the Merger.

3 Composition, succession and evaluation

The Nominations Committee report (page 66) sets out its activities during the year, including information on succession planning, diversity and inclusion. The changes to the Board during the prior year was overseen by our Nominations Committee, which has ensured that the Board has the right mix of skills and experience. The Directors have sufficient time to execute their duties. The Committee met once in the year as required by its terms of reference.

Board evaluation

The Code requires that an external evaluation of the Board's performance is carried out at least every three years.

Board effectiveness

In line with best practice principles outlined in the Code, the Board, each Director and the Board's Committees were this year reviewed via an externally facilitated evaluation. One year on from the completion of the Merger and as a recent FTSE 250 constituent, this was felt to be a timely opportunity to conduct a review of the new Combined Board and its practices. Korn Ferry plc was appointed to carry out a Board Effectiveness Review. The review was structured around seven key areas which considered the performance of the Board and its Committees:

- 1) Board mandate
- 2) Board composition
- 3) Directors' contribution
- 4) Team dynamics
- 5) Delivery of mandate
- 6) Secretariat support
- 7) Committees

In light of the restrictions surrounding COVID-19, the evaluation process consisted of an online survey, in which each of the seven Board members answered a series of specifically designed critical questions. The survey was then supported by seven video conference interviews, for further questioning on specific areas. The results from the surveys and interviews were then analysed, with recommendations and other minor areas for improvement highlighted in the final report.

The outcome of the review was considered first by the Chair and the full report shared with all of the Directors. The review concluded that, notwithstanding the tremendous change in the past 12 months in the business (and the Board), the Board has operated "effectively and efficiently" during this period. Despite the fact that, given the broader COVID-19 context, the Board has been unable to meet physically since the Merger, the review found that the Board is "characterised by mutual trust in which all Directors make a contribution to the success of the business". The efficacy of this is evident in the considerable operational progress and over achievement of cost savings made from the merger integration so far.

The core findings of the review and the recommendations made focus around three key areas, as laid out below. Each area of focus both reflects and informs the Group's simultaneous transitions away from a focused integration mode to the next phase of growth, and away from socially distanced interactions to an environment that will allow for physical meetings and face to face interactions within the Board and the wider business. Against this backdrop, key recommendations and areas of focus for the coming year include the following:

Moving to 'business as usual'

- There is the opportunity to shift focus from successful completion of short term integration issues to a medium and long term strategic debate.
- Ensure that the Board settles back into a regular rhythm for discussing strategy as physical meetings return, and that the strategy day becomes an ongoing feature of the Board calendar moving forward.
- As the Board moves forward from the merger, the risk register and the identification of key risks will be an area of focus with greater discussion around risk appetite, including deep dives on critical areas such as IT risk.

Board learning and development

- As restrictions are lifted, opportunities should be identified for Board Members to gain an "on the ground" understanding of each of the business's divisions via:
 - arranged site visits in varying locations; and
 - presentations to the Board, from time to time, by the members of the wider management team.
- The Board expects to phase in physical meetings as appropriate, including sufficient opportunity for Board members to meet informally to facilitate the development of personal relationships.
- The Remuneration Committee will continue to engage with investors and utilise external advisers where suitable, remaining cognisant of investor expectations and broader trends.
- The Board could make use of external experts to provide deep dives and stimulate debate on critical themes such as ESG, electrification and other trends in the sector.

Succession planning

- The work of the Nominations Committee could focus on succession planning in the organisation and consider how best to increase the visibility of management below the Executive Committee, for example through a rotation of management presentations and site visits, as noted above.
- As part of a return to business as usual, the Nominations Committee should actively review the aggregate competencies of the Board, adding skills and expertise as appropriate and in line with the Company's evolving strategy.
- The Board should continue to recognise the importance of maintaining a continued focus on diversity and inclusion on the Board, as it is in the business.

The Board continues to believe that each of the Directors has strongly relevant experience to the Group and its businesses and contributes multiple perspectives and ongoing independent judgement. We are pleased to have met the unprecedented disruption and challenges faced in the last 12 months as a pragmatic and cohesive unit, and feedback from the review survey provided an overriding sense of optimism for the future. The Directors will each individually, and as a Board, remain mindful of the above recommendations throughout the year and will implement these as appropriate to support the already strong functioning of the Board.

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, 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 2021, 14% of Board members, 25% of the senior management team and 34% of all employees were female (2020: 14% of Board members, 18% of the senior management team and 36% of all employees).

Attendance

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

No. of meetings	Board 11	Audit and Risk 5	Remuneration 4	Nominations 1
Avril Palmer-Baunack*	11	5	***3	1
Martin Ward**	11	5	****1	N/A
Philip Vincent**	11	5	N/A	N/A
John Pattullo	11	5	4	1
Mark Butcher	11	5	4	1
John Davies	11	5	4	1
Mark McCafferty**	*****10	5	****2	1

* By invitation when attending Audit Committee.

** By invitation when attending Committees.

*** Missed meeting was unscheduled and called at short notice.

**** Only meetings to which invited.

***** Pre-existing clash arising out of pre-Merger scheduling.

All Directors in office at that time were present at the AGM held on 28 October 2020 (either in person (Chairman/CEO) or remotely and able to participate).

The external auditor and (save one additional meeting that did not deal with relevant matters) 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 on pages 67 to 70 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 layer of independent oversight over our key activities.

The Group's 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 Identifying and managing risk report from page 33.

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 Identifying and managing risk report on page 34.

5 Remuneration

The Remuneration Committee report on pages 71 to 83 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

7 July 2021

Composition, succession and evaluation



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 pages 60 and 61:

Number of meetings	1
Avril Palmer-Baunack	1
Mark Butcher	1
John Davies	1
John Pattullo	1

Dear stakeholder,

I am pleased to present the Nominations Committee's (the Committee) report for the year ended 30 April 2021. As a Committee our core responsibilities include reviewing the structure of the Board and Committees, recommending new Board appointments, and ensuring adherence to formal, rigorous selection, appointment and induction processes for new Directors.

There were a number of changes to the Board last year as we brought together the consolidated Redde Northgate Board. The Committee considers that the appointments have contributed to a strengthening of the Board. As part of our ongoing reviews of the composition of the Board and its Committees during the year, the Committee has not identified any requirement for further appointments during FY2021 and is content that the structure specifically put in place to deal with the Merger and subsequent integration remains appropriate and provides the correct mix and level of skills and experience.

Committee purpose

The 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.

The Committee's role, authority, responsibilities and scope are set out on page 59 and in detail in its terms of reference which are available on the Governance section of our website, www.reddenorthgate.com.

Operation of the Nominations Committee

The 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 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.

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. We recognise the importance of gender diversity of the Board. At the date of this report, 14% of the Board are female.

The current Board was brought together through the Merger and the combination of the most appropriate skills and talent, with relevant industry experience and knowledge to form the most effective Board to ensure the execution of Group strategy and ensure optimal integration and achievement of synergies. We will continue to review the composition of the Board to ensure it comprises the most appropriate individuals to achieve the Group's objectives.

The Board remains committed to ensuring diversity is embedded not only in the Board, but throughout the entire Group.

FY2022 priorities

In FY2022 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

Supporting Group integration and ensuring integrity of financial reporting



Mark Butcher
Chairman of Audit
and Risk Committee

Committee membership

The members of the Audit and Risk Committee are shown below.

Number of meetings	5
Mark Butcher	5
John Davies	5
John Pattullo	5

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 pages 60 and 61.

Dear stakeholder,

On behalf of the Audit and Risk Committee (the Committee) and the Board, I am pleased to present the report of the Committee for the year ended 30 April 2021. The objective of this report is to provide an understanding of the work undertaken by the Committee in FY2021 to ensure that the interests of the Company's stakeholders are protected through a robust system of internal controls, risk management and transparent financial reporting.

The report explains the 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.

Much of the Committee's work this year was necessarily focused on the integration of the business following the Merger in FY2020 alongside the continuing impact of COVID-19. Additionally, the Committee continued to focus on its core areas of responsibility, namely protecting the interests of the Group, our shareholders and our stakeholder base through ensuring the integrity of the Group's financial information, audit quality and the effectiveness of internal controls and the risk management process throughout the year.

Role

The Committee's role, authority, responsibilities and scope are set out on page 59 and in detail in its terms of reference which are available on the Governance section of our website, www.reddenorthgate.com.

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 2021 are given above. 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 commonly invited to attend all meetings. During the year the Committee met five times.

Key focus

A key focus of the Committee in the year under review has continued to be supporting the Board through the integration process follow the Merger, assessing its impact on the Group's risk management framework and processes, as well as the financial reporting implications. As part of this, the Committee has overseen the introduction of a new Group Risk Committee which joins up the management and the identification of risks within the business to the overall risk appetite of the Group.

As required under IAS 36 "Impairment of Assets", assets are tested for impairment on an annual basis. Given the carrying value of goodwill and intangible assets recognised following the Merger and the subsequent trading environment during the COVID-19 period the level of judgement in this area has increased. The Committee reviewed a management paper that concluded no impairment is required and the Committee challenged the assumptions made in forming that opinion.

Following the Board's approval of the acquisition of Nationwide, the Committee challenged management's estimates of the fair value of the acquired assets and liabilities and concluded that the fair values assigned to the acquired balance sheet were reasonable and appropriate.

The Committee reviewed and recommended that the Board approve the Group's published tax strategy 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 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.

Activity

Since May 2020, the Committee has:

- reviewed the financial statements for the years ended 30 April 2020 and 2021 and the half yearly report issued in December 2020. 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 its fees;
- reviewed the effectiveness of external audit;
- had discussions with the external audit partner in the absence of management;
- reviewed and confirmed endorsement of the Group's non-audit fee policy;
- reviewed the effectiveness of the Group's system of internal controls;
- set the programme of internal audits;
- 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;
- agreed the introduction of a new Group Risk Committee;
- reviewed the Group's corporate taxation arrangements and recommended that the Board approve the Group tax strategy;
- reviewed the Group's treasury arrangements and risk management;
- reviewed management papers on the accounting considerations of business combinations in relation to the Merger and acquisition of Nationwide including the fair value assessment of acquired assets and liabilities;
- reviewed the Group's depreciation policy and depreciation rates adopted within this policy;
- 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; and
- reviewed a management paper on the impairment to capitalised IT intangible assets.
- reviewed managements assessment of going concern and viability.

Significant matters considered in relation to the financial statements

During the year the Committee reviewed the significant matters set out below in relation to the Group's financial statements for the year ended 30 April 2021. We discussed these issues at various stages with management during the financial year and during the preparation and approval of the financial statements.

Following review and consideration of the presentations and reports presented by management, we are satisfied that the financial statements appropriately address the critical judgements and key estimates, in respect of both the amounts reported and the disclosures made. We also reviewed these issues with the auditors during the audit planning process and at the conclusion of the year end audit. We are satisfied that our conclusions in relation to these issues are in line with those drawn by the auditors.

Risk management

The Board determines the extent and nature of the risks it is prepared to take in order to achieve the Group's strategic objectives. The Board is assisted in this responsibility by the Committee which makes recommendations in respect of the Group's principal and emerging risks, risk appetite and key risk indicators. Further information on the Group's risk management processes can be found on pages 33 and 34.

The Board has responsibility for the Company's overall approach to risk management and internal control which includes ensuring the design and implementation of appropriate risk management and internal control systems. Oversight of the effectiveness of these systems is delegated to the Committee, which undertakes regular reviews to ensure that the Group is identifying, considering and as far as practicable mitigating the risks for the business.

During the year, the Committee monitored the Group's risk management processes and business continuity procedures. The Group Risk Committee, developed during the year, meets quarterly and will report to the Committee on a biannual basis (the first such report will fall into the next financial year). Both external and internal risks are reviewed and their effect on the Group's strategic aims considered.

Matter	Key consideration	Role of the Committee	Conclusion
Business combinations (See Note 4 to the financial statements)	Establishing the fair value of consideration and net assets acquired.	<p>The Committee reviewed the accounting treatment in relation to acquisitions made in the year and assessing any potential hindsight adjustments in relation to acquisitions in the prior year.</p> <p>We reviewed papers prepared by management setting out the accounting considerations of acquisitions, which included an assessment of the fair value of consideration and the net assets acquired.</p> <p>In particular, we challenged management assumptions and satisfied ourselves that the determination of the fair value attributed to customer relationships, brand and software and goodwill was appropriate.</p>	We concluded that the determination of the fair value of the assets was set to the appropriate level.
Determining appropriate depreciation rates for vehicles available for hire	Ensuring that depreciation rates are set appropriately.	<p>The Committee reviews depreciation rates on a regular basis. In addition, we reviewed papers prepared by management at each reporting date which included a quantitative and 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.</p> <p>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.</p>	We agreed with management that no changes were required to existing fleet depreciation rates.
Claims due from insurance companies and self-insuring organisations (See Note 21 to the financial statements)	Ensuring that the carrying value of insurance claims represents the best estimate of the net claim value to be recovered.	<p>The Committee reviewed papers prepared by management at each reporting date which included managements' assessment of the expected net claim values at each reporting date.</p> <p>We challenged the underlying assumptions and significant areas of judgement and were satisfied with management's assessments.</p>	We concluded that the judgments made in determining net claim values as at 30 April 2021 are appropriate.
Impairment of assets (See Note 13 to the financial statements)	Determining the discounted cash flows of cash generating units (CGUs) taking into account reasonable downside sensitivities.	<p>Assets are tested for impairment on an annual basis or where indicators of impairment exist.</p> <p>We reviewed papers prepared by management explaining the assumptions and calculation methodologies applied in determining the discounted cash flows of CGUs.</p> <p>This included considering the assumptions within the supporting forecasts and the extent to which downside sensitivities would impact upon the value in use of those assets.</p>	<p>We concluded that the assumptions and calculation methodologies applied by management were appropriate.</p> <p>On this basis there was no impairment to be recognised for the Group's assets or intangible assets.</p>
Provisions for uncertain tax positions	Determining the appropriate carrying value of tax balances subject to future uncertainties.	<p>The Committee reviewed papers prepared by management at each reporting date which outlined the Group's tax positions. These papers included managements' assessment of 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.</p> <p>We challenged areas where significant judgement influenced the level of provision held in the balance sheet and were satisfied with the judgements made.</p>	We concluded that the provisions for uncertain tax positions were appropriate.
Financial statements	Fair and balanced presentation of financial statements including use of appropriate alternative performance measures.	<p>The Committee considered the presentation of the financial statements, including the presentation of reported results between underlying and statutory performance.</p> <p>The Committee reviewed papers prepared by management at each reporting date which outlined management's judgement in assessing which items should be classified as exceptional items or otherwise excluded from underlying results to ensure that the judgements made were reasonable and were in line with stated policy.</p>	We concluded that the financial statements were fair, balanced and understandable and that the usage of alternative performance measures was appropriate.

We also reviewed the Group's emerging risks, following a bottom up assessment throughout business units and top down review by the Group Risk Committee. The Committee also reviewed the status of key risk indicators throughout the year against risk appetite, focusing on any which were outside optimal ranges. The Committee gave particular attention to the risks relating to COVID-19 and the UK's political and economic outlook following the UK's departure from the EU.

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.

During the course of its review for the year ended 30 April 2021, and to the date of this report, the Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

External auditor

The Committee reviews and makes recommendations regarding the appointment of the external auditor. In making this recommendation, we consider auditor effectiveness and independence including consideration of non-audit fees and length of tenure of audit firm and lead partner.

The Committee confirmed compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, having last carried out a competitive tender and appointed PwC as Group auditor in 2015.

The Committee considered the need for a competitive tender for the role of external auditor during the year under review and confirmed that a competitive tender was not appropriate due the increased level of work that has been undertaken by PwC in transitioning the audit of businesses acquired following the Merger in 2020. The year under review is Ian Morrison's final year as engagement partner before rotation. The Committee will oversee the transition to a new lead partner to ensure that the audit continues to be effective.

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. Non-audit services provided by our external auditor are subject to a cap equal to 70% of the average annual audit fee for the preceding three years.

Non-audit fees for services provided by PwC for the year amounted to £54,000 related to the review of the interim financial statements. The ratio for non-audit services to those for audit services for the year was 7%, which is within the 70% cap included in the FRC's guidance.

The Committee reviewed the effectiveness and independence of the external auditor, considering the audit plan and findings reported to the Committee including responses to questions from the Committee and also feedback from management. The Committee Chairman 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 September 2021.

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.

Looking forward

In FY2022 the Committee will continue to support the Board through integration of the business following the Merger and acquisition of Nationwide as the enlarged business embeds the Group's governance framework, financial reporting systems, risk management processes and internal controls.

Mark Butcher

Chairman of Audit and Risk Committee

7 July 2021

Remuneration report

Chairman's introduction



John Davies
Chairman of Remuneration
Committee

Committee membership

Members of the Remuneration Committee are shown below:

John Davies
Mark Butcher
Avril Palmer-Baunack
John Pattullo

Dear shareholder,
I am delighted to introduce the Directors' Remuneration Report for the year ending 30 April 2021.

Performance of the Group

Against a backdrop of COVID-19, Group trading was ahead of Board expectations for the year. The integration of the businesses has progressed well with cost synergies of £15m delivered ten months ahead of schedule and 50% higher than originally anticipated. The development of products and services has continued through the year with the acquisition of the Nationwide repair network and the launch of the accident and incident management product, further enhancement to offerings and continued digitalisation of processes.

Remuneration for the year ending 30 April 2021

Base salary and fees

As disclosed in the 2020 Directors' Remuneration Report, Martin Ward's salary was agreed upon appointment, as a result of the business interruption caused by COVID-19 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.

Philip Vincent's increase in salary was agreed upon completion of the Merger to reflect the change in roles and responsibilities for the Combined Group. Likewise, he volunteered for this increase to be waived for a period of 6 months until 21 August 2020.

In addition, the Board agreed to waive 20% of their salary/fees over the three-month period from 1 April 2020 to 30 June 2020, with the exception of the Chairman who agreed to waive all fees over the same period.

Annual bonus

The maximum annual bonus opportunity for the year was 100% of salary for the CEO and CFO. Both the CEO and CFO received an award of 100% based on outcomes against financial and personal objectives as outlined further in the main body of the report.

Long term incentive plans

As disclosed in the 2020 annual report, Martin Ward and Philip Vincent received awards in the year equating to 250% of salary with a three year performance period ending April 2023. These exceptional awards were made in order to reflect the cancellation of legacy share awards and the stretching achievement of Merger synergies built into performance targets.

Responding to shareholder feedback

We gained support at our 2020 AGM for the amendments made to the Directors' Remuneration Policy and the Policy became effective for 2020. However, we recognise there were significant votes against the resolution illustrating shareholder concerns with the Policy. Therefore, over the year we have consulted with shareholders to discuss their concerns. Based on the feedback from shareholders, the Committee is taking the following action:

- **Executive pensions** – Reflecting on the expectations of our shareholders and of the UK Corporate Governance Code, executive Director pensions will be aligned with the majority of the workforce (currently 3.52% of salary) by 31 December 2022.
- **VCP** – Some of our shareholders are concerned about the potential operation of a VCP; the Board has decided not to operate this scheme and it has been cancelled by the Board.

In addition to the concerns regarding the Remuneration Policy, some investors were concerned about the implementation of the Policy. In particular shareholders were concerned about the implementation of the EPSP in 2020.

- **2020 EPSP awards** – In 2020, the Committee decided to grant exceptional maximum EPSP awards to the CEO and CFO. This was to i) compensate for loss of 1/3 of the 2018 and 2/3 of the 2019 award which were time pro-rated due to the merger, ii) the gap in incentives for 2021 and 2022 caused by the early vesting of the awards and iii) to incentivise long-term sustainable growth. The Committee stand by this decision and believe that granting exceptional awards was in the best interest of the Group, however, no other exceptional awards are expected to be granted.

Board engagement with wider workforce

The Board has moved away from the Workforce Advisory Panel which did not have coverage over the Combined Group following the Merger and has set up an Employee Engagement Forum (EEF). The EEF 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 for FY2022

Base salary

The CEO's salary has been increased by 2% to £591,600 in line with increases given to the wider workforce. When originally appointed to be CFO of Northgate, Philip Vincent had not held the role in a listed company and his salary reflected this. The increase awarded just over a year ago on the Merger recognised the increased size and complexity of the business but not his development in the role. After undertaking a benchmarking exercise and to complete this phased realignment in his salary the Committee has awarded him an increase of £20,000 in addition to the 2% across the board increase awarded to the wider workforce all with effect from 1 May 2021. His new salary will be £382,100.

Annual bonus

The annual bonus maximum opportunity for FY2022 is 125% of salary for the CEO and 100% of salary for the CFO. The Committee decided to set the maximum opportunity of the current CEO at 125% of salary which is 25% higher than last year recognising the continued growth in the scale of the business and in line with benchmarking data. This compares to a maximum opportunity of 150% under the remuneration policy and for the previous CEO.

The balance of measures used in the annual bonus plan remain the same. The bonus will therefore be determined based on 75% financial targets 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 the performance targets, the targets will be disclosed retrospectively.

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.

Long term incentive plans

The Committee intends to grant EPSP awards of 150% of salary in line with the normal maximum award under the Remuneration Policy. The awards will be based on the three year EPS and PBT targets. The measures and weightings for the 2021 awards and the targets are set out in the main body of this report.

The Committee will have the discretion to adjust the formulaic outcome of the EPSP to take into account the wider business performance.

As explained above, no awards will be made under the VCP in FY2022 or in any subsequent years.

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.

John Davies
Chairman

7 July 2021

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 relevant law and regulations. The full Policy can be found within the prior year annual report on the Company's website www.reddenorthgate.com.

The Remuneration Policy was approved by shareholders at the October 2020 AGM and is expected to apply for a period of three years.

The table below summarises the key aspects of that policy.

Purpose and link to strategy	Operation	Maximum opportunity
<p>Base salary 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 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 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.</p> <p>The Committee will align pension benefits for the current Directors with the applicable workforce rate of 3.52% by 31 December 2022.</p>
<p>Annual bonus 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>

Purpose and link to strategy	Operation	Maximum opportunity
<p>Long term incentives (EPSP) 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>
<p>Long term incentives (VCP)</p>	<p>The Board has cancelled this scheme.</p> <p>For more details of how this scheme was to have operated, see the 2020 Directors' Remuneration Report.</p>	
<p>All employee share scheme 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 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 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>The maximum aggregate amount is currently £700,000 as provided in the Articles of Association.</p>

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 and EPSP 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.

Service contracts and letters of appointment

The table below gives details of the service contracts and letter of appointments for each member of the Board.

	Date of appointment	Date of current contract/ letter of appointment	Notice from the Company	Notice from the individual	Unexpired period of service contract/ letter of appointment
Executive Directors					
M Ward*	21 February 2020	22 December 2010	12 months	12 months	Rolling contract
P Vincent	16 July 2018	16 July 2018	6 months	6 months	Rolling contract
Non-executive Directors					
A Palmer-Baunack	12 August 2019	12 August 2019	1 month	6 months	Rolling contract
J Pattullo	1 January 2019	18 December 2020	3 months	3 months	Rolling contract
M Butcher	9 October 2019	18 September 2019	3 months	3 months	Rolling contract
J Davies	21 February 2020	21 February 2020	3 months	3 months	Rolling contract
M McCafferty	21 February 2020	21 February 2020	3 months	3 months	Rolling contract

* Redde plc (as it was) contract rolled over.

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
John Davies (Chairman)	4 of 4
Mark Butcher	4 of 4
Avril Palmer-Baunack ¹	3 of 4
John Pattullo	4 of 4

1 Missed meeting was called at short notice and Avril had prior engagements.

The CEO attends meetings by invitation and assists the Committee in its deliberations, except when issues relating to his 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 £26,153 (2020: £47,580) excluding VAT. 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.

Martin Ward

As noted in the prior year, it was agreed to set Martin's base salary at £580,000 from the date of the Merger on 21 February 2020, taking into account his skills and experience and the widened role across the enlarged group and following benchmarking against organisations of a similar size and complexity.

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 six 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.

Martin's salary has been increased in line with the wider workforce by 2% to £591,600 from 1 May 2021. Martin's maximum annual bonus potential is 100% of salary with a 100% achievement against targets for the year ended 30 April 2021 to be paid 50% in cash and 50% in deferred shares.

Martin received an initial EPSP award equivalent to 250% of annual salary with a three year performance period ending April 2023. The initial exceptional award was due to the cancellation of legacy share awards in Redde and the Merger synergies build into performance targets. A further award equivalent to 150% of annual salary will be made for the three year performance period ending 30 April 2024, against performance targets detailed in this report.

Philip Vincent

As noted in the prior year, in order to reflect the increased role and responsibilities of the CFO in the enlarged business it was agreed to increase Philip's 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 six 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.

The Committee has reviewed the CFO's salary in the context of his increased experience and development in role in what is a significantly larger business than the Northgate business alone. When originally appointed to be CFO of Northgate, Philip Vincent had not held the role in a listed company and his salary reflected this. The increase awarded just over a year ago on the Merger recognised the increased size and complexity of the business but not his development in the role. After undertaking a benchmarking exercise the Committee has awarded him an increase of £20,000 in addition to the 2% across the board increase awarded to the wider workforce all with effect from 1 May 2021 to complete this phased realignment in his salary. His new salary will be £382,100.

Philip's maximum annual bonus potential is 100% of salary with a 100% achievement against targets for the year ended 30 April 2021 to be paid 50% in cash and 50% in deferred shares.

Philip received an EPSP award equivalent to 250% of annual salary. This award was made in exceptional circumstances due to the reduction in legacy share awards following the Merger and reflecting the performance targets which assume that the Merger synergies and benefits will be realised. A further award equivalent to 150% of annual salary will be made for the three year performance period ending 30 April 2024, against performance targets detailed in this report.

Non-executive Directors

There have been no new appointments during the year. 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.

No increases to non-executive fees are proposed for the year ending 30 April 2022.

Remuneration for the year ended 30 April 2021 (audited)

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2021 (and for long-term incentive awards' performance periods ending in the year) and in the year ended 30 April 2020.

£000		Salary and fees ¹	Taxable Benefits ²	Annual bonus	Long term Incentive ³	Pension ⁴	Loss of office ⁵	Total	Total Fixed	Total Variable
M Ward ⁶	2021	514	17	580	-	89	-	1,200	620	580
	2020	71	4	-	-	18	-	93	93	-
P Vincent	2021	339	13	355	-	63	-	770	415	355
	2020	331	15	-	165	60	-	571	406	165
K Bradshaw ⁶	2021	-	-	-	-	-	-	-	-	-
	2020	268	9	-	-	48	901	1,226	555	671
Chairman										
A Palmer-Baunack ⁶	2021	167	-	-	-	-	-	167	167	-
	2020	127	-	-	-	-	-	127	127	-
B Spencer ⁶	2021	-	-	-	-	-	-	-	-	-
	2020	90	-	-	-	-	5	95	95	-
Non-executive Directors										
J Pattullo ⁶	2021	63	-	-	-	-	-	63	63	-
	2020	60	-	-	-	-	-	60	60	-
M Butcher ⁶	2021	63	-	-	-	-	-	63	63	-
	2020	38	-	-	-	-	-	38	38	-
J Davies ⁶	2021	63	-	-	-	-	-	63	63	-
	2020	10	-	-	-	-	-	10	10	-
M McCafferty ⁶	2021	53	-	-	-	-	-	53	53	-
	2020	9	-	-	-	-	-	9	9	-
S Oakley ⁶	2021	4	-	-	-	-	-	4	4	-
	2020	9	-	-	-	-	-	9	9	-
J Caseberry ⁶	2021	-	-	-	-	-	-	-	-	-
	2020	27	-	-	-	-	16	43	43	-
C Miles ⁶	2021	-	-	-	-	-	-	-	-	-
	2020	60	-	-	-	-	5	65	65	-
F Cogollos ⁶	2021	-	-	-	-	-	-	-	-	-
	2020	28	-	-	-	-	14	42	42	-

1 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 2020 and 30 June 2020 with the exception of Avril Palmer-Baunack who agreed to a 100% waiver in fees over the same period.

2 Taxable benefits:

	M Ward £000	P Vincent £000
Car	15	11
Medical insurance	1	2

3 The comparative has been adjusted to include the value relating to the 2018 and 2019 EPSP awards where the performance conditions crystallised as a result of the Merger as explained fully in the prior year. The awards remain subject to ongoing service conditions before vesting, details of which are given on page 78, value based on three month average share price to 30 April 2021.

4 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, Martin Ward's new pay arrangements were deferred until August 2020 after which he received an entitlement of 15% of base salary. Until that time, Martin's pension was paid in line with arrangements which existed under his previous role as CEO of Redde plc.

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

6 Kevin Bradshaw left the Board on 29 November 2020. Martin Ward was appointed to the Board on 21 February 2021 and his remuneration is for the period from appointment. Bill Spencer was Interim Chairman during the prior year until appointment of Avril Palmer-Baunack on 12 August 2020. Whilst acting as Interim Chairman Bill Spencer received a fee of £166,464 p.a. inclusive of all responsibilities. Jill Caseberry left the Board on 24 September 2020. Fernando Cogollos and Mark Butcher were appointed to the Board on 24 September 2020. On 21 February 2021 Steve Oakley, John Davies and Mark McCafferty were appointed to the Board. On 20 March 2021 Bill Spencer, Claire Miles and Fernando Cogollos left the Board. Steve Oakley passed away on 15 May 2020.

Annual bonus for the year ended 30 April 2021 (audited)**Total opportunity**

The maximum bonus opportunity for the executive Directors was 100% of salary. The bonus was based 75% on Group PBT and 25% on strategic objectives. No bonus was payable if PBT was below the threshold level of £82.7m. The PBT target to hit maximum was £88.7m with a straight line increase from threshold to maximum. The targets exclude the cost of the bonuses paid across the Group. The targets, performance against them and resulting payment are set out in the tables below. Both directors receive 50% of the annual bonus in cash and 50% is deferred in shares which must be held for at least three years following the date of grant.

	PBT element at maximum %	Strategic objective % maximum	Total bonus % maximum	Total bonus % salary	Bonus payable £000
M Ward	75	25	100	100	290 cash 290 deferred in shares
P Vincent	75	25	100	100	177.5 cash 177.5 deferred in shares

Total award

PBT performance	Maximum performance	Actual PBT performance
PBT 75% of total bonus	£88.7m	£93.2m
M Ward	75% salary	100% salary 100% max
P Vincent	75% salary	100% salary 100% max

The Committee considered adjusting the actual PBT to remove a higher level of COVID-19 government support received than was assumed in setting the target and for the non-budgeted trading results of FMG RS post acquisition. The adjusted PBT after these adjustments remained above the maximum level.

Strategic objectives awarded at maximum of 25% of the total bonus opportunity (25% of salary) as follows:

M Ward	Performance/achievement	Max scoring %
To deliver >120% of cost synergy integration benefits in year 1 against targets announced in the Merger circular	Fully met	6.25%
Diversification of funding through establishment of contract hire facilities	Fully met	6.25%
Further develop and advance the EV proposition within the Group fleet	Fully met	6.25%
Further develop the strategic and operational framework - in particular demonstrate clear operational margin improvements	Fully met	6.25%
Total	25%	% out of 25%

P Vincent	Performance/achievement	Max scoring %
Consolidating banking facilities post-Merger	Fully met	6.25%
Diversification of funding through establishment of contract hire facilities	Fully met	6.25%
Integration of finance teams and delivery of a finance transformation plan	Fully met	6.25%
Executing corporate strategy: including implementing cash and cost control measures and considering non-organic growth opportunities	Fully met	6.25%
Total	25%	% out of 25%

Vesting of EPSP awards

As disclosed in the prior year, Philip Vincent's EPSP awards made in 2018 and 2019 over 95,360 and 157,781 shares respectively, had original performance periods ending on 30 April 2021 and 30 April 2022 respectively. Due to the Merger, the performance conditions would not be able to be measured on the same basis and were therefore fixed and 198,994 options were forfeited to reflect the expected vesting at the end of the performance periods and also the performance periods that had not been completed. The ongoing service conditions remained in place for the remaining 54,187 options. The vesting dates of the service conditions are detailed under the outstanding awards section below. As there are no remaining performance conditions other than the remaining service condition, the total value of the award has been included in the prior year comparative.

EPSP awards made during the year (audited)

The following EPSP awards were granted to executive Directors during the year:

	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
M Ward	Nominal cost option	250% of salary of £580,000	186p	778,315	1,450,000	25%	Three financial years to 30 April 2023
P Vincent	Nominal cost option	250% of salary of £355,000	186p	476,382	887,500	25%	As above

These awards are subject to the following performance targets:

	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
PBT	£97.75m	£115.0m	Final year of the performance period
EPS	29.87p	35.14p	Final year of the performance period

Percentage change in remuneration levels

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for all the Directors compared with the average percentage change for employees of the Company.

	Average percentage change 2020-2021		
	Salary	Taxable benefits	Annual bonus
M Ward	620%	387%	n/a
P Vincent	2%	(14%)	n/a
A Palmer-Baunack	31%	n/a	n/a
J Pattullo	5%	n/a	n/a
M Butcher	65%	n/a	n/a
J Davies	504%	n/a	n/a
M McCafferty	466%	n/a	n/a
Company employees	(6%)	111%	(87%)

The average percentage changes in remuneration are impacted by the length of service of individual Directors in each period and also the impact of pay waivers agreed during the COVID-19 period. Annual bonus for Company employees is the amount paid in each year, whereas the Director's bonus is the amount earned in each period.

The above table shows the movement in the salary, benefits and annual bonus for Directors compared to that for the average employee of the Company as required under legislation. It does not reflect the total average for the Group. As there are only a small number of employees in the Company, the average pay calculation can be easily skewed by a change in composition of staff. The pay reduction also reflects salary waivers which were agreed by other senior managers of the Group over the COVID-19 period.

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 of the 25th percentile, median (50th percentile), and 75th percentile remuneration of our UK employees.

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 employees joining the business following the acquisition of Nationwide 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.

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
2021	Option A	57:1	45:1	30:1
2020	Option A	64:1	53:1	37:1

The decrease in pay ratio in the year relates to the loss of office payments that were included within the total remuneration of the CEO in the prior year.

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

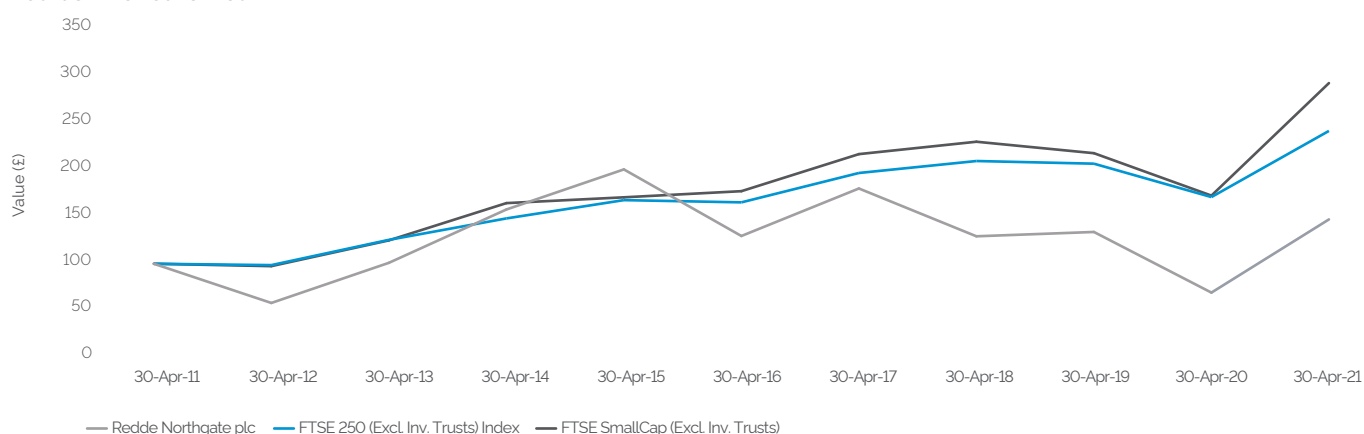
	CEO	25th percentile	Median	75th percentile
2021				
Salary	£513,537	£19,621	£23,564	£31,595
Total remuneration	£1,199,794	£21,053	£26,786	£40,547
2020				
Salary	£339,094	£19,168	£21,769	£28,918
Total remuneration	£1,319,327	£20,691	£24,780	£36,012

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 2011 to 30 April 2021. 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 2021 was 364p (30 April 2020 – 180p). The range during the year was 158p to 364p.

Total shareholder return



The graph shows the value, at 30 April 2021, of £100 invested in Redde Northgate plc on 30 April 2011, 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total remuneration £000	1,115	859	628	1,138	1,214	821	490	1,032	1,319	1,200
Annual bonus (% of maximum)	100%	0%	43.6%	90.3%	34.1%	0%	0%	72.4%	0%	100%
Long term incentive (EPSP) vesting (% of maximum)	100%	33.3%	0%	47.9%	79.2%	61.8%	0%	0%	0%	0%

This shows the total remuneration figure for the CEO during each of those financial years. For the prior year the total remuneration includes all remuneration for both Martin Ward and Kevin Bradshaw including 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 pay-out 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

	2020	2021	% increase
Staff costs £000	120,652	195,074	62%
Dividends £000	24,333	24,928	2%

The table above shows the movement in spend on staff costs versus that in dividends. The staff cost increase reflects the enlarged Group size following the Merger.

Outstanding share awards

The table below sets out details of executive Directors' outstanding share awards.

M Ward

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 2021	End of original performance period	Vesting date	Exercise period
EPSP ¹	13.08.20	Nil	-	778,315	-	-	-	-	778,315	30.04.23	13.08.23	13.08.23 – 13.08.30

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 2021	End of original performance period	Vesting date	Exercise period
EPSP ²	27.07.18	Nil	27,995	-	-	-	-	-	27,995	30.04.21	27.07.21	27.07.21 – 27.06.28
EPSP ²	24.09.19	Nil	26,192	-	-	-	-	-	26,192	30.04.22	24.09.22	24.09.22 – 24.09.29
EPSP ¹	13.08.20	Nil	-	476,382	-	-	-	-	476,382	30.04.23	13.08.23	13.08.23 – 13.08.30

1 Performance targets as set out above.

2 A proportion of these awards were adjusted and forfeited in the prior year following the Merger in order to remove the proportion not expected to vest based on forecast performance. No remaining performance conditions remain other than the on-going service obligation.

SAYE and SIP

The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders and therefore introduced a new SAYE in the year which provides an effective way of achieving that aim at no financial risk to employees.

Under the SAYE 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.

Options over 2,003,552 shares were granted in February 2021 with 1,161 employees contributing at an average saving rate of £102 per month.

The twentieth and final annual cycle of the SIP ended in December 2020 and resulted in employees acquiring 158,218 Partnership shares at 266p each and being allocated the same number of Matching shares.

The executive Directors were entitled to participate in the SIP and are also entitled to participate in the SAYE. The non-executive Directors cannot participate in this 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 2021 was 14% under the EPSP, MPSP and DABP and 2.7% 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 2020 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 2021	Vested but not exercised EPSP	Not vested EPSP	% shareholding guideline achieved at 30 April 2021
M Ward	1,608,979	–	778,315	100%
P Vincent	35,841	–	530,569	18%
A Palmer-Baunack	110,442	–	–	N/A
J Pattullo	30,000	–	–	N/A
M Butcher	24,676	–	–	N/A
J Davies	–	–	–	N/A
M McCafferty	11,007	–	–	N/A
S Oakley	745,724	–	–	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 2020 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.

The shareholdings of Steve Oakley are at the date he left the Board.

No changes in the above interests have occurred between 30 April 2021 and the date of this report.

Operation of policy for FY2022

The executive Director's salaries will be revised as follows.

	Salary as at 1 May 2020	Salary as at 1 May 2021	Increase
M Ward	580,000	591,600	2%
P Vincent	355,000	382,100	7.6%

The proposed increases in salary are in line with increases for the wider workforce of 2% with the additional £20,000 increase for Philip Vincent as described above.

Annual bonus

For FY2022 the annual bonus maximum opportunity is 125% of salary for CEO and 100% of salary for the CFO.

The bonus will be determined as to:

- 75% PBT.
- 25% a range of strategic and operational objectives.

The Committee has chosen not to disclose, in advance, the performance targets for the annual bonus as 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 2021

Award levels for 2021 will be made at 150% of salary for the CEO and CFO (250% in the prior year) and will be made after release of the preliminary results.

Vesting of EPSP awards will be dependent upon the achievement of certain suitably challenging performance measures against targets which will be disclosed when the awards are made. It is expected that those targets will be set on a similar basis to the awards in the prior year, which were weighted as 50% against underlying PBT and 50% against underlying EPS.

Fees for the Chairman and non-executive Directors

The fees for the non-executive Directors have been reviewed with effect from 1 May 2021 and are as set out below.

	Fee as at 1 May 2020	Fee as at 1 May 2021	Increase
Chairman	£200,000	£200,000	0%
Base fee	£55,000	£55,000	0%
Senior Independent Director	£10,000	£10,000	0%
Audit and Risk Committee Chairman	£10,000	£10,000	0%
Remuneration Committee Chairman	£10,000	£10,000	0%

No increases have been proposed for the year ending 30 April 2022.

Statement of shareholder voting and shareholder feedback

The following tables set out the votes received from shareholders for the Directors' remuneration report at the 2020 AGM:

	Total number of votes	Approve the report on remuneration % of votes cast
Directors' remuneration report – Resolution 3		
For	105,064,074	53.83%
Against	90,097,583	46.17%
Total votes cast (excluding votes withheld)	195,161,657	
Votes withheld	24,291	
Total votes cast (including votes withheld)	195,185,948	

	Total number of votes	Approve the report on remuneration % of votes cast
Directors' remuneration policy – Resolution 4		
For	115,101,869	58.98%
Against	80,054,014	41.02%
Total votes cast (excluding votes withheld)	195,155,883	
Votes withheld	30,065	
Total votes cast (including votes withheld)	195,185,948	

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

7 July 2021

Report of the Directors

The Directors present their report and the audited consolidated accounts for the year ended 30 April 2021.

Results

Details on financial performance and dividends can be found in the Strategic Report from pages 1 to 56.

Close company status

So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 2010 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 to the financial statements. The Company has one class of Ordinary share which carries no right to fixed income. Each Ordinary 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 98.3% (2020: 99.6%) 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 regard to the appointment and replacement of Directors, the Company is governed by the Articles, the UK Corporate Governance Code, the Companies Act 2006 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

As at 30 April 2021, the Company is aware of the following persons who, either directly or indirectly, hold 3% or more of the issued share capital of the Company:

	30 April 2021	%
FIL Limited*	20,289,445	8.24
Aberforth Partners*	18,297,695	7.44
Schroders plc*	17,920,654	7.28
Lombard Odier Investment Management*	17,366,320	7.06
Artemis Investment Management LLP*	15,725,227	6.39
Richard Griffiths	12,504,182	5.08
BlackRock*	11,858,554	4.82
Vanguard Group*	11,473,482	4.66
JO Hambro Capital Management*	11,058,993	4.49
Janus Henderson Investors*	8,794,311	3.57
Dimensional Fund Advisors*	7,679,519	3.12

* Information obtained from the Company's share register analysis.

Directors

Details of the present Directors are listed on pages 60 and 61. 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 report, starting on page 71.

Directors' indemnities

As permitted by the Company's Articles, 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 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 Our employees section on pages 48 to 50.

Employee and other stakeholder engagement

Details of Directors' engagement with employees and other stakeholders are included within the Strategic Report on pages 45 and 49.

Details on how the Directors have discharged their duties under Section 172(1) of the Companies Act 2006 are included on pages 54 to 56.

Future developments

Details of likely future developments and important events affecting the Group, since the end of the financial year, are included within the CEO review on pages 6 to 14 and included within Our strategy on pages 20 to 23.

Dividends

Subject to approval, the Directors propose a final dividend of 12.0p per share (2020: 13.1p) which will be paid on 24 September 2021 to shareholders on the register as at close of business on 3 September 2021.

Political donations

No political donations were made by any Group company in the year.

Branches

As a Group our interests and activities are operated through subsidiaries and branches in the UK, Spain and Ireland, and are subject to the laws and regulations of these jurisdictions.

Research and development

The Group carries out research and development necessary to support its principal activities as a mobility solutions provider.

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 pages 46 and 47.

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 2021.

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 71 to 83.

Power to allot shares

The present authority of the Directors to allot shares was granted at the AGM held in October 2020 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 2022 will be proposed at the AGM. The authority will permit the Directors to allot up to an aggregate nominal amount of £40,974,221 and additionally to authorise the Directors to

allot relevant securities in connection with a rights issue up to a further nominal amount of £40,974,221, representing in total approximately two thirds of the total issued Ordinary share capital of the Company as at the date of this Annual Report 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; 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.

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 75% 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.

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 26 to 32 and in Note 33 to the financial statements.

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 Section 418 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

7 July 2021

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 and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Company has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under Company law, 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 Company and of the profit or loss of the Group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

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's and Company's position and 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 Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company; and
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and 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's and 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's and Company's auditors are aware of that information.

By Order of the Board

Martin Ward
Chief Executive Officer

7 July 2021

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 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the group and company balance sheets as at 30 April 2021; 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 2 to the financial statements, the group and company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group and company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Other than those disclosed in Note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The group is organised into 12 reporting components and the group financial statements are a consolidation of these reporting components.
- Of the 12 components we identified four which, in our view, required a full scope audit either due to their size or risk characteristics, two of these were audited by the group engagement team.
- There is one significant component based overseas, Northgate España Renting Flexible S.A, and one in the UK, Auxillis Services Limited, which have been audited by PwC component auditors.
- Audit procedures were performed in two further reporting units, in one over revenue, cash and bank balances, receivables and contract assets and trade and other payables and in the other over receivables and contract assets and trade and other payables due to their contributions to the financial statement line items in the group financial statements.
- As a result of this scoping we obtained coverage over 92% of the consolidated revenues and 82% of the consolidated profit before tax, exceptional items and amortisation on acquired intangible assets.

Key audit matters

- Determining appropriate depreciation rates for vehicle assets held for hire (group).
- Claims due from insurance companies and self-insuring organisations, incorporating revenue recognition (group).
- Impact of COVID-19 (group and parent).

Materiality

- Overall group materiality: £4.7 million (2020: £3.0 million) based on 5% of profit before tax, exceptional items and amortisation on acquired intangible assets.
- Overall company materiality: £2.5 million (2020: £2.1 million) based on 1% of total assets, capped due to group materiality allocation.
- Performance materiality: £3.5 million (group) and £1.9 million (company).

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.

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.

Business combinations (group) and provision for uncertain tax positions (group), which were key audit matters last year, are no longer included because of there being no significant business combinations in the current year and the reduction in value of the provision for uncertain tax positions due to the resolution of a specific matter relating to the group financing structure in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

Determining appropriate depreciation rates for vehicle assets held for hire (group)

The group has a total of £893.3m (2020: £884.7m) of vehicle assets held for hire with a depreciation charge totalling £161.2m (2020: £192.5m).

The group adopts an accounting policy that uses depreciation rates based on estimated useful lives with the anticipation 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 pages 67 to 70.

The disclosures in respect of vehicle assets held for hire are shown in Notes 2, 3 and 15.

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 depreciation 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

Claims due from insurance companies and self-insuring organisations, incorporating revenue recognition (group)

Within the Redde operating segment the group recognises contract assets amounting to £144.7 million (2020: £162.3 million) 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 represents 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 and the Report of the Audit and Risk Committee on pages 67 to 70.

The disclosures in respect of contract assets are shown in Notes 2, 3 and 21.

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 to 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. The results of this look back test have been disclosed in the financial statements within Note 21, receivables and contract assets.

We have considered the adequacy of the disclosures in respect of estimation uncertainty included within the financial statements.

Based on the procedures above, we concluded that the level of the provision held at the balance sheet date was reasonable.

Key audit matter

Impact of COVID-19 (group and parent)

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.

The group holds goodwill of £114.5 million primarily relating to the Cash Generating Units (CGUs) identified in the acquisition of Redde plc in February 2020, namely Auxillis, FMG and New Law. The acquired Redde business has been more severely impacted by the COVID-19 pandemic and various lockdowns than the legacy Northgate businesses.

Management have performed their annual goodwill impairment assessment required by IAS 36 'Impairment of assets' using board approved cash flow forecasts. This reflects what they believe the impact of the COVID-19 pandemic to be on the strategic plan of the business.

In relation to the carrying value of assets, other than goodwill, 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.

The group's forecast cash flows contain assumptions over revenue, profitability and cash generation. This forecast has been sensitised by the directors for a downside scenario for each CGU and sensitivity impacts have been included within Note 13 'Goodwill'.

Management have considered the impact on going concern using cash flows for the period of at least 12 months from the date of the approval of the financial statements, including a severe but plausible scenario, that could impact the group and these have been described within the Viability Statement on page 39. 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.

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 pages 67 to 70.

How our audit addressed the key audit matter

Our audit procedures performed in respect of the impact of COVID-19 on management's going concern assessment, and our conclusion in respect of going concern, are included in the "Conclusions relating to 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. In assessing management's consideration of the impact of COVID-19 on the carrying value of goodwill we undertook the following procedures:

- We obtained management's board report that detailed the group's assessment and conclusions with respect to their carrying value of goodwill.
- We evaluated management's board approved base case forecast and their COVID-19 downside scenario for each CGU and challenged the adequacy and appropriateness of the underlying assumptions. 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 evaluated and assessed the reasonableness of the group's future cash flow forecasts, and the process by which they were prepared, confirming that they were the forecasts approved by the board of directors, assessing the reasonableness of the budget, including the revenue, costs and EBITDA included in those budgets based on our understanding of the group and the past performance of the group.
- We tested the directors' key assumptions for long-term growth rates outside the budget period, by comparing them to forecast long-term growth rates using our valuation experts.
- We tested the mathematical integrity of the forecasts and the models and reconciled them to the board approved budget.
- We assessed the discount rate by utilising our valuation experts to assess the cost of capital for the group and comparable organisations; and
- We performed our own sensitivities over the key drivers of the cash flow forecasts, being EBITDA, the long-term growth rate and the discount rate used.

We have reviewed the financial statement disclosures made with respect to the sensitivity of the discount rate, cash flows and growth rates.

In summary, we found, based on our audit work, the carrying value of goodwill to be acceptable. We also consider the disclosures made within the financial statements to be appropriate.

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 12 reporting components and the group financial statements are a consolidation of these reporting components. The reporting components vary in size and we identified four components, in the UK and Spain, that required a full scope audit of their financial information due to either their size or risk characteristics, two of these were audited by the group engagement team. There is one significant component based overseas, Northgate España Renting Flexible S.A, and one in the UK, Auxillis Services Limited, which have been audited by PwC component auditors.

Audit procedures were performed in two further reporting units, in one over revenue, cash and bank balances, receivables and contract assets and trade and other payables and in the other over receivables and contract assets and trade and other payables due to their contributions to the financial statement line items in the group financial statements. All other audit work was completed by the group audit team. On the remaining 6 components we performed analytical procedures to respond to any potential risks of material misstatement to the group.

Our audit scope was determined by considering the significance of each component's contribution to profit before tax, exceptional items and amortisation on acquired intangible assets, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks. As a result of this scoping we obtained coverage over 92% of the consolidated revenues and 82% of the consolidated profit before tax, exceptional items and amortisation on acquired intangible assets.

The group engagement team were significantly involved at all stages of the component audits by virtue of numerous communications throughout, including the issuance of detailed audit instructions and review and discussions of the audit approach and findings, in particular over our areas of focus. The group audit team met with local management and the component audit teams and attended their clearance meetings. In addition, we reviewed the component team reporting results and their supporting working papers, which 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 and other intangible assets, taxes and certain aspects of 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:

	Financial statements – group	Financial statements – company
Overall materiality	£4.7 million (2020: £3.0 million).	£2.5 million (2020: £2.1 million).
How we determined it	5% of profit before tax, exceptional items and amortisation on acquired intangible assets.	1% of total assets, capped due to group materiality allocation.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax, exceptional items and amortisation on acquired intangible assets is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as the communications to both the shareholders and the market, and an element of management remuneration is linked to this performance measure. Based on this it is considered appropriate to use the adjusted profit before tax figure for the year as an appropriate benchmark.	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 £3.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3.5 million for the group financial statements and £1.9 million for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £230,000 (group audit) (2020: £147,700) and £230,000 (company audit) (2020: £147,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained from management their latest assessments supporting their conclusions with respect to the going concern basis of preparation of the financial statements;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- We evaluated management's base case forecast and downside scenarios, and challenged the adequacy and appropriateness of the underlying assumptions, including the impact on revenue and cash liquidity of an extended period of restrictions as a result of COVID-19;
- In conjunction with the above we have also reviewed management's analysis of both liquidity, including the group's available financing and maturity profile, and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment;
- We reviewed management accounts for the financial period to date and checked that these were consistent with the starting point of management's forecasts, and supported the key assumptions included in the assessment; and
- We have reviewed the disclosures made in respect of going concern included in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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.

Directors' Remuneration

In our opinion, the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance section is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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 the coronavirus job retention scheme, 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 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 to manipulate revenue and financial performance 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 including to revenue; and
- Assessing management's significant judgements and estimates in particular to those relating to the determination of depreciation rates for vehicle assets held 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. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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 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 directors 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 6 years, covering the years ended 30 April 2016 to 30 April 2021.

Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle

7 July 2021

Financial Statements



Consolidated income statement

For the year ended 30 April 2021

	Note(s)	Underlying 2021 £000	Statutory 2021 £000	Underlying 2020 £000	Statutory 2020 £000
Revenue: hire of vehicles	5	515,566	515,566	518,157	518,157
Revenue: sale of vehicles	5	229,809	229,809	193,795	193,795
Revenue: claims and services	5	364,124	364,124	67,397	67,397
Total revenue	5	1,109,499	1,109,499	779,349	779,349
Cost of sales		(856,955)	(856,955)	(621,446)	(621,446)
Gross profit		252,544	252,544	157,903	157,903
Administrative expenses (excluding exceptional items and amortisation on acquired intangible assets)		(147,092)	(147,092)	(84,034)	(84,034)
Exceptional administrative expenses: impairment of property, plant and equipment	17, 31	-	(4,341)	-	(1,304)
Exceptional administrative expenses: reversal of previous 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	-	(4,980)	-	(25,561)
Amortisation on acquired intangible assets	14	-	(19,513)	-	(3,178)
Total administrative expenses		(147,092)	(174,622)	(84,034)	(128,987)
Operating profit	6	105,452	77,922	73,869	28,916
Income from associates	19	4,364	4,364	952	952
Gain on bargain purchase	4, 31	-	1,489	-	-
EBIT	5	109,816	83,775	74,821	29,868
Interest income		164	164	122	122
Finance costs (excluding exceptional items)	8	(16,760)	(16,760)	(15,945)	(15,945)
Exceptional finance costs	8, 31	-	-	-	(566)
Profit before taxation		93,220	67,179	58,998	13,479
Taxation	9	(16,990)	(1,613)	(11,479)	(5,803)
Profit for the year		76,230	65,566	47,519	7,676

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

Underlying profit for the year excludes exceptional items as set out in Note 31, as well as amortisation on acquired intangible assets and the taxation thereon and exceptional tax credits, in order to provide a better indication of the Group's underlying business performance.

Earnings per share

Basic	11	31.0p	26.6p	30.8p	5.0p
Diluted	11	30.5p	26.2p	30.5p	4.9p

Statements of comprehensive income

For the year ended 30 April 2021

	Note	Group		Company	
		2021 £000	2020 £000	2021 £000	2020 £000
Amounts attributable to the owners of the Parent Company					
Profit attributable to the owners		65,566	7,676	58,028	33,364
Other comprehensive income (expense)					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings		338	3,998	-	-
Net foreign exchange differences on long term borrowings held as hedges		(2,019)	(1,682)	-	-
Foreign exchange difference on revaluation reserve	30	(1)	9	-	-
Net fair value gains on cash flow hedges		184	807	184	807
Deferred tax charge recognised directly in equity relating to cash flow hedges		(35)	(153)	(35)	(153)
Total other comprehensive (expense) income		(1,533)	2,979	149	654
Total comprehensive income for the year		64,033	10,655	58,177	34,018

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 2021

	Note	Group		Company	
		2021 £000	2020 £000	2021 £000	2020 £000
Non-current assets					
Goodwill	13	114,503	116,105	-	-
Other intangible assets	14	170,830	185,710	10	29
Property, plant and equipment: vehicles for hire	15	893,342	884,711	-	-
Property, plant and equipment: vehicles for credit hire	16	43,998	51,040	-	-
Other property, plant and equipment	17	146,580	126,009	-	-
Total property, plant and equipment		1,083,920	1,061,760	-	-
Deferred tax assets	27	4,826	10,133	1,068	592
Investments	18	-	-	443,546	441,895
Interest in associates	19	6,047	6,008	-	-
Total non-current assets		1,380,126	1,379,716	444,624	442,516
Current assets					
Inventories	20	21,545	48,762	-	-
Receivables and contract assets	21	302,349	295,765	996,113	949,537
Cash and bank balances		11,169	67,843	-	-
Total current assets		335,063	412,370	996,113	949,537
Total assets		1,715,189	1,792,086	1,440,737	1,392,053
Current liabilities					
Trade and other payables	22	229,666	222,342	332,738	214,667
Provisions	23	-	3,369	-	-
Derivative financial instrument liabilities	26	-	184	-	184
Current tax liabilities		562	12,393	-	51
Lease liabilities	25	32,375	33,691	-	-
Short term borrowings	24	12,159	54,684	4,200	50,853
Total current liabilities		274,762	326,663	336,938	265,755
Net current assets		60,301	85,707	659,175	683,782
Non-current liabilities					
Provisions	23	-	1,208	-	-
Trade and other payables	22	3,848	-	-	-
Lease liabilities	25	96,093	70,261	-	-
Long term borrowings	24	400,885	485,073	401,028	459,306
Deferred tax liabilities	27	31,472	37,314	-	-
Total non-current liabilities		532,298	593,856	401,028	459,306
Total liabilities		807,060	920,519	737,966	725,061
Net assets		908,129	871,567	702,771	666,992
Equity					
Share capital	28	123,046	123,046	123,046	123,046
Share premium account	29	113,510	113,510	113,510	113,510
Own shares reserve	30	(6,460)	(3,090)	-	-
Hedging reserve	30	-	(149)	-	(149)
Translation reserve	30	(4,190)	(2,509)	-	-
Other reserves	30	330,476	330,477	325,030	325,030
Retained earnings					
At 1 May		310,282	323,842	105,555	92,353
Profit for the financial year		65,566	7,676	58,028	33,364
Other changes in retained earnings		(24,101)	(21,236)	(22,398)	(20,162)
At 30 April		351,747	310,282	141,185	105,555
Total equity		908,129	871,567	702,771	666,992

Total equity is wholly attributable to the owners of the Parent Company (Company number 00053171). The financial statements on pages 98 to 141 were approved by the Board of Directors and authorised for issue on 7 July 2021.

They were signed on its behalf by:

Philip Vincent
Chief Financial Officer

Cash flow statements

For the year ended 30 April 2021

	Note	Group		Company	
		2021 £000	2020 £000	2021 £000	2020 £000
Net cash generated from (used in) operations	(a)	137,878	33,699	(24,731)	(17,170)
Investing activities					
Interest received		164	122	666	-
Dividends received from subsidiary undertakings		-	-	78,521	69,903
Loans to subsidiary undertakings		-	-	84,640	(76,109)
Distributions from associates	19	4,325	590	-	-
Acquisition of business	4	(10,823)	-	-	-
Cash acquired on acquisition	4	-	8,036	-	-
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment		35,919	3,823	-	-
Purchases of other property, plant and equipment		(7,460)	(5,250)	-	-
Purchases of intangible assets		(1,834)	(6,509)	-	-
Net cash generated from (used in) investing activities		20,291	812	163,827	(6,206)
Financing activities					
Issue of shares		-	2	-	2
Dividends paid		(24,928)	(24,333)	(24,928)	(24,333)
Receipt of bank loans and other borrowings		27,195	137,257	-	148,051
Repayments of bank loans and other borrowings		(109,712)	(114,289)	(61,495)	(114,289)
Debt issue costs paid		(520)	(4,878)	(520)	(4,878)
Principal element of lease payments under IFRS 16		(16,994)	(8,034)	-	-
Principal element of lease payments under HP obligations		(37,814)	(3,490)	-	-
Net payments to acquire own shares for share schemes		(5,073)	-	(5,073)	-
Net cash (used in) generated from financing activities		(167,846)	(17,765)	(92,016)	4,553
Net (decrease) increase in cash and cash equivalents		(9,677)	16,746	47,080	(18,823)
Cash and cash equivalents at 1 May		16,780	805	(50,853)	(31,354)
Effect of foreign exchange movements		(282)	(771)	(427)	(676)
Cash and cash equivalents at 30 April	(b)	6,821	16,780	(4,200)	(50,853)

Notes to the cash flow statements

For the year ended 30 April 2021

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Operating profit (loss)	77,922	28,916	(7,054)	(19,058)
Adjustments for:				
Depreciation of property, plant and equipment	191,609	208,075	-	-
Net impairment of property, plant and equipment	3,037	1,304	-	-
Amortisation of intangible assets	20,198	3,987	19	20
Impairment of intangible assets	-	14,910	-	-
Loss on disposal of vehicles for credit hire and other property, plant and equipment	195	135	-	-
Loss on disposal of intangible assets	31	9	-	-
Share options fair value charge	2,518	4,203	2,518	4,203
Operating cash flows before movements in working capital	295,510	261,539	(4,517)	(14,835)
Increase in non-vehicle inventories	(1,407)	(36)	-	-
(Increase) decrease in receivables	(69)	4,250	4,570	(845)
(Decrease) increase in payables	(9,011)	(1,355)	(11,795)	14,344
Decrease in provisions	(4,577)	(39)	-	-
Cash generated from (used in) operations	280,446	264,359	(11,742)	(1,336)
Income taxes paid, net	(12,678)	(10,165)	-	-
Interest paid	(14,945)	(14,774)	(12,989)	(15,834)
Net cash generated from (used in) operations before purchases of and proceeds from disposal of vehicles for hire	252,823	239,420	(24,731)	(17,170)
Purchases of vehicles for hire	(303,537)	(362,011)	-	-
Proceeds from disposals of vehicles for hire	188,592	156,290	-	-
Net cash generated from (used in) operations	137,878	33,699	(24,731)	(17,170)

(b) Cash and cash equivalents

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash and cash equivalents comprise:				
Cash and bank balances	11,169	67,843	-	-
Bank overdrafts	(4,348)	(51,063)	(4,200)	(50,853)
Cash and cash equivalents	6,821	16,780	(4,200)	(50,853)

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 2021

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 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
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)
Total comprehensive income	-	-	654	2,316	9	7,676	10,655
Total equity at 30 April 2020 and 1 May 2020	236,556	(3,090)	(149)	(2,509)	330,477	310,282	871,567
Share options fair value charge	-	-	-	-	-	2,518	2,518
Share options exercised	-	-	-	-	-	(1,703)	(1,703)
Dividends paid	-	-	-	-	-	(24,928)	(24,928)
Net purchase of shares	-	(5,073)	-	-	-	-	(5,073)
Transfer of shares on vesting of share options	-	1,703	-	-	-	-	1,703
Deferred tax on share based payments recognised in equity	-	-	-	-	-	12	12
Total comprehensive income (expense)	-	-	149	(1,681)	(1)	65,566	64,033
Total equity at 30 April 2021	236,556	(6,460)	-	(4,190)	330,476	351,747	908,129

Company	Share capital and share premium £000	Hedging reserve £000	Other reserves £000	Retained earnings £000	Total £000
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)
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	-
Total comprehensive income	-	654	-	33,364	34,018
Total equity at 30 April 2020 and 1 May 2020	236,556	(149)	325,030	105,555	666,992
Share options fair value charge	-	-	-	2,518	2,518
Dividends paid	-	-	-	(24,928)	(24,928)
Deferred tax on share based payments recognised in equity	-	-	-	12	12
Total comprehensive income	-	149	-	58,028	58,177
Total equity at 30 April 2021	236,556	-	325,030	141,185	702,771

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

Notes to the financial statements

1 General information

Redde Northgate plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 144 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 56.

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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 39, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. This assessment includes the impact that COVID-19 has had on the Group and how it is expected to impact trading and liquidity going forward.

Changes in accounting policy

The following new standards, interpretations and amendments to standards are mandatory for the Group for the first time for the year ended 30 April 2021:

- Amendments to the following standards:
 - IFRS 3 'Definition of a Business'
 - IFRS 7, IFRS 9 and IAS 39 'Interest Rate Benchmark Reform'
 - IAS 1 and IAS 8 'Definition of Material'
- Amendments to references to the conceptual framework in IFRS standards.

The Group has considered the above amendments to published standards and has concluded that these have no impact on the Group.

There are no further standards that have been issued but are not yet effective that would have a material impact on Group.

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 financial statements of the Company and its subsidiary undertakings made up to 30 April 2020 and 30 April 2021.

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 five 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

2 Principal accounting policies continued

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, which has 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 outsourced 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 vision of the Group's expected claim values are recorded in the income statement against revenue.

Government grants

Government grants are recognised when there is reasonable assurance that we will comply with the conditions attached, and that the grant will be received. Government grants are recognised in the income statement on a systematic basis over the period in which the related costs, which they are intended to compensate, are recognised as expenses.

During the year, the Group has utilised the Coronavirus Job Retention Scheme, in which the Government reimbursed 80% of the wages of certain employees who were asked to stop working ("furloughed") during COVID-19, but who were retained as employees. These grants have been credited against Staff costs (Note 7).

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 provisional 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.

Hindsight adjustments to the provisional identifiable assets acquired and the liabilities assumed are recognised within 12 months from the date of acquisition if necessary.

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. Where the fair value of consideration is less than the fair value of the net identifiable assets and liabilities acquired this gain on bargain purchase is recognised immediately in the income statement.

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	3 to 15 years
Software	5 years

Intangible assets – other

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Software assets are amortised on a straight line basis over their estimated useful lives, which range from 3 to 10 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 and 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 3 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.

2 Principal accounting policies continued

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 are 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 values of disposals of tangible assets are broadly equivalent to their market values 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 or issue derivative financial instruments for trading purposes.

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

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

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

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously

accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

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

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

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

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

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

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.

2 Principal accounting policies continued

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 Lessee:

For any new contracts entered into, 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; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses 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:

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.

For other assets leased to third parties, like the sub-lease of property, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

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 awards 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.

The Group operates a share save scheme under which employees have the option to convert savings to shares at an agreed exercise price. The Group recognises the option value evenly over the savings period.

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 3 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 2021 these uncertainties amount to £5,450,000 (2020: £14,704,000).

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.

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 judgements 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 2021 was £144,738,000 (2020: £162,271,000). A 4% difference between the carrying amount of claims in the balance sheet and the amounts finally settled would lead to a £5.8m charge or credit to the income statement in subsequent periods, which the directors consider to be the estimation uncertainty that will impact results in the next 12 months.

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 IFRS 7 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

During the prior year, the group acquired Redde plc on 21 February 2020 through a share for share exchange resulting in total fair value consideration of £318.4m. The purchase price allocation exercise was undertaken in order to identify and recognise provisional 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".

Goodwill arising on acquisitions have been subsequently tested for impairment at 30 April 2021 in line with policy (Note 2). Impairment testing requires judgement 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 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 plausible downside scenarios as outlined further in the viability statement on page 39. 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 plausible downside 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 4 September 2020 the Group acquired certain businesses and assets of Nationwide Accident Repair Services (Nationwide) by way of a purchase from administrators. The acquisition is in line with Group strategy and vision to become the leading integrated mobility solutions provider. The acquisition has been included within the Redde segment. A provisional purchase price allocation exercise has been undertaken in accordance with IFRS 3 "Business Combinations".

Details of this provisional purchase consideration, the net assets acquired and goodwill are as follows:

	£000
Purchase consideration	
Cash payable	10,823
Contingent consideration	290
Total	11,113
The assets and liabilities recognised as a result of the acquisition are as follows:	
Intangible asset – customer relationships (Note 14)	1,000
Intangible asset – brand (Note 14)	450
Intangible asset – other software (Note 14)	2,100
Property, plant and equipment (Note 17)	9,945
Stock and work in progress	3,487
Other payables	(4,104)
Deferred tax on acquired intangibles (Note 27)	(276)
Net identified assets acquired	12,602
Gain on bargain purchase recognised in the income statement	1,489

Acquisition costs

Acquisition related costs of £1,078,000 have been charged to the income statement as exceptional administrative expenses (Note 31).

Contingent consideration

The contingent consideration arrangement requires the Group to pay up to £5m dependent on volumes of certain repair cases, in the 12 months following the date of acquisition.

The fair value of the contingent consideration arrangement of £290,000 was estimated using the scenario based method. The estimates are based on probability adjusted likelihood of certain repair case volumes being achieved. The liability is presented within trade and other payables in the balance sheet.

Contribution to the Group results

The business made an underlying operating loss of £6,523,000 in the post acquisition period from 4 September 2020 to 30 April 2021. Revenue during this period was £44,552,000.

Merger

On 21 February 2020, the Group acquired 100% of the equity interests of Redde plc, thereby obtaining control. The acquisition was made to enhance the Group's position in the market and create a leading integrated mobility solutions platform. Details of this business combination were disclosed in Note 4 to the Group's annual financial statements for the year ended 30 April 2020. Hindsight adjustments have been made in the period in relation to the provisional corporation and deferred tax at the date of the Merger. As a result, Goodwill has decreased by £1,602,000 (See Notes 9 and 13).

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 identifies three reportable segments, namely 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. The principal activities of these divisions are set out in the Strategic Report.

	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Redde 2021 £000	Corporate 2021 £000	Eliminations 2021 £000	Total 2021 £000
Revenue: hire of vehicles	310,066	205,500	–	–	–	515,566
Revenue: sale of vehicles	161,417	68,392	–	–	–	229,809
Revenue: claims and services	–	–	364,124	–	–	364,124
External revenue	471,483	273,892	364,124	–	–	1,109,499
Intersegment revenue	1,530	–	7,604	–	(9,134)	–
Total revenue	473,013	273,892	371,728	–	(9,134)	1,109,499
Timing of revenue recognition:						
At a point in time	161,417	68,392	140,266	–	–	370,075
Over time	310,066	205,500	223,858	–	–	739,424
External revenue	471,483	273,892	364,124	–	–	1,109,499
Underlying operating profit (loss)	76,800	33,700	3,358	(8,406)	–	105,452
Income from associates	–	–	4,364	–	–	4,364
Underlying EBIT*	76,800	33,700	7,722	(8,406)	–	109,816
Exceptional items (Note 31)						(8,017)
Amortisation on acquired intangible assets						(19,513)
Gain on bargain purchase						1,489
EBIT						83,775
Interest income						164
Finance costs						(16,760)
Profit before taxation						67,179
Other information						
Capital expenditure	200,845	142,342	64,485	–	–	407,672
Depreciation	86,173	87,672	17,764	–	–	191,609
Reportable segment assets	639,544	473,626	597,193	–	–	1,710,363
Income tax assets						4,826
Total assets						1,715,189
Reportable segment liabilities	262,136	236,051	276,839	–	–	775,026
Income tax liabilities						32,034
Total liabilities						807,060

* Underlying EBIT stated before amortisation on acquired intangible assets and exceptional items is the measure used by the Board of Directors to assess segment performance.

	Northgate UK&I 2020 £000	Northgate Spain 2020 £000	Redde 2020 £000	Corporate 2020 £000	Eliminations 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
External revenue	451,046	260,906	67,397	-	-	779,349
Intersegment revenue	60	-	-	-	(60)	-
Total revenue	451,106	260,906	67,397	-	(60)	779,349
Timing of revenue recognition:						
At a point in time	137,124	56,671	14,379	-	-	208,174
Over time	313,922	204,235	53,018	-	-	571,175
External 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)
Amortisation on acquired intangible assets						(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	598,792	-	-	1,781,953
Income tax assets						10,133
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 amortisation on acquired intangible assets 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.

5 Segmental reporting continued**Geographical information**

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

	Revenue 2021 £000	Non-current assets 2021 £000	Revenue 2020 £000	Non-current assets 2020 £000
United Kingdom and Ireland	835,607	929,136	518,443	917,738
Spain	273,892	446,164	260,906	451,845
	1,109,499	1,375,300	779,349	1,369,583

	United Kingdom and Ireland 2021 £000	Spain 2021 £000	Total 2021 £000
Revenue from contracts with customers	310,516	68,392	378,908
Revenue from other sources	525,091	205,500	730,591
	835,607	273,892	1,109,499

	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

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

6 Operating profit

	2021 £000	2020 £000
Operating profit is stated after charging (crediting):		
Depreciation of property, plant and equipment (Notes 15,16 and 17):		
Owned	168,478	198,567
Relating to IFRS 16 (leases)	16,371	7,880
Relating to HP (leases)	6,760	1,628
Impairment of property, plant and equipment (Notes 17 and 31)	4,341	1,304
Reversal of previous Impairment of property, plant and equipment (Notes 17 and 31)	(1,304)	–
Impairment of intangible software assets (Notes 14 and 31)	–	14,910
Amortisation of intangible assets (Note 14)	20,198	3,987
Staff costs (Note 7)	195,074	120,652
Cost of inventories recognised as an expense	264,508	230,515
Net impairment of trade receivables (Note 33)	8,722	7,886
Auditors' remuneration for audit services (below)	1,083	936
Auditors' remuneration for non-audit services (below)	54	976
	2021 £000	2020 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	356	346
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	727	590
Total audit fees	1,083	936
Audit related assurance services (Review of interim Financial Statements)	54	22
Other assurance services	–	954
Total non-audit fees	54	976

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 disclose such fees on a consolidated basis. Total audit fees for 2021 include £86,000 for finalisation of the 2020 audit.

A description of the work of the Audit and Risk Committee is set out on pages 67 to 70 and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.

7 Staff costs

	2021 Number	2020 Number
The average monthly number of persons employed by the Group:		
By geography:		
United Kingdom and Ireland	5,600	2,247
Spain	1,221	1,201
	6,821	3,448
By function:		
Direct operations	5,728	2,711
Administration	1,093	737
	6,821	3,448
	2021 £000	2020 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	166,201	98,807
Social security costs	21,201	14,023
Other pension costs – defined contribution plans	5,154	3,619
Share based payments	2,518	4,203
	195,074	120,652

Included in the above are amounts credited to the related costs for grants received under the Coronavirus Job Retention Scheme of £17,191,000 (2020: £1,834,000).

Wages and salaries include £7,324,000 (2020: £4,773,000) 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 71 to 83.

8 Finance costs

	2021 £000	2020 £000
Interest on bank overdrafts and loans	11,670	13,133
Amortisation of arrangement fees	1,645	1,326
Interest arising on leased assets following adoption of IFRS 16	2,064	1,245
Interest arising on other lease obligations	1,058	212
Preference share dividends	25	25
Other interest	298	4
Finance costs (excluding exceptional items)	16,760	15,945
Amortisation of arrangement fees (Note 31)	–	566
Exceptional finance costs	–	566
Finance costs	16,760	16,511

9 Taxation

	2021 £000	2020 £000
Current tax:		
UK corporation tax	12,661	6,112
UK adjustment in respect of prior years (including exceptional release of uncertain tax provisions)	(11,196)	247
Foreign tax (including adjustment in relation to prior year)	811	1,616
	2,276	7,975
Deferred tax:		
Origination and reversal of timing differences	(1,346)	(2,323)
Adjustment in respect of prior years	683	151
	(663)	(2,172)
Total tax charge	1,613	5,803

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

9 Taxation continued

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

	2021 £000	2021 %	2020 £000	2020 %
Profit before taxation	67,179		13,479	
Tax at the UK corporation tax rate of 19% (2020: 19%)	12,764	19.0	2,561	19.0
Tax effect of expenses that are not deductible in determining taxable profit	1,337	2.0	3,646	27.0
Tax effect of income not taxable in determining taxable profit	(1,467)	(2.2)	(1,691)	(12.5)
Difference in tax rates in overseas subsidiary undertakings	954	1.4	1,315	9.8
Net movement on uncertain tax provisions	(9,276)	(13.8)	1,298	9.6
Overseas available reliefs	(1,081)	(1.6)	(693)	(5.1)
Adjustment to tax charge in respect of prior years	(1,618)	(2.4)	(633)	(4.7)
Tax charge and effective tax rate for the year	1,613	2.4	5,803	43.1

In addition to the amount charged to the income statement, a net deferred tax amount of £23,000 has been charged (2020: £1,278,000) directly to equity (Note 27).

As a result of the fair value hindsight adjustment in relation to the Merger, £143,000 of deferred tax and £1,459,000 of current tax have been credited to Goodwill (Notes 4 & 13).

The underlying tax charge of £16,990,000 (2020: £11,479,000) excludes exceptional tax credits of £1,286,000 (2020: £4,661,000) as set out in Note 31, and tax credits on brand royalty charges and amortisation on acquired intangible assets of £4,083,000 (2020: £1,015,000) and tax credits of £10,008,000 (2020: £nil) in relation to the release of uncertain tax provisions in respect of the Group financing structure. There are deferred tax assets of £nil (2020: £95,000) 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.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted, therefore this has not been reflected in Group tax balances for the year ended 30 April 2021.

10 Dividends

An interim dividend of 3.4p per Ordinary share was paid in January 2021 (2020: 6.3p). The Directors propose a final dividend for the year ended 30 April 2021 of 12.0p per Ordinary share (2020: 6.8p) which is subject to approval at the annual general meeting and has not been included as a liability as at 30 April 2021. Based upon the shares in issue at 30 April 2021, this equates to a final dividend payment of £29.5m (2020: £16.7m). No dividends have been paid between 30 April 2021 and the date of signing the financial statements.

11 Earnings per share

	Underlying 2021 £000	Statutory 2021 £000	Underlying 2020 £000	Statutory 2020 £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	76,230	65,566	47,519	7,676
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	246,091,423	246,091,423	154,509,197	154,509,197
Effect of dilutive potential Ordinary shares: – share options	4,081,514	4,081,514	1,048,391	1,048,391
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	250,172,937	250,172,937	155,557,588	155,557,588
Basic earnings per share	31.0p	26.6p	30.8p	5.0p
Diluted earnings per share	30.5p	26.2p	30.5p	4.9p

12 Result of the Parent Company

A profit of £58,028,000 (2020: £33,364,000) is dealt with in the financial statements of the Company. The Directors have taken advantage of the exemption available under Section 408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

13 Goodwill

	£000
At 1 May 2019	3,589
Acquired through business combinations	112,516
At 30 April 2020 and 1 May 2020	116,105
Hindsight adjustment to fair value of assets acquired (Note 4)	(1,602)
At 30 April 2021	114,503

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:

	2021 £000	2020 £000
Northgate Vehicle Hire (UK)	3,589	3,589
Auxillis	74,827	76,429
FMG	31,078	31,078
NewLaw	5,009	5,009
	114,503	116,105

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 aligned to UK GDP growth rate 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, approved by the Directors in May 2021. 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 2021 £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	8.8	2.0	137.2	126.9
Auxillis	74,827	8.8	2.0	82.3	75.9
FMG	31,078	8.8	2.0	15.7	14.5
NewLaw	5,009	8.8	2.0	2.9	2.6
	114,503				

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 Northgate Vehicle Hire (UK), Auxillis and FMG. A 1% increase in the discount rate or a 1% reduction in the growth rate applied to terminal values would result in an impairment to NewLaw of £0.7m or £0.5m respectively. However, the Directors are satisfied that the Group forecasts and underlying assumptions are reasonable and no impairment is required for the current year.

In the prior year, impairment assessment was based on risk adjusted cash flow forecasts derived from a business plan approved by the Directors in July 2020 using a pre tax discount rate of 8.9% and pre tax growth rate of 2.5% for all CGUs. It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged.

14 Other intangible assets

	Group			Company	
	Customer relationships £000	Other software £000	Brand names £000	Total £000	Other software £000
Cost:					
At 1 May 2019	15,195	24,697	-	39,892	149
Acquisition	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 and 1 May 2020	169,600	35,706	12,800	218,106	135
Acquisition (Note 4)	1,000	2,100	450	3,550	-
Additions	-	1,834	-	1,834	-
Disposals	-	(15,536)	-	(15,536)	-
Exchange differences	-	(44)	-	(44)	-
At 30 April 2021	170,600	24,060	13,250	207,910	135
Amortisation:					
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 and 1 May 2020	2,884	29,358	154	32,396	106
Charge for the year	17,370	1,888	940	20,198	19
Disposals	-	(15,505)	-	(15,505)	-
Exchange differences	-	(9)	-	(9)	-
At 30 April 2021	20,254	15,732	1,094	37,080	125
Carrying amount:					
At 30 April 2021	150,346	8,328	12,156	170,830	10
At 30 April 2020	166,716	6,348	12,646	185,710	29
				2021	2020
				£000	£000
Intangible amortisation:					
Included within underlying operating profit				685	809
Excluded from underlying operating profit*				19,513	3,178
				20,198	3,987

* Amortisation of intangible assets excluded from underlying operating profit relates to intangible assets recognised on business combinations.

15 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
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 and 1 May 2020	1,263,488
Additions	329,377
Exchange differences	(795)
Transfer from motor vehicles	357
Transfer to inventories	(276,153)
At 30 April 2021	1,316,274
Depreciation:	
At 1 May 2019	340,627
Charge for the year	192,461
Exchange differences	1,101
Transfer from motor vehicles	(44)
Transfer to inventories	(155,368)
At 30 April 2020 and 1 May 2020	378,777
Charge for the year	161,247
Exchange differences	(630)
Transfer from motor vehicles	192
Transfer to inventories	(116,654)
At 30 April 2021	422,932
Carrying amount:	
At 30 April 2021	893,342
At 30 April 2020	884,711

At 30 April 2021, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £26,189,000 (2020: £2,710,000).

16 Property, plant and equipment: vehicles for credit hire

Group	£000
Cost:	
At 1 May 2019	–
Acquisition	52,475
Additions	3,718
Disposals	(3,809)
At 30 April 2020 and 1 May 2020	52,384
Additions	38,983
Disposals	(36,910)
At 30 April 2021	54,457
Depreciation:	
At 1 May 2019	–
Charge for the year	2,395
Disposals	(1,051)
At 30 April 2020 and 1 May 2020	1,344
Charge for the year	11,898
Disposals	(2,783)
At 30 April 2021	10,459
Carrying amount:	
At 30 April 2021	43,998
At 30 April 2020	51,040

At 30 April 2021, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £nil (2020: £701,000).

17 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
At 1 May 2019	83,876	31,692	3,327	118,895
Recognised on adoption of IFRS 16	47,845	-	-	47,845
Acquisition	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 and 1 May 2020	147,845	40,750	3,030	191,625
Acquisition (Note 4)	6,828	3,117	-	9,945
Additions	30,446	4,653	2,379	37,478
Exchange differences	(65)	(90)	-	(155)
Transfer to vehicles for hire	-	-	(357)	(357)
Disposals	(6,871)	(1,285)	(1,371)	(9,527)
At 30 April 2021	178,183	47,145	3,681	229,009
Depreciation:				
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 and 1 May 2020	38,872	25,479	1,265	65,616
Charge for the year	11,352	6,116	996	18,464
Impairment (Note 31)	4,341	-	-	4,341
Impairment reversal (Note 31)	(1,036)	(268)	-	(1,304)
Exchange differences	(105)	(56)	-	(161)
Transfer to vehicles for hire	-	-	(192)	(192)
Disposals	(2,772)	(751)	(812)	(4,335)
At 30 April 2021	50,652	30,520	1,257	82,429
Carrying amount:				
At 30 April 2021	127,531	16,625	2,424	146,580
At 30 April 2020	108,973	15,271	1,765	126,009

Land & buildings above include the following:

	2021 £000 NBV	2020 £000 NBV
Land and buildings by category:		
Freehold and long leasehold	54,114	48,958
Short leasehold	73,417	60,015
	127,531	108,973

Short leasehold properties include £66,158,000 of leases arising on the adoption of IFRS 16 (2020: £54,090,000).

17 Other property, plant and equipment continued

Property, plant and equipment (Notes 15, 16 and 17) include the following right of use leased assets:

Group	Vehicles for hire £000	Vehicles for credit hire £000	Other property, plant and equipment £000	Total £000
Cost:				
At 1 May 2019	-	-	-	-
Recognised on transition	-	-	47,845	47,845
Acquisition	-	52,475	13,759	66,234
Additions	-	3,718	1,505	5,223
Exchange differences	-	-	177	177
Disposals	-	(3,809)	(975)	(4,784)
At 30 April 2020 and 1 May 2020	-	52,384	62,311	114,695
Additions	11,860	38,983	30,018	80,861
Exchange differences	-	-	(43)	(43)
Disposals	-	(36,910)	(4,738)	(41,648)
At 30 April 2021	11,860	54,457	87,548	153,865
Depreciation:				
At 1 May 2019	-	-	-	-
Charge for the year	-	2,395	7,113	9,508
Impairment	-	-	1,036	1,036
Exchange differences	-	-	(21)	(21)
Disposals	-	(1,051)	(75)	(1,126)
At 30 April 2020 and 1 May 2020	-	1,344	8,053	9,397
Charge for the year	1,411	11,898	9,822	23,131
Impairment	-	-	3,305	3,305
Exchange differences	-	-	(80)	(80)
Disposals	-	(2,783)	(1,481)	(4,264)
At 30 April 2021	1,411	10,459	19,619	31,489
Carrying amount:				
At 30 April 2021	10,449	43,998	67,929	122,376
At 30 April 2020	-	51,040	54,258	105,298

18 Investments

Company	Shares in subsidiary undertakings £000	Loans in subsidiary undertakings £000	Total £000
Cost and carrying amount:			
At 1 May 2019	73,893	47,000	120,893
Additions	318,394	-	318,394
Capital contribution	2,608	-	2,608
At 30 April 2020 and 1 May 2020	394,895	47,000	441,895
Capital contribution	1,651	-	1,651
At 30 April 2021	396,546	47,000	443,546

At 30 April 2021, a full list of subsidiaries of the Group, for all of which the Ordinary shares were wholly owned, was as follows:

Name	Registered office
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 Legal LLP*	Helmont House, Churchill Way, Cardiff, CF10 2HE
FMG Repair Services Ltd (Formerly Runmycar Limited*)	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
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
Goode Durrant Administration Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
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
NG Finance Limited*	6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland
NLS Trustees Limited*	7th Floor Delta House, 50 West Nile Street, Glasgow, G1 2NP
Northgate (CB) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (CB2) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Europe) Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Malta) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate (MT) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate España Renting Flexible S.A.*	Avd Isaac Newton, 3 Parque Empresarial La Carpetania, 28906 Getafe, Madrid, Spain
Northgate Holdings Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
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
Northgate Vehicle Sales Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Principia Law Limited*	Bowland House, Gadbrook Business Centre, Rudheath, Northwich, Cheshire, CW9 7TN
Redde Limited	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Rose Bidco 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 has interest in associates, which comprise a minority participation in five (2020: five) 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 which it does not control.

Interest in associates are as follows:

	£000
At 1 May 2019	–
Acquisition	5,646
Group's share of:	
Profit from continuing operations	952
Distributions from associates	(590)
At 30 April 2020 and 1 May 2020	6,008
Group's share of:	
Profit from continuing operations	4,364
Distributions from associates	(4,325)
At 30 April 2021	6,047

Details of the Group's associates, being interests in the following LLPs of which a Group company is a designated Principal Member, at 30 April 2021 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 LLPs 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	2021 £000	2020 £000
Vehicles held for resale	14,762	43,383
Spare parts and consumables	6,783	5,379
	21,545	48,762

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

21 Receivables and contract assets

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade receivables	98,391	77,462	–	–
Contract assets – claims due from insurance companies and self-insuring organisations	144,738	162,271	–	–
Amounts due from subsidiary undertakings	–	–	995,192	949,117
Other taxes	–	–	426	369
Other receivables and prepayments	59,220	56,032	495	51
	302,349	295,765	996,113	949,537

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.

Contract assets – claims due from insurance companies and self-insuring organisations

An analysis of claims from insurance companies is given below:

	Group			
	2021 £000	2020 £000	2021 %	2020 %
Pending claims	3,902	7,136	3	5
Between 1 and 120 days old	42,647	52,413	29	32
More than 120 days old	98,189	102,722	68	63
Total	144,738	162,271	100	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 27% (2020: 32%) of contract assets. The measurement of contract assets changes from period to period due to the estimation uncertainty.

The carrying value of contract assets, in relation to insurance claims of £144,738,000 (2020: £162,271,000), has decreased mainly as a result of lower business volumes over the COVID-19 period. An adjustment of £1.0m was made in the 12 months to 30 April 2021 for claims that were settled at a net lower amount than the carrying value at 30 April 2020 (a £4.2m adjustment was made in the comparative ten month period to 30 April 2020, which includes eight months prior to the Merger, for claims that were settled at a higher net amount than the carrying value at 30 June 2019).

22 Trade and other payables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade payables	96,187	94,628	438	72
Amounts due to subsidiary undertakings	-	-	328,318	198,561
Social security and other taxes	29,227	25,173	178	418
Accruals and deferred income	108,100	102,541	3,804	15,616
	233,514	222,342	332,738	214,667

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Less than one year	229,666	222,342	332,738	214,667
In one year to five years	3,077	-	-	-
More than five years	771	-	-	-
Total due in more than one year	3,848	-	-	-

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 £197,496,000 (2020: £66,759,000) non interest bearing and repayable on demand and a term loan repayable in June 2023 of £130,822,000 (2020: £131,802,000) which bears interest at 1.85% above LIBOR (2020: 1.85%).

23 Provisions

Following the acquisition of Redde the Group acquired a number of onerous contracts in relation to properties no longer occupied. The provision reflected the Directors' estimate of the net holding cost of these leases to the end date of those leases discounted to their present value. During the period, £4,577,000 provisions has been utilised and at the same time a property impairment has been recognised in relation to the assets to which they relate (Note 17).

23 Provisions continued

Group	Onerous contracts £000
At 1 May 2019	–
Acquisition	4,616
Provisions made	369
Provisions utilised	(408)
At 30 April 2020 and 1 May 2020	4,577
Provisions made	–
Provisions utilised (Note 31)	(4,577)
At 30 April 2021	–

Group	2021 £000	2020 £000
Less than one year	–	3,369
In one year to five years	–	1,083
More than five years	–	125
Total due in more than one year	–	1,208

24 Borrowings

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

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Bank loans and overdrafts	325,339	451,910	317,911	422,791
Loan notes	86,817	86,868	86,817	86,868
Cumulative Preference shares	500	500	500	500
Confirming facilities	388	479	–	–
	413,044	539,757	405,228	510,159

The borrowings are repayable as follows:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	11,771	54,205	4,200	50,853
Confirming facilities	388	479	–	–
	12,159	54,684	4,200	50,853
In the second year				
Bank loans	77,795	–	77,795	–
Loan notes	86,863	–	86,863	–
	164,658	–	164,658	–
In the third to fifth years				
Bank loans	240,069	403,136	240,069	377,136
Loan notes	–	86,905	–	86,905
	240,069	490,041	240,069	464,041
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	(4,342)	(5,468)	(4,199)	(5,235)
Total borrowings	413,044	539,757	405,228	510,159
Less: Amounts due for settlement within one year (shown within current liabilities)	12,159	54,684	4,200	50,853
Amounts due for settlement after more than one year	400,885	485,073	401,028	459,306

The UK bank loans, totalling £317,864,000 (gross of unamortised fees) at 30 April 2021, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £86,863,000 (gross of unamortised fees) at 30 April 2021, 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 0.90% to 1.85% (2020: 0.70% to 1.85%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt, subject to a floor of 0%. Bank loans and overdraft facilities mature in November 2023.

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 (2020: 1,300,000), of which 1,000,000 (2020: 1,000,000) were allotted and fully paid at the balance sheet date.

Confirming facilities

Spanish confirming facilities of £388,000 (2020: £479,000) are unsecured and all fall due within one year. The Group pays no interest on confirming.

Total borrowing facilities

The Group has various borrowing facilities available to it. The undrawn 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:

	2021 £000	2020 £000
Less than one year	10,606	14,894
In one year to five years	287,431	202,196
	298,037	217,090

The above undrawn amounts exclude £6,821,000 (2020: £16,780,000) of net cash and overdraft balances available to offset against those facilities. 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 2020 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2021 £000
Bank loans	400,847	(82,517)	1,135	1,526	320,991
Bank overdrafts	51,063	(46,630)	-	(85)	4,348
Loan notes	86,868	-	(9)	(42)	86,817
Leases arising following adoption of IFRS 16	62,999	(16,994)	46,432	32	92,469
Leases arising under HP obligations	40,953	(37,814)	32,860	-	35,999
Cumulative Preference shares	500	-	-	-	500
Confirming facilities	479	-	(93)	2	388
	643,709	(183,955)	80,325	1,433	541,512
Cash at bank and in hand	(67,843)	56,307	-	367	(11,169)
Consolidated net debt	575,866	(127,648)	80,325	1,800	530,343

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 2021, the gearing of the Group amounted to 85.2% (2020: 101.1%) where net borrowings (including lease obligations) are £530,343,000 (2020: £575,866,000) and shareholders' funds less goodwill and the net book value of intangible assets are £622,796,000 (2020: £569,752,000).

24 Borrowings continued**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 may be managed through the use of interest rate derivatives as detailed in Note 26.

At 30 April 2021, 27.6% (2020: 59.6%) of net borrowings (including leases arising under HP obligations) were at fixed rates of interest comprising loan notes of €100,000,000, £500,000 of Preference shares, £388,000 of confirming facilities and leases arising under HP obligations of £35,999,000 (30 April 2020: 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).

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 2021			
Bank loans	61,153	259,838	320,991
Bank overdrafts	4,185	163	4,348
Loan notes	–	86,817	86,817
Leases arising following adoption of IFRS 16	73,216	19,253	92,469
Leases arising under HP obligations	35,999	–	35,999
Cumulative Preference shares	500	–	500
Confirming facilities	–	388	388
	175,053	366,459	541,512

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

25 Leases

As lessee

Lease liabilities are presented in the statement of financial position as follows:

	2021 £000	2020 £000
Current	32,375	33,691
Non-current	96,093	70,261
	128,468	103,952

The tables below describe the nature of the Group's leasing activities by the type of right-of-use asset recognised:

	Number of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term (years)	Carrying value at 30 April 21 £000	Depreciation expense for period to 30 April 21 £000
At 30 April 2021					
Land and buildings	127	1-99	9	66,158	9,163
Company vehicles	318	1-3	1	1,771	658
Fleet vehicles (IFRS 16)	3,599	1-4	2	18,424	6,550
Fleet vehicles (HP)	2,308	1-3	1	36,023	6,760
At 30 April 2020					
Land and buildings	116	1-50	8	54,090	7,103
Company vehicles	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

25 Leases continued

The lease liabilities are secured by the related underlying assets. Future minimum lease payments are as follows:

	<1 year £000	1-2 years £000	2-5 years £000	>5 years £000	Total £000
At 30 April 2021					
Lease payments:					
Arising following adoption of IFRS 16	21,366	17,223	30,704	38,857	108,150
Arising under HP obligations	14,166	20,844	2,798	–	37,808
Total lease payments	35,532	38,067	33,502	38,857	145,958
Finance charges:					
Arising following adoption of IFRS 16	2,291	1,795	3,275	8,320	15,681
Arising under HP obligations	866	852	91	–	1,809
Total finance charges	3,157	2,647	3,366	8,320	17,490
Net present values	32,375	35,420	30,136	30,537	128,468
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

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 £10,811,000 (2020: £1,987,000) were expensed on a straight line basis over the lease term.

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	2021 £000	2020 £000
Interest rate derivatives	–	(184)
They are represented in the balance sheet as follows:		
Current derivative financial instrument liabilities	–	(184)
Non-current derivative financial instrument liabilities	–	–
	–	(184)

Interest rate derivatives

The interest rate management policy is to ensure that the Group is not exposed to undue risk from changes to interest rates. The Group's exposure to interest fluctuations on its borrowings may be managed through the use of interest rate derivatives if required. There were no interest rate derivatives to which the Group was party as at 30 April 2021.

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

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 (2020: £nil).

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 2019	3,230	1,098	(998)	(22)	(2,412)	-	(2,266)	(1,370)
Acquisition	(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 and 1 May 2020	(5,724)	348	(537)	34,828	(1,135)	55	(654)	27,181
Acquisition (Note 4)	-	-	-	276	-	-	-	276
Acquisition hindsight adjustments (Note 4)	(170)	-	-	27	-	-	-	(143)
Charge (credit) to income	4,395	-	(468)	(3,681)	(756)	-	(153)	(663)
(Credit) charge to equity	-	-	(12)	-	-	-	35	23
Exchange differences	(16)	-	-	-	(16)	-	4	(28)
At 30 April 2021	(1,515)	348	(1,017)	31,450	(1,907)	55	(768)	26,646

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 2021	
Deferred tax assets	(4,826)
Deferred tax liabilities	31,472
Net deferred tax liabilities	26,646
At 1 May 2020	
Deferred tax assets	(10,133)
Deferred tax liabilities	37,314
Net deferred tax assets	27,181

In the current year, the net charge to equity of £23,000 (2020: £1,278,000 charge) in respect of other temporary differences relates to derivative financial instruments, which has been reflected in the hedging reserve (Note 30). As a result of the fair value hindsight adjustment in relation to the Merger, £143,000 of deferred tax has been credited to goodwill (Note 4 and 13).

27 Deferred tax continued

There are deferred tax assets of £nil (2020: £95,000) which are not recognised in the balance sheet. Net deferred tax assets classified as other temporary differences are £768,000 (2020: £654,000). 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 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 and 1 May 2020	(537)	(55)	(592)
Credit to income	(468)	(31)	(499)
(Credit) charge to equity	(12)	35	23
At 30 April 2021	(1,017)	(51)	(1,068)

28 Share capital

Group and Company	Number of shares	£000
Allotted and fully paid Ordinary shares of 50p each:		
At 1 May 2019	133,232,518	66,616
Shares issued (Note 30)	112,858,905	56,430
At 1 May 2020 and at 30 April 2021	246,091,423	123,046

During the prior year, 112,858,905 Ordinary shares of 50p were issued in connection with the acquisition of Redde plc.

29 Share premium account

Group and Company	£000
At 1 May 2019	113,508
Premium on shares issued (Note 30)	2
At 1 May 2020 and at 30 April 2021	113,510

30 Other reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Other reserve £000
At 1 May 2019	40	1,134	67,463	-
Foreign exchange differences	-	9	-	-
Acquisition	-	-	-	261,831
At 1 May 2020	40	1,143	67,463	261,831
Foreign exchange differences	-	(1)	-	-
At 30 April 2021	40	1,142	67,463	261,831

Company	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000	Other reserve £000
At 1 May 2019	40	1,371	63,159	-
Acquisition	-	-	-	261,831
Reserve transfer	-	(1,371)	-	-
At 1 May 2020 and 30 April 2021	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 104. 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 2021 the Guernsey Trust held 2,245,434 (2020: 699,625) 50p Ordinary shares and the YBS Trust held 24,855 (2020: 11,154) 50p Ordinary shares. The total number of shares held by these employee trusts represents 0.9% (2020: 0.3%) 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 Notes 2 and 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

In the prior year, 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 was 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 Section 612 of the Companies Act 2006 in respect of merger relief.

31 Exceptional items

	2021 £000	2020 £000
Impairment of property, plant and equipment	4,341	1,304
Reversal of previous impairment of property, plant and equipment	(1,304)	-
Other costs	4,980	25,561
Intangible impairment	-	14,910
Exceptional administrative expenses	8,017	41,775
Restructuring expenses	2,754	8,609
Acquisition expenses	1,088	18,256
FMG RS set up and integration costs	5,728	-
Legal settlement	(1,553)	-
Intangible impairment	-	14,910
Exceptional administrative expenses	8,017	41,775
Refinancing expenses	-	566
Exceptional finance costs	-	566
Gain on bargain purchase (Note 4)	(1,489)	-
Total pre-tax exceptional items	6,528	42,341
Tax credits relating to exceptional items	(1,286)	(4,661)

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

Restructuring expenses

The Group incurred total exceptional restructuring costs of £2,754,000 (2020: £8,609,000) of which £2,151,000 arose in Redde (2020: £nil), a £169,000 credit in Northgate UK&I (2020: £4,701,000 charge), £772,000 in Northgate Spain (2020: £1,531,000) and £nil in Corporate (2020: £2,377,000). These costs were incurred in relation to restructuring activities that were undertaken during the period as part of the integration and reorganisation of the Combined Group.

The restructuring expenses incurred during the year related to costs associated with reduction in headcount totalling £2,734,000 and net costs incurred in relation to the closure and reorganisation of sites of £20,000, including net impairments of property, plant and equipment

Closure and reorganisation of sites

Included within the £20,000 of costs in relation to the closure and reorganisation of sites, are expenses incurred by the Group during the year of £1,560,000, provisions release credits in relation to properties of £4,577,000, impairments of property plant and equipment of £4,341,000 and credits for the reversal of previous impairments of £1,304,000.

31 Exceptional items continued**Acquisition expenses**

The Group incurred acquisition expenses of £1,088,000 (2020: £18,256,000). These related to professional services expenses directly attributable to the acquisition of the trade and assets of Nationwide of £1,078,000 (2020: £nil) and £10,000 (2020: £18,256,000) in relation to the Merger.

FMG RS set up and integration costs

The Group incurred costs of £5,728,000 (2020: £nil) in relation to the set up of FMG RS and integration of the business, including redundancies.

Legal settlement

During the year the Group settled a legal dispute in relation with a provider of certain IT and software development services to the Group. This resulted in a credit of £1,553,000 (2020: £nil) relating to expected costs no longer payable.

Intangible impairment

During the prior year the Group impaired certain IT and software development services in relation to the Northgate IT system in development. The Group incurred exceptional costs in relation to this impairment of £14,910,000.

Refinancing expenses

During the prior year the Group incurred exceptional finance costs of £566,000 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 71 to 83.

All options granted under the DABP, MPSP, EPSP and EAB are nil cost options. Options granted under the SAYE Scheme have exercise prices ranging from £2.12 to £4.01.

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.

The SAYE Scheme has a three year savings period where employees save at an agreed rate. At the end of the savings period, employees can to choose to either exercise options or withdraw their savings.

Details regarding the plans in the year ended 30 April 2021 are outlined below:

	DABP Number of share options	MPSP Number of share options	Free shares Number of free shares	EPSP Number of share options	AESS Number of matching shares	SAYE Number of share options
At 1 May 2020	126,737	16,272	206,094	387,039	312,249	1,027,839
Granted/allocated during the year	-	-	-	3,120,864	158,218	2,003,552
Exercised/vested during the year	(62,645)	-	(11,564)	(104,924)	(97,253)	(30,421)
Forfeited/lapsed during the year	(1,476)	-	(19,551)	(74,653)	(31,424)	(289,878)
At 30 April 2021	62,616	16,272	174,979	3,328,326	341,790	2,711,092
Exercisable at the end of the year	48,419	16,272	-	-	-	-
	DABP 2021	MPSP 2021	Free Shares 2021	EPSP 2021	AESS 2021	SAYE 2021
Weighted average remaining contractual life at the end of the year	5.2 years	1.3 years	1.3 years	9.2 years	1.9 years	2.4 years
Weighted average share price at the date of exercise of options in the year	£2.08	-	£2.30	£1.96	£2.54	£2.22
Date options granted/allocated during the year				August/ October 2020	January 2021	February 2021
Aggregate estimated fair value of options at the date of grant				£4,718,000	£263,000	£1,805,000
The inputs into the Black Scholes/Monte Carlo model were as follows:						
Weighted average share price				£1.89	£2.54	£2.75
Weighted average exercise price				£nil	£nil	£2.12
Expected volatility				71.7%	75.0%	75.0%

	DABP 2021	MPSP 2021	Free Shares 2021	EPSP 2021	AESS 2021	SAYE 2021
Expected life				3 years	3 years	3 years
Risk free rate				(0.04%)	0.00%	0.14%
Expected dividends				5.46%	6.6%	6.6%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. 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 1 May 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.

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 (2020: €0.20) increase and decrease in the Euro/Sterling exchange rate.

A €0.20 (2020: €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 (2020: €0.20) change in foreign currency rates.

33 Financial instruments continued

	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2021			
Profit before taxation	67,179	62,897	73,320
Total equity	908,129	889,357	934,793
2020			
Profit before taxation	13,479	9,963	18,487
Total equity	871,567	849,961	902,263

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 if necessary. 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% (2020: 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
2021			
Profit before taxation	67,179	63,863	70,495
Total equity	908,129	905,442	910,816
2020			
Profit before taxation	13,479	11,562	15,396
Total equity	871,567	870,014	873,120

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	
	2021 %	2020 %	2021 000	2020 000	2021 £000	2020 £000
Outstanding receive floating pay fixed contracts						
Sterling						
Within one year	-	1.17	-	£25,000	-	(41)
In the second to fifth years inclusive	-	-	-	-	-	-
Euro						
Within one year	-	0.06	-	€190,000	-	(143)
In the second to fifth years inclusive	-	-	-	-	-	-

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 2021	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%	100,923	-	-	-	100,923
Fixed interest rate instruments	2.40%	2,093	87,411	75	500	90,079
Variable interest rate instruments	1.84%	13,398	83,166	242,717	-	339,281
		116,414	170,577	242,792	500	530,283

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

Company 2021	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%	202,134	-	-	-	202,134
Fixed interest rate instruments	2.40%	2,093	87,411	75	500	90,079
Variable interest rate instruments	1.87%	8,457	85,648	373,954	-	468,059
		212,684	173,059	374,029	500	760,272

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

There were no derivative financial instruments in place at 30 April 2021. The following table details the Group's liquidity analysis for its derivative financial instruments in the prior year. 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

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 values 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.

	2021 £000	2020 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	125,668	100,346
Allowance for doubtful receivables	(27,277)	(22,884)
	98,391	77,462
Ageing of trade receivables not impaired		
Not overdue	64,244	47,554
Past due not more than two months	20,344	18,061
Past due more than two months but not more than four months	5,402	4,761
Past due more than four months but not more than six months	8,401	7,086
Total	98,391	77,462

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, £3,268,000 (2020: £2,439,000) is due from the Group's largest customer. There are no customers which 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 geographic areas in Northgate UK&I and Northgate Spain.

	2021 £000	2020 £000
Movement in the allowance for doubtful receivables		
At 1 May	22,884	19,295
Impairment losses recognised	10,654	11,297
Amounts written off as uncollectable	(4,262)	(4,380)
Impaired losses reversed	(1,932)	(3,411)
Exchange differences	(67)	83
At 30 April	27,277	22,884

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 £1,120,000 (2020: £1,452,000).

	2021 £000	2020 £000
Ageing of impaired trade receivables		
Not overdue	1,115	549
Past due not more than two months	1,441	1,282
Past due more than two months but not more than four months	2,927	2,906
Past due more than four months but not more than six months	1,300	1,674
Past due more than six months but not more than one year	20,494	16,473
	27,277	22,884

The Directors consider that the carrying amount of receivables and contract assets approximates 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 £2,516,000 (2020: £3,496,000) interest payable and £7,470,000 (2020: £6,847,000) 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, which are regarded as related parties, are provided in Note 19. The Group made sales and recharges of expenses to these associates amounting to £9,448,000 (2020: £1,507,000) and made purchases of £374,000 (2020: £22,000) from those associates. At the year end the Group was owed £3,072,000 (2020: £1,300,000) by these associates, included in trade receivables.

Transactions with other related parties

There were no transactions with other related parties in the current or prior years.

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 71 to 83.

The fair value charged to the income statement in respect of equity settled share based payment transactions with the Directors is £563,000 (2020: £816,000). There are no other long term benefits accruing to key management personnel, other than as set out in the Remuneration report.

35 Events after the reporting period

On 11 June 2021 the Group purchased approximately 2,000 vehicles, most with existing customer contracts, from a Scottish vehicle rental business, for an initial consideration of £25m.

Glossary

Term	Definition
AGM	Annual general meeting of the Company
Annual report on remuneration	That section of the Remuneration report which is subject to an advisory shareholder vote
B2B	Business to business
B2C	Business to consumer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Contract hire	IFRS 16 (leases) relating to vehicles where the funder retains the residual value risk
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)
EAB	Executive Annual Bonus scheme
EBIT	Earnings before interest and taxation. Underlying unless otherwise stated
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Basic earnings per share. Underlying unless otherwise stated
EPSP	Executive Performance Share Plan
ESG	Environmental, social and governance
EV	Electric vehicle
Facility headroom	Calculated as facilities of £711m less net borrowings of £406m. Net borrowings represent net debt of £530m excluding lease liabilities of £128m and unamortised arrangement fees of £4m and are stated after the deduction of £7m of net cash and overdraft balances which are available to offset against borrowings
FCA	Financial Conduct Authority
FMG RS	The trading part of the Redde business that was acquired from Nationwide
FNOL	First notice of loss
Free cash flow	Net cash generated after principal lease payments and before the payment of dividends
FY2020	The year ended 30 April 2020
FY2021	The year ended 30 April 2021
FY2022	The year ending 30 April 2022
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 owned 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
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
IFRS 16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
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
Lease principal payments	Includes the total principal payment on leases including those recognised before and after adoption of IFRS 16
Listing Rules	The Listing Rules of the FCA
MPSP	Management Performance Share Plan (closed to new awards from 2013)
Nationwide	Nationwide Accident Repair Services trade and assets acquired by the Group on 4 September 2020

Term	Definition
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
PBT	Profit before taxation. Underlying unless otherwise stated
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
ROCE	Underlying return on capital employed: calculated as underlying EBIT (see GAAP reconciliation) divided by average capital employed excluding acquired goodwill and intangible assets
RTA	Road traffic accident
SAYE	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)
Steady state cash generation	Underlying EBITDA less net replacement capex
TCFD	The Task Force on Climate-related Financial Disclosures
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
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 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

Financial calendar

December

Publication of interim statement

January

Payment of interim dividend

July

Announcement of year end results
Report and financial statements available to shareholders

September

Annual general meeting
Payment of final dividend

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