

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial advisor, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent financial advisor if you are in a territory outside the United Kingdom.

This document, which comprises a prospectus (the “Prospectus”) relating to the New Northgate Shares has been prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority (the “FCA”) made under section 73A of the Financial Services and Markets Act 2000 (the “FSMA”), has been approved by the FCA in accordance with section 85 of the FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

The Prospectus has been approved by the FCA (as competent authority under Regulation (EU) 2017/1129) as a prospectus prepared in accordance with the Prospectus Regulation Rules made under section 73A of the FSMA. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares.

The existing Northgate Shares are currently listed on the premium listing segment of the Official List maintained by the FCA (the “Official List”) and traded on the London Stock Exchange’s main market for listed securities. Applications have been made to the FCA for the New Northgate Shares to be admitted to the premium listing segment of the UK Official List and to the London Stock Exchange for the New Northgate Shares to be admitted to trading on its main market for listed securities.

It is expected that Admission will become effective, and that dealings on the London Stock Exchange in the New Northgate Shares will commence, at 8.00 a.m. on the first Business Day following the Effective Date. No application will be made for the New Northgate Shares to be admitted to listing or dealt with on any other exchange. The New Northgate Shares will, when issued, rank *pari passu* in all respects with the existing Northgate Shares.

The Northgate Directors and the Proposed Directors, whose names appear in Part 3 (*Directors, Secretary, Registered and Head Office and Advisors*) of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Northgate Directors, the Proposed Directors and the Company, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors are advised to examine all the risks that might be relevant in connection with the value of an investment in the New Northgate Shares. Prospective investors should read the entire document and, in particular, Part 1 (*Risk Factors*) for a discussion of certain factors that should be considered in connection with an investment in the Company, the Combined Group, the Northgate Shares and the New Northgate Shares.

NORTHGATE

Northgate plc

(Incorporated under the Companies Act 1862 and registered in England and Wales with registered number 00053171)

Proposed issue of up to 114,755,965 new ordinary shares in Northgate plc in connection with its proposed merger with Redde plc and application for admission of up to 114,755,965 new ordinary shares in Northgate plc to the premium listing segment of the UK Official List and to trading on the London Stock Exchange

Sponsor and Lead Joint Financial Advisor

Goldman Sachs International

Joint Financial Advisor

Barclays

Prospective investors should only rely on the information contained in this Prospectus and the documents (or parts thereof) incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Northgate Directors, the Proposed Directors or the Sponsor. In particular, the contents of the Company’s and Redde’s websites do not form part of this document and investors should not rely on them.

Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus, neither the delivery of this document nor Admission, under any circumstances, create any implication that there has been no change in the business or affairs of the Northgate Group or the Combined Group taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information if so required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Goldman Sachs International (“Goldman Sachs”) is authorised in the United Kingdom by the Prudential Regulation Authority (the “PRA”) and regulated by the PRA and the FCA in the United Kingdom. Goldman Sachs is acting exclusively for Northgate plc and no one else in connection with the Merger, Admission and this Prospectus, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Merger, Admission or this Prospectus and will not be responsible to anyone

other than Northgate plc for providing the protections afforded to its clients, or for providing advice, in relation to the Merger, Admission or this Prospectus or any other transaction, arrangement or matter referred to in this Prospectus.

Barclays Bank PLC, acting through its Investment Bank ("Barclays"), is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA in the United Kingdom. Barclays is acting exclusively for Northgate plc and no one else in connection with the Merger, Admission and this Prospectus, and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Merger, Admission or this Prospectus and will not be responsible to anyone other than Redde plc for providing the protections afforded to its clients, or for providing advice, in relation to the Merger, Admission or this Prospectus or any other transaction, arrangement or matter referred to in this Prospectus.

Goldman Sachs and Barclays and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees. Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs and Barclays by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Goldman Sachs and Barclays do not accept any responsibility whatsoever for, or make any representation or warranty, express or implied, as to the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Northgate Shares or the Merger and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Each of Goldman Sachs and Barclays accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

Recipients of this Prospectus are authorised solely to use it for the purpose of considering the terms of the Merger and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering the terms of the Merger or an investment in the New Northgate Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

Prior to making any decision as to whether to accept the terms of the Merger and acquire the New Northgate Shares, the Redde Shareholders, as prospective investors in the Company, should read this Prospectus in its entirety, together with the Scheme Document. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Merger, including the merits and risks involved.

Prospective investors also acknowledge that (a) they have not relied on Goldman Sachs and Barclays or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision, and (b) they have relied only on the information contained in this Prospectus and the documents (or parts thereof) incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised.

Persons who come into possession of this document should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements, and pay any issue, transfer or other taxes due, in relation to the distribution of this document and the Merger. Any failure to comply with such restrictions or requirements, and pay any issue, transfer or other taxes due, may constitute a violation of the securities laws of any such jurisdiction.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISOR OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

NEITHER THE COMPANY, GOLDMAN SACHS NOR ANY OF THEIR RESPECTIVE REPRESENTATIVES IS MAKING ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OF THE NEW NORTHGATE SHARES REGARDING THE LEGALITY OF AN INVESTMENT IN THE NEW NORTHGATE SHARES BY SUCH PROSPECTIVE INVESTOR UNDER THE LAWS APPLICABLE TO SUCH PROSPECTIVE INVESTOR.

THIS PROSPECTUS DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OR INVITATION TO SELL OR ISSUE, OR ANY SOLICITATION OF ANY OFFER TO PURCHASE OR SUBSCRIBE FOR, ANY SECURITIES BY ANY PERSON IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

Notice to overseas shareholders

The release, publication or distribution of this Prospectus and the issue of the New Northgate Shares pursuant to the Merger in certain jurisdictions may be restricted by law. No action has been or will be taken to permit the possession, issue or distribution of this Prospectus in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, this Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Merger disclaim any responsibility or liability for the violation of such requirements by any person. Unless an exemption under relevant securities laws is available, the Merger is not being, and will not be, made available, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality of interstate or foreign commerce of, or by any facility of a national state or other securities exchange of any Restricted Jurisdiction, and no person may vote in respect of the Merger by any such use, means, instrumentality or facility or from within any Restricted Jurisdiction.

Accordingly, copies of this Prospectus and all documents relating to the Merger are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving this document (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal

obligation, or may otherwise intend, to forward this Prospectus and/or any other related document to a jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of such jurisdiction.

Notice to US holders of Redde Shares

The New Northgate Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act of 1933, as amended (the “US Securities Act”) provided by Section 3(a)(10) thereof. Redde Shareholders (whether or not US Persons) who are or will be affiliates (within the meaning of the US Securities Act) of Northgate or Redde prior to, or of Northgate after, the Effective Date will be subject to certain US transfer restrictions relating to the New Northgate Shares received pursuant to the Scheme (as described below).

The New Northgate Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Northgate Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom.

The New Northgate Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Scheme (other than “affiliates” as described in the paragraph below) may resell them without restriction under the US Securities Act.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of Northgate or Redde prior to, or of Northgate after, the Effective Date may not resell the New Northgate Shares received under the Scheme without registration under the US Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Redde Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Northgate Shares received under the Scheme.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Redde will advise the Court through counsel that its sanctioning of the Scheme will be relied upon by Northgate as an approval of the Scheme following a hearing on its fairness to Redde Shareholders, at which hearing all Redde Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all Redde Shareholders.

None of the securities referred to in this Prospectus have been approved or disapproved by the US Securities and Exchange Commission (“SEC”), any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Merger relates to the securities of a UK-registered company with a listing on the London Stock Exchange and is proposed to be effected by means of a scheme of arrangement under the laws of the United Kingdom. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Exchange Act.

The Merger is subject to United Kingdom disclosure requirements, which are different from certain United States disclosure requirements. The financial information included in this Prospectus has been or will be prepared in accordance with IFRS and may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Each US holder of Redde Shares is urged to consult his, her or its independent professional adviser immediately regarding the tax consequences of the Merger.

Northgate is a public limited company incorporated under English law. Many of the Northgate Directors and the Proposed Directors are citizens of the United Kingdom (or other non-US jurisdictions), and all of the Company’s material assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Northgate Directors or the Proposed Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-D (A.1 – D.2). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A—INTRODUCTION AND WARNINGS

A.1.1 *Name and international securities identifier number (ISIN) of the securities*

Pursuant to the Merger, Northgate intends to issue 114,755,965 new ordinary shares (the “New Northgate Shares”). The New Northgate Shares will represent approximately 46% of the expected issued ordinary share capital of Northgate immediately following Completion.

The Shares will be registered with ISIN number GB00B41H7391 and SEDOL number B41H739 and trade under the symbol “NTG”.

A.1.2 *Identity and contact details of the issuer, including its Legal Entity Identifier (LEI)*

The registered office and principal place of business of Northgate plc (the “Company”) is at Northgate Centre, Lingfield Way, Darlington, England, DL1 4PZ. Northgate’s telephone number is +44 (0)1325 467558 and its legal entity identifier (“LEI”) number is 213800B3ZUTDOZYVB41.

A.1.3 *Identity and contact details of the competent authority approving the prospectus*

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129, with its head office at 12 Endeavour Square, London, E20 1JN, and telephone number: +44 (0)20 7066 1000, in accordance with Regulation (EU) 2017/1129. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129, and such approval should not be considered as an endorsement of the issuer that is, or of the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Shares.

A.1.4 *Date of approval of the prospectus*

This Prospectus was approved on 12 December 2019.

A.1.5 *Warning*

This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to the prospectus (the “Prospectus”).

Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. The investor could lose all or part of their invested capital in the New Northgate Shares. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

SECTION B—KEY INFORMATION ON THE ISSUER

B.1 *Who is the issuer of the securities?*

B.1.1 *Domicile, legal form, LEI, jurisdiction of incorporation and country of operation*

Northgate is a public limited company with registered number 00053171, incorporated on 2 July 1897 as Northgate Limited and re-registered as a public company limited by shares and renamed Northgate plc on 14 January 1987 with its registered office situated in England and Wales. Northgate operates under the Companies Act 2006. Northgate’s LEI number is 213800B3ZUTDOZYVB41.

B.1.2 *Principal activities*

The Combined Group

The Combined Group will serve customers across core rental and accident and incident management business lines. The Combined Group will achieve greater diversification across its territories, service lines and customer base, with a strong financial profile and balance sheet.

Northgate

Northgate is the leading light commercial vehicle hire business in the UK, Ireland and Spain by fleet size and has been operating in the sector since 1981. Northgate’s core business is the hire of light commercial vehicles to businesses on a flexible or minimum-term

basis, giving customers the ability to manage their fleet requirements in a way which can adapt best to changing business needs. Northgate operates a modern fleet of over 100,000 vehicles from more than 100 sites across the UK and Ireland, and Spain. Through this network it partners with a wide spectrum of customers from sole traders to blue chip multi-nationals across multiple sectors.

Redde

The Redde Group offers a comprehensive package of motor claims accident management services, including vehicle replacement and repair management together with full claims-handling assistance, as well as legal and other bespoke services. It is positioned to provide its key business partners with a range of services, from direct assistance to the non-fault motorist, through to partially or fully outsourced case-handling facilities. The Redde Group's business partners are insurance companies, brokers and other motoring organisations such as car dealerships, motor manufacturers, leasing companies and repair centres. The Redde Group also provides specialised large fleet accident and incident management services for over 400,000 fleet vehicles through the FMG group of companies.

B.1.3 Major shareholders

In so far as is known to the Directors, the following are the interests (within the meaning of Part 22 of the Act) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of Northgate immediately following Completion:

Shareholders	As at 6 December 2019 (the Latest Practicable Date)		Immediately following the Merger becoming effective ⁽¹⁾	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
Aberforth Partners LLP	14,555,426	10.92	14,555,426	5.87
Schroder Investment Management Limited	14,267,451	10.71	16,751,360	6.75
JO Hambro Capital Management Limited	12,539,545	9.41	12,539,545	5.06
Fidelity International	8,214,217	6.17	8,214,217	3.31
Crystal Amber Asset Management (Guernsey)	7,928,491	5.95	7,928,491	3.20
Dimensional Fund Advisors LP	7,341,631	5.51	7,747,113	3.12
Legal & General Investment Management Limited	7,239,645	5.43	7,476,086	3.01
Artemis Investment Management LLP	6,684,920	5.02	6,684,920	2.70
Blackrock Inc.	5,701,992	4.28	8,490,562	3.42
Norges Bank Investment Management	5,436,352	4.08	6,413,671	2.59
Janus Henderson Investors	4,449,099	3.34	8,240,020	3.32
Vanguard Group Inc.	4,268,393	3.20	4,344,980	1.75
Invesco Ltd	–	–	21,133,361	8.52
Link	–	–	13,175,725	5.31
Lombard Intl Assurance	–	–	11,197,970	4.52
Richard Griffiths	–	–	11,040,230	4.45

Notes:

- (1) Figures are calculated assuming that (i) interests of the Principal Shareholders as at close of business on 6 December 2019 do not change and no other Northgate Shares are issued until Admission and (ii) the maximum number of New Northgate Shares are issued in connection with the Merger.

The Shares owned by the Principal Shareholders rank *pari passu* with the other Shares in all respects.

B.1.4 Key managing directors

Following completion of the Merger the Combined Group's Chief Executive Officer will be Martin Ward, born in 1967, and its Chief Financial Officer will be Philip Vincent, born in 1969.

B.1.5 Identity of the statutory auditors

The auditors of Northgate for the period covered by the historical financial information set out in this Prospectus are PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"), chartered accountants, whose registered address is at Central Square South, Orchard Street, Newcastle-Upon-Tyne NE1 3A2.

B.2 What is the key financial information regarding the issuer?

Selected financial information of Northgate

The tables below set out Northgate's summary financial information for the periods indicated, as reported in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The audited consolidated financial information for Northgate as at and for each of the three years ended 30 April 2017, 2018 and 2019 has been extracted without material adjustment from Northgate's Annual Report and Financial Statements for 2017, 2018 and 2019.

Summary consolidated income statement

	Year ended 30 April			For the six months ended 31 October	
				(unaudited)	
	2017	2018	2019 (£000)	2018	2019
Total Revenue.....	667,429	701,672	745,470	373,971	357,786
Operating profit.....	81,482	64,077	75,491	36,181	32,890
Profit for the period.....	60,901	43,232	51,418	24,448	21,490

Summary consolidated balance sheet

	As at 30 April			As at 31 October	
				(unaudited)	
	2017	2018	2019 (£000)	2018	2019
Total assets.....	955,248	1,118,933	1,128,368	1,234,171	
Total equity.....	516,617	539,128	563,616	571,729	

Summary condensed consolidated cash flow statement

	Year ended 30 April			Six months ended 31 October	
				(unaudited)	
	2017	2018	2019 (£000)	2018	2019
Net cash generated from/(used in) operations	47,818	(81,797)	38,528	(12,214)	1,827
Net cash generated from/(used in) investing activities.....	(4,787)	(10,990)	(14,887)	(5,949)	(7,272)
Net cash generated from/(used in) financing activities	(43,358)	87,280	(37,257)	14,508	16,579
Net increase/(decrease) in cash and cash equivalents.....	(327)	(5,507)	(13,616)	(3,655)	11,134
Cash and cash equivalents at the beginning of the period..	18,748	19,637	14,127	14,127	805
Effect of foreign exchange movements	1,216	(3)	294	214	(281)
Cash and cash equivalents at the end of the period	19,637	14,127	805	10,686	11,658

Selected financial information of Redde

The tables below set out Redde's summary financial information for the periods indicated, as reported in accordance with IFRS. The audited consolidated financial information for Redde as at and for each of the three years ended 30 June 2017, 2018 and 2019 has been extracted without material adjustment from Redde's Annual Report and Financial Statements for 2017, 2018 and 2019.

Summary consolidated income statement

	Year ended 30 June		
	2017	2018 (£000)	2019
Revenue	472,344	526,981	589,724
Operating profit.....	30,419	36,776	36,681
Profit for the year	26,811	34,528	34,506

Summary consolidated statement of financial position

	As at 30 June		
	2017	2018 (£000)	2019
Total assets	345,215	371,997	388,102
Total equity.....	158,954	160,195	161,084

Summary consolidated statement of cash flows

	Year ended 30 June		
	2017	(£000) 2018	2019
Net cash generated from/(used in) operations	47,221	39,712	12,047
Net cash generated from/(used in) investing activities.....	19,080	27,272	29,656
Net cash generated from/(used in) financing activities.....	(64,604)	(72,582)	(60,569)
Net increase/(decrease) in cash and cash equivalents	1,697	(5,598)	(18,866)
Cash and cash equivalents at 1 July	34,647	36,344	30,746
Cash and cash equivalents at 30 June	36,344	30,746	11,880

*Pro forma financial information***Pro forma consolidated income statement (unaudited)**

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the proposed Merger on the income statement of the Combined Group as if it had occurred on 1 May 2018.

	Northgate Note 1	Redde Note 2	Adjustment Note 3	Adjustment Note 4	Adjustment Note 5	Pro forma Note 6
			(£000)			
Revenue	745,470	589,724	—	—	—	1,335,194
Cost of sales.....	(592,598)	(452,034)	1,222	—	—	(1,043,410)
Gross profit	152,872	137,690	1,222	—	—	291,784
Administrative expenses (excluding exceptional items and certain intangible amortisation).....	(76,672)	(93,375)	—	(1,082)	—	(171,129)
Exceptional administrative expenses.....	—	(5,244)	—	1,082	(24,300)	(28,462)
Certain intangible amortisation	(709)	(2,390)	—	—	—	(3,099)
Total administrative expenses	(77,381)	(101,009)	—	—	(24,300)	(202,690)
Operating profit	75,491	36,681	1,222	—	(24,300)	89,094
Share of associates.....	—	5,261	—	—	—	5,261
EBIT	75,491	41,942	1,222	—	(24,300)	94,355
Interest income	39	37	—	—	—	76
Finance costs	(15,124)	(325)	(1,222)	—	—	(16,671)
Profit before taxation	60,406	41,654	—	—	(24,300)	77,760
Taxation	(8,988)	(7,148)	—	—	—	(16,136)
Profit for the year	51,418	34,506	—	—	(24,300)	61,624

Notes:

- (1) The income statement of Northgate has been extracted without material adjustment from its audited financial statements for the year ended 30 April 2019.
- (2) The income statement of Redde has been extracted without material adjustment from its audited financial statements for the year ended 30 June 2019.
- (3) Interest costs related to finance lease expense on finance-leased vehicles included with cost of sales within the financial statements of Redde have been reclassified to interest costs, in line with the presentation of the equivalent costs within the financial statements of Northgate.
- (4) Share based payments expenses included as non-trading administrative expenses within the financial statements of Redde have been reclassified to underlying administrative expenses in line with the presentation of the equivalent costs within the financial statements of Northgate.
- (5) Adjustment represents the costs of the Merger. Such costs consist of advisor and other transaction fees and are wholly attributable to the acquisition and are non-recurring.
- (6) In preparing the unaudited pro forma income statement, no account has been taken of the trading activity or other transactions of the Northgate Group since 30 April 2019 or the Redde Group since 30 June 2019. Neither has any adjustment been made for any synergies, or related costs (which will be incurred post-transaction), which are anticipated to be achieved from the Merger. Further, no adjustment has been made to Northgate's interest costs in the event that Northgate is required to draw on the Backstop Facilities Agreement.

Pro forma consolidated balance sheet (unaudited)

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the proposed Merger on the net assets of the Combined Group as if it had occurred on 30 April 2019.

	Northgate	Redde	Adjustment	Adjustment	Adjustment	Pro forma
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
	(£000)					
Non-current assets						
Goodwill	3,589	85,077	204,780	—	—	293,446
Other intangible assets	11,495	14,137	(14,137)	—	—	11,495
Interest in associates	—	4,401	—	—	—	4,401
Property, plant and equipment: vehicles for hire	900,335	40,169	—	—	—	940,504
Other property, plant and equipment	68,843	5,853	—	—	—	74,696
Total property, plant and equipment	969,178	46,022	—	—	—	1,015,200
Deferred tax assets	6,620	6,940	—	—	—	13,560
	990,882	156,577	190,643	—	—	1,338,102
Current assets						
Inventories	29,826	—	—	—	—	29,826
Trade and other receivables	71,802	219,645	—	—	—	291,447
Current tax assets	116	—	—	—	—	116
Cash and bank balances	35,742	11,880	—	(24,300)	—	23,322
	137,486	231,525	—	(24,300)	—	344,711
Total assets	1,128,368	388,102	190,643	(24,300)	—	1,682,813
Current Liabilities						
Trade and other payables	72,487	171,301	—	—	—	243,788
Derivative financial instruments	77	—	—	—	—	77
Current tax liabilities	13,425	—	—	—	—	13,425
Short term borrowings	44,190	24,535	—	—	(9,000)	59,725
Provisions	—	3,401	—	—	—	3,401
	130,179	199,237	—	—	(9,000)	320,416
Net current assets	7,307	32,288	—	(24,300)	9,000	24,295
Non-current liabilities						
Derivative financial instrument liabilities ..	914	—	—	—	—	914
Long term borrowings	428,409	22,030	—	—	9,000	459,439
Deferred tax liabilities	5,250	3,800	—	—	—	9,050
Provisions	—	1,951	—	—	—	1,951
	434,573	27,781	—	—	9,000	471,354
Total liabilities	564,752	227,018	—	—	—	791,770
Net assets	563,616	161,084	190,643	(24,300)	—	891,043

Notes:

- (1) The net assets of Northgate have been extracted without material adjustment from its audited financial statements for the year ended 30 April 2019.
- (2) The net assets of Redde have been extracted without material adjustment from its audited financial statements for the year ended 30 June 2019.
- (3) (i) The adjustment in Note 3 represents the goodwill that will be recognised in Northgate's consolidated financial statements upon completion of the acquisition, with the acquisition being accounted for as a business combination in accordance with IFRS 3

(£'000)

Acquisition adjustments	
Equity consideration (a)(b)	351,727
Less: net assets acquired of Redde plc (c)	(61,870)
Goodwill	289,857
Less: goodwill already included within Redde (c)	(85,077)
Pro forma adjustment required	204,780

- (ii) The consideration is due to be settled as follows:
- (a) The consideration of £352 million has been calculated as the issue of 114.8 million shares at a share price of 307p being the closing price per Northgate plc ordinary share on 6 December 2019 and based on the exchange ratio for the Merger of 0.3669 of New Northgate Shares in exchange for each Redde ordinary share.
 - (b) The consideration payable at completion will be different to the consideration included in this pro forma financial information as the number of shares to be issued and the share price will be calculated at the completion date.
 - (c) The net assets acquired of £62 million comprise the consolidated net assets of Redde plc as at 30 June 2019 of £161 million net of the elimination of goodwill and intangible assets of £99 million included in the Redde balance sheet as at 30 June 2019.
- (iii) Under IFRS acquisition accounting (IFRS 3), it is necessary to fair value the consideration paid and all the assets and liabilities of the acquired business. The excess of consideration over the book value acquired has been reflected in this pro forma financial information as goodwill. A fair value exercise to allocate the purchase price will be completed following the completion of the Merger; therefore, no account has been taken in the pro forma of any fair value adjustments that may arise on the acquisition, or for the value of customer-related or other intangibles to be recognised at the date of acquisition. Similarly, no pro forma amortisation has been applied. The allocation of the purchase price and fair value adjustments, when finalised post completion of the Merger, may be material.
- (4) Adjustment represents the estimated costs of the acquisition, which have been charged to the income statement. Such estimated costs consist of advisor and other transaction fees, which are wholly attributable to the acquisition and are non-recurring.
 - (5) Borrowings in Redde of £9 million are drawn under Redde's revolving credit facilities, which are repayable upon change of control. In such an event, this adjustment reflects that the repayment will be funded out of the undrawn borrowing facilities of Northgate.
 - (6) In preparing the unaudited pro forma net assets statement, no account has been taken of the trading activity or other transactions, including dividend payments which have been made between the respective year end dates and the date of the Merger Announcement, of the Northgate Group since 30 April 2019 or the Redde Group since 30 June 2019. Further, no adjustment has been made to Northgate's borrowings in the event that Northgate is required to draw on the Backstop Facilities Agreement.

B.3 What are the key risks that are specific to the issuer?

- The implementation of the Merger is subject to the satisfaction or waiver, where applicable, of a number of conditions.
- The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Redde Group effectively, including employee engagement, and realise the synergy benefits estimated to result from the Merger.
- The demand for the products and services of the Combined Group could be affected by a downturn in economic activity, including as a result of the UK's withdrawal from the European Union.
- Potential tariffs as a result of Brexit could increase the cost to the Combined Group in acquiring vehicles, in particular LCVs and cars, which could adversely impact the competitiveness of the Combined Group's vehicle rentals and sales and could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.
- The Northgate Group operates in a highly fragmented and competitive market with low barriers to entry, and a failure to compete with competitors on price, quality and/or service, or respond to structural or technological changes in the market, could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.
- A significant portion of the Redde Group's business is generated through referrals, particularly from a limited number of insurance companies. If the Redde Group is unable to maintain strong commercial relationships with its referral companies it could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.
- The Combined Group will operate a capital-intensive business model and must maintain access to sufficient sources of capital to maintain and grow its fleet.
- Change in regulation relating to greenhouse gasses and other emissions from internal combustion engines could impact the value of the Combined Group's fleet and require significant investment in hybrid or electric vehicles.

SECTION C—KEY INFORMATION ON THE SECURITIES

C.1 What are the main features of the securities?

C.1.1 Type, class and ISIN

When admitted to trading, the Shares will be registered with ISIN number GB00B41H7391 and SEDOL number B41H739 and trade under the symbol "NTG".

C.1.2 Currency, denomination, par value, number of securities issued and duration

The currency of the issue is United Kingdom pounds sterling.

As at the 6 December 2019 (being the Latest Practicable Date), the issued share capital of Northgate is £66,616,259, comprising 133,232,518 Shares of 50 pence each, (all of which were fully paid or credited as fully paid). Immediately following completion of the Merger, the issued share capital of Northgate is expected to be £123,994,241.5 comprising 247,988,483 Shares of 50 pence each (all of which will be fully paid or credited as fully paid).

C.1.3 Rights attaching to the Shares

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of Northgate.

On a show of hands every holder of Shares in the capital of Northgate (each, a “Northgate Shareholder”) who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share.

Except as provided by the rights and restrictions attached to any class of shares, Northgate Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

C.1.4 *Rank of securities in the issuer’s capital structure in the event of insolvency*

The Shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law.

C.1.5 *Restrictions on transfer*

There are no restrictions on the free transferability of the Shares.

C.1.6 *Dividend or payout policy*

Following the Merger and subject to the approval of the board of the Combined Group, the Combined Group intends to adopt a progressive dividend policy consistent with a strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the board of the Combined Group will target a dividend cover of two times the Combined Group’s profit after tax. The Combined Group will look to pay an interim dividend that is 50 per cent. of the prior final dividend. Northgate may revise its dividend policy from time to time.

C.2 *Where will the securities be traded?*

The existing Northgate Shares are currently listed on the premium listing segment of the Official List maintained by the FCA (the “Official List”) and traded on the London Stock Exchange’s main market for listed securities. Application will be made to the FCA for the New Northgate Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.

C.3 *What are the key risks that are specific to the securities?*

- The Northgate Shares may be subject to market price volatility and the market price of the Northgate Shares may fluctuate significantly.
- The Company’s ability to pay dividends in the future depends, among other things, on the Combined Group’s financial performance and capital requirements.

**SECTION D— KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE
ADMISSION TO TRADING ON A REGULATED MARKET**

D.1 *Under which conditions and timetable can I invest in this security?*

Not applicable.

D.2 *Why is this prospectus being produced?*

This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in Northgate. It has been prepared in connection with the Merger.

PART 1

RISK FACTORS

An investment in the New Northgate Shares is subject to significant risks. Prior to investing in the New Northgate Shares, prospective investors should carefully consider all of the information in this Prospectus and, in particular, the risks described below before deciding to invest in the New Northgate Shares. The following describes some of the significant risks that could affect Northgate, Redde, and, if the Merger becomes effective, the Combined Group, and the value of the Northgate Shares. Additionally, some risks may be unknown to Northgate and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect Northgate's, Redde's, and, if the Merger becomes effective, the Combined Group's business, financial condition, results of operations and prospects. The market price of the Northgate Shares could decline due to any of these risks and Northgate Shareholders may lose all or part of their investment. This Prospectus also contains forward-looking statements that involve risks and uncertainties, including those described under "Information Regarding Forward-Looking Statements" elsewhere in this Prospectus. Northgate's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by Northgate described below and elsewhere in this Prospectus.

The risks described below are not an exhaustive list or explanation of all risks that investors may face when making an investment in the Northgate Shares. To the extent the description in this section relates to government or macroeconomic data, such information has been extracted from official government publications or other third-party sources and has not been independently verified by Northgate.

None of the statements made in this Part 1 (Risk Factors) in any way constitutes a qualification of the working capital statement contained in paragraph 18 (Working capital) of Part 21 (Additional Information) of this Prospectus.

1. Risks relating to the merger

1.1. *The implementation of the Merger is subject to the satisfaction or waiver, where applicable, of a number of conditions.*

Implementation of the Merger is subject to, among other things, approval of the Scheme by the Scheme Shareholders, the passing of the Northgate Resolutions by the Northgate Shareholders, obtaining the relevant approvals required from the FCA and SRA, and the sanctioning by the Court of the Scheme.

While the Northgate Group and the Redde Group believe that all conditions to the Merger can be satisfied or waived, as applicable, there can be no guarantee that the conditions will be timely met or waived, as applicable, on terms acceptable to both the Northgate Group and the Redde Group, or at all, or that such conditions can only be met after a significant diversion of financial resources or a significant devotion of management time and attention. If this were the case, the Merger may be delayed, which would prolong the period of uncertainty for both the Northgate Group and the Redde Group and may result in additional costs to their businesses, or may not become effective, either of which could have a material adverse effect on the business, results of operations, financial condition, or prospects of the Northgate Group and the Redde Group and, if the Merger becomes effective, the Combined Group.

1.2. *The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Redde Group effectively, including employee engagement, and realise the synergy benefits estimated to result from the Merger.*

The Merger will result in the integration of the Northgate Group and the Redde Group, and the success of the Merger will depend in part on the effectiveness of this integration process and, relatedly, the ability of the Combined Group to realise the anticipated benefits and synergies from combining the respective businesses. The process of integration could potentially lead to the

interruption of the operations of the businesses or a loss of their respective customers and/or key personnel, either or both of which could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

Integration may be adversely impacted, for example, by any negative reaction to the Merger by the employees of both businesses, which could also lead to short-term business disruption if employees focus on the Merger and impending organisational changes rather than maintaining day-to-day operations. Employee uncertainty may also lead to increased staff turnover, the loss of key personnel, higher absenteeism, an increase in employment related claims against either company, increased risk of loss of commercially sensitive data and/or an increased risk of malicious acts against the Combined Group by affected persons. There is also a risk that the challenges associated with managing the integration of the businesses will result in management distraction and that consequently the underlying businesses will not perform in line with expectations. Any delays or difficulties encountered in connection with the integration of the businesses could also lead to reputational damage to the Combined Group. In addition, some of the potential challenges in combining the businesses may not be known until after completion of the Merger.

Cost and revenue synergies from the Merger have been identified. The Northgate Directors expect that the Merger will generate pre-tax cost synergies of at least £10 million per annum, with target run-rate phasing of £7 million at the end of the first 12 months following Completion and £10 million at the end of the second 12 months following Completion. The ability to achieve the projected synergies is dependent upon a significant number of factors, some of which may be beyond the control of the Combined Group. There is a risk that the projected synergy benefits will fail to materialise, will take longer to materialise or will be materially lower than have been estimated, or that costs or dis-synergies expected to arise in respect of implementation of the Merger may be greater than expected. Any one or more of these factors could result in a loss of reputation, trust and goodwill with investors and/or have an adverse effect on the business, financial condition and results of operations of the Combined Group.

1.3. *Because the ratio in the Scheme is fixed, the market value of the New Northgate Shares to be received by Redde Shareholders pursuant to the Scheme may be less than the market value of the Redde Shares that such holder held prior to effectiveness.*

Under the terms of the Merger, Redde Shareholders will receive 0.3669 New Northgate Shares for each Redde Share pursuant to the Scheme (the “Exchange Ratio”). This Exchange Ratio will not be adjusted to reflect any changes in the market price of Redde Shares or Northgate Shares or exchange rates following the announcement of the Merger.

Changes in share price may result from a variety of factors that are beyond the control of the Combined Group, including its business prospects, market conditions, regulatory considerations, governmental actions, legal proceedings and other developments. Market assessments of the benefits of the Merger, implementation risks, as well as general and industry specific market and economic conditions may also have an adverse effect on share prices.

These or other factors could result in the market value of the New Northgate Shares to be issued to Redde Shareholders pursuant to the Scheme being less than the market value of the Redde Shares prior to Completion (or the market value of the New Northgate Shares being more than the market value of the Redde Shares), including the market value at the time of a Northgate shareholder vote or a Redde shareholder vote.

1.4. *Failure to complete the Merger could negatively affect the prices of Northgate Shares and Redde Shares and the future business and financial results of Northgate and Redde, respectively.*

If Completion does not occur, the share prices of Northgate Shares and/or Redde Shares as well as their ongoing businesses may be adversely affected, including as a result of the following:

- having to pay certain non-recurring transaction costs relating to the Merger, such as legal, banks, accounting and other professional fees; and

- having to devote significant attention and resources of the respective management of Northgate and Redde on the Merger instead of pursuing other business opportunities and/or limiting the capability to compete for and participate in important strategic opportunities which may arise in the industry that could have been beneficial to the respective companies.

There is no assurance that the Merger will complete and if Completion does not occur, Northgate and Redde will, respectively, incur significant transaction costs in connection with the proposed Merger without any corresponding benefit.

2. Risks relating to the Combined Group following completion

2.1. *The demand for the products and services of the Combined Group could be affected by a downturn in economic activity, including as a result of the UK's withdrawal from the European Union.*

Should there be an economic downturn, particularly in the UK, but also in Ireland and Spain, including as a result of Brexit (as defined below) or other factors, the impact would likely be felt by the Combined Group's customers, in particular with a decline in the construction and other industrial markets. A decline in these industries could result in decreased demand for the Group's light commercial vehicles ("LCVs"). Negative developments in, or the general weakness of, the UK, Irish and Spanish economies and, in particular, any restriction on infrastructure or capital spending projects, higher unemployment and lower household income may have a direct negative impact on the spending patterns of customers and the customers of the Combined Group's customers. Adverse changes in economic conditions could result in continued or further changes to driving patterns or decreased vehicle usage, and this may also result in lower numbers of accidents and therefore reduced business volumes. Such negative impacts could be further compounded by competitor activity, which could in turn cause pricing pressure. Economic uncertainty might also affect the Combined Group's key business partners and referrers and/or generally have an adverse impact on the insurance or other industries in which the Combined Group's key trading partners operate. In addition, an adverse change in macro-economic conditions could also increase the risk of customer failure and therefore incidences of bad debts. Any such effects caused by a downturn in economic activity in the countries in which the Combined Group operates could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

2.2. *Potential tariffs could increase the cost to the Combined Group in acquiring vehicles, in particular LCVs and cars, which could adversely impact the competitiveness of the Combined Group's vehicle rentals and sales and could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.*

The UK referendum to withdraw from the European Union ("Brexit"), has created uncertainty around the future relationship between the UK and other countries (including those in the European Union), and the introduction of customs duties and tariffs on trade is a possibility. In particular, the imposition of tariffs on LCVs could result in additional costs for the Combined Group to acquire new vehicles and there is no guarantee that the Combined Group will be able to pass these additional costs onto its customers. Trade barriers and other governmental action related to tariffs or international trade agreements around the world has the potential to decrease demand for the Combined Group's products and services, increase the Combined Group's costs, negatively impact its suppliers and customers and/or adversely impact the markets in which the Combined Group operates or certain sectors thereof and, thus, could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

2.3. *Information technology ("IT") systems are integral to the Combined Group's operations. Failure to invest in the Combined Group's systems appropriately, and in the security and continuity of those systems, could result in a loss of commercial agility, loss or theft of sensitive data, and an inability to carry out the Combined Group's business activities effectively.*

The Combined Group depends on its IT systems for the efficient functioning of its business. The Combined Group's IT systems facilitate its ability to monitor and control its assets and operations, operate its claims monitoring and digital customer portal and adjust to changing market

conditions and customer needs. Any significant disruptions or failure in these systems to operate as expected could, depending on the magnitude of the problem, adversely affect proper functioning of the Combined Group's business. In addition, because the Combined Group's systems sometimes contain information about individuals and businesses, its failure to appropriately safeguard the security of the data it holds, whether as a result of its own error or the malfeasance or errors of others, could harm its reputation or give rise to legal liabilities. Other IT and operational risks include the risk of direct and/or indirect loss resulting from inadequate or failed internal and external processes, systems, or infrastructure from fraud or human error or from external events. Northgate's UK operations are currently in the process of developing a new IT system. This could take longer than expected, disrupt or fail to effectively integrate with its current systems, fail to achieve the expected benefits and/or result in cost overruns. The Redde Group's business is dependent on processing a large number of incidents for management, claims and vehicle hires and repairs. There could be a failure, weakness in, or security breach of, the Redde Group's systems, processes or business continuity arrangements. The impact of such risks on the Combined Group could lead to lower revenue, increased costs and other material adverse effects on the Combined Group's business, financial condition, results of operations or prospects.

2.4. *The Combined Group's profitability depends upon minimising vehicle holding costs and the inability to effectively manage those costs could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.*

The Combined Group's vehicle holding costs, which are primarily affected by the pricing levels of new vehicles purchased and the disposal value of vehicles sold, are a key driver of the Combined Group's overall cost of sales. Pricing is negotiated with manufacturers annually in advance of purchases being made. While the Combined Group aims to manage the number and mix of suppliers and model variants to optimise buying terms there can be no assurance that the Combined Group will be able to negotiate future purchases on the same or similar terms as it has in the past. In addition to vehicle purchase cost, the Combined Group is exposed to fluctuations in the used vehicle market. The Combined Group reviews the holding period of vehicles continuously to ensure that it makes disposals at the optimal time in a vehicle's life-cycle, but should the market experience a decline in residual values for an extended period of time, this would affect the Combined Group's ability to sell its vehicles and in turn negatively affect its vehicle holding costs. An increase in vehicle holding costs, if not recovered through vehicle hire rate increases or other operational efficiencies, would adversely affect profitability and could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

2.5. *The Combined Group will depend on qualified personnel in key management positions, the loss of which, or the Combined Group's inability to attract, retain and motivate these key people, could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.*

The successful operation of the Combined Group's businesses as well as the further development of its business depends in part on its managers and other key personnel. The Executive Directors and Senior Managers have significant experience in the industry and have made an important contribution to the Northgate Group's and the Redde Group's growth and success. The loss of the services of any of the Executive Directors or Senior Managers could have a material adverse effect on the Combined Group's business, results of operations and financial condition. The Combined Group may also not be successful in attracting and retaining such individuals in the future. The Combined Group's future success partially depends on its ability both to retain and attract senior managers who have a significant impact on the Combined Group's development and to attract and retain other skilled employees who are able to effectively operate its business. The Combined Group cannot guarantee that it will be able to attract and retain such managers or skilled employees in the future.

3. Risks relating to the Northgate business

3.1. *The Northgate Group operates in a highly fragmented and competitive market with low barriers to entry, and a failure to compete with competitors on price, quality and/or service, or respond to structural or technological changes in the market, could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.*

The vehicle hire industry is highly competitive and highly fragmented. The markets in which the Northgate Group operates are served by numerous competitors, ranging from national rental companies, like the Northgate Group, to smaller multi-regional companies and independent businesses operating in a limited number of locations. Competitiveness in the market has led to pricing pressure. Price is a significant consideration for many customers and, as a result, the Northgate Group is vulnerable to aggressive price competition. Some of the Northgate Group's principal competitors may have different financial structures, may be more geographically diversified and may be better able to withstand adverse market conditions within the vehicle hire industry. As a result of consolidation in the market, the Northgate Group's competitors may be able to adapt more quickly to new technologies and customer needs, devote greater resources to promoting or selling their products and services, initiate and withstand substantial price competition, expand into new markets, hire away the Northgate Group's key employees, change or limit access to key information and systems, take advantage of acquisition or other strategic opportunities more readily and develop and expand their product and service offerings more quickly than the Northgate Group is able to. Similarly, the market in which the Northgate Group operates may experience more general structural or technological changes to which the Northgate Group would need to respond in order to stay competitive. If the Northgate Group were not to respond in a timely fashion or effective way to such changes, the Northgate Group could experience, among others, declines in the number of vehicles hired, the hire rates charged to its customers and the duration of hire periods. Any such risks could lead to a material adverse effect on the Combined Group's business, financial condition, results of operations or prospects.

3.2. *The Northgate Group depends on hiring and retaining a skilled workforce, providing adequate training for its workforce and maintaining good relations with its employees, unions and employee representatives to avoid business interruptions, implement restructuring and amend existing collective bargaining agreements.*

The Northgate Group must attract, develop and retain employees with the skills needed to operate its business. Specifically, the Northgate Group must maintain a workforce that is able to (i) attract new and retain and grow existing customer accounts, (ii) successfully manage its fleet through the purchase of new vehicles and the sale of vehicles at the end of their useful life and (iii) maintain the Northgate Group's fleet of vehicles during their useful life with the Northgate Group. Competition for those employees could lead to increases in the Northgate Group's personnel and recruiting costs. If there were to be a material reduction in the availability of this skilled labour, the Northgate Group could experience a shortage of qualified personnel fit to work in its branches. Such a loss, or the inability to attract, appropriately train, motivate or retain qualified professionals and skilled employees, or any delay in doing so, could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

3.3. *The Northgate Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to pounds sterling and euro.*

The Northgate Group is exposed to fluctuations in foreign currency exchange rates resulting primarily from the translation exposure associated with the preparation of the Northgate Group's financial statements, specifically the Northgate Group's Spanish operations' net assets are exposed to foreign exchange currency translation risk. The Northgate Group reports its results in pounds sterling and its main currency exposure arises on the translation of euro. For the financial year ended 30 April 2019, 65 per cent. of its revenue was received in pounds sterling. For the same period 35 per cent. of its revenues were received in euro that are then translated into pounds sterling for financial reporting purposes. The Northgate Group's exposure to fluctuations in foreign currency exchange rates is managed by denominating part of its borrowings in euro in order to partly offset the fluctuations in

retranslation of the Northgate Group's net assets from euro to sterling. Fluctuations in foreign currency exchange rates could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

4. Risks relating to the Redde business

- 4.1. ***A significant portion of the Redde Group's business is generated through referrals, particularly from a limited number of insurance companies. If the Redde Group is unable to maintain strong commercial relationships with its referral companies it could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.***

Business is referred to the Redde Group from a number of sources including insurance companies, insurance brokers, dealerships, body shops, leasing companies and owners of large fleets. The Redde Group has agreements in place with many of these referrers which govern the flow of hire and repair cases and the terms and commissions on which such cases are introduced. These agreements are subject to periodic review, and once out of initial term can be terminated with short notice periods of typically 3 to 6 months. These agreements are also subject to change of control provisions which may be triggered by the Merger. Further, in the past, commission rates for new business have risen sharply, increasing the costs of acquiring such new business. The Redde Group cannot assure that it will be able to renew existing and acquire new referral agreements on similar costs or terms to its current agreements and an increase in these costs could adversely affect the Group's business and operating results.

A significant proportion of the Redde Group's business is referred from a limited number of insurance companies in the private motor insurance industry. If the Redde Group is not able to maintain good relationships with these insurance companies, or if insurance companies were to withhold business from the Redde Group or accident management providers generally or increase their referral commissions, whether alone or on a concerted basis, this could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

- 4.2. ***A reduction in the number of road traffic accidents is likely to lead to a reduction in demand for credit hire and credit repair services.***

A reduction in the number of road traffic accidents is likely to lead to a reduction in demand for credit hire and credit repair services. A reduction in the number of road traffic accidents might be expected to result from, among other things: (i) any reduction in the number of cars using the UK's roads or the speed at which people drive which might result, for example, from continuing weakness in the economic environment or from increases in fuel prices, motoring taxes and other motoring costs or as a response to environmental concerns about the use of cars; (ii) engineering and technological advances made in new cars, including the development of effective collision avoidance technology; and (iii) changes to road traffic laws. For example, a move away from the use of private vehicles to public transport may be initiated or accelerated by government policies focused on increasing the use of public transport and increasing the cost of using private vehicles (through tax, fuel duty and congestion charging), an increasing awareness among users of private vehicles of the environmental impact and costs of such use, and a generally less accepting view of the use of private vehicles. If any of the above were to occur it could lead to a reduction in the demand for credit hire and credit repair services which could have a material adverse effect on the business, financial conditions and results of operations of the Combined Group.

- 4.3. ***There is no guarantee that the Redde Group will be able to receive similar terms from insurance companies in the future.***

The Redde Group was a subscriber to the voluntary agreement developed by accident management companies and the Association of British Insurers ("ABI") known as the General Terms of Agreement ("GTA") but withdrew from this agreement with effect from 15 August 2015. While the decision was made as a result of a substantial amount of the Redde Group's business being conducted under protocol agreements with insurers, and the management's view that business conducted under the GTA was therefore less significant, there is no guarantee that non-protocol insurers will continue to conduct their business with the Redde Group on terms (including payment terms) similar to those

previously pertaining to the GTA and such insurers may also seek alternative strategies to dealing with claims submitted which could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

4.4. *There are low barriers to market in the credit hire and credit repair industry at the local level and there is no guarantee that the existing barriers at the national level will remain or deter new entrants from entering the market.*

Barriers to entry into the general credit hire and credit repair markets at a local level are low. Although barriers to establishing a national or specialist business in this sector are higher, there is no certainty that these barriers will remain or will deter new entrants or existing competitors. In addition, there is the potential for local operators to overcome these barriers and establish national networks by forming alliances. Furthermore, competition could be intensified due to the activity of the Redde Group's competitors or if insurance companies, brokers and/or providers of services to motorists or other consumer groups entered the market, either alone or in collaboration with existing providers. Increased competitive pressures such as these could result in a decrease in the Redde Group's revenues, margins and/or market share which could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

5. Risks relating to the Combined Group's finances

5.1. *The Combined Group will operate a capital-intensive business model and must maintain access to sufficient sources of capital to maintain and grow its fleet.*

The Combined Group requires capital for, among other purposes, purchasing new vehicles to replace existing vehicles in its fleet that have reached the end of their useful life, maintaining the size, mix and attractiveness of its fleet that matches customer demand, and for growth resulting from establishing new rental locations or branches, completing acquisitions and refinancing existing debt. The Combined Group expects to satisfy future capital expenditure requirements from the cash generated by the Combined Group's business and the Combined Group's financing arrangements. If the cash that the Combined Group generates from its business, together with cash that it may borrow under its financing arrangements, is not sufficient to fund its long-term capital requirements, the Combined Group will require additional debt and/or equity financing. If such additional financing is not available to fund its capital requirements, the Combined Group could be put at a disadvantage compared to its competitors and impact its ability in the medium term to adequately meet customer demand. Furthermore, an inability to adequately meet customer demand may result in the loss of the Combined Group's customers to its competitors as well as negatively impact its brand and reputation. As a result, the Combined Group could suffer a decrease in its revenue and cash flows that could have a material adverse effect on its business. Furthermore, the Combined Group's ability to incur such additional debt will be limited by, among other things, the covenants and the further permitted indebtedness clauses contained in its financing arrangements. The Combined Group cannot be certain that any such additional financing that it requires will be available or, if available, will be available on terms that are satisfactory to the Combined Group. If the Combined Group is unable to obtain such sufficient additional capital in the future, it could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

5.2. *The Combined Group has debt that bears interest at a variable rate, which could rise significantly, increasing its costs and reducing its cash flow.*

The Combined Group is exposed to the risks of fluctuations in interest rates. A substantial portion of the Combined Group's debt is subject to variable interest rates, with its bank term loans and revolving credit facilities indexed to EURIBOR and LIBOR. The Combined Group may also enter into additional indebtedness bearing floating rates of interest in the future. LIBOR, EURIBOR and/or any other floating interest rates applicable to such indebtedness could rise significantly in the future. If interest rates increase significantly, the Combined Group's interest expense will correspondingly increase to the extent of the drawings under such debt bearing floating rates of interest, thereby reducing its cash flow.

The Combined Group utilises interest rate hedging arrangements that are designed to cap a portion of the variable interest rates associated with its debt. The Northgate Group's treasury policy is for at least

50 per cent. of total borrowings to be held as fixed rate instruments either directly or through derivative financial instruments. However, hedging products may not continue to be available on commercially reasonable terms and, if available, may not be successful in mitigating the risks related to increasing interest rates.

5.3. *The Combined Group is exposed to the credit risk of its customers and should there be any economic downturn in the countries in which the Combined Group operates it is possible that this credit risk may increase.*

The Combined Group sells to a significant proportion of its customers on credit terms. Typical credit terms in the United Kingdom range from 30 to 60 days, while credit terms can be significantly longer in Spain and extend up to six months. Credit terms in the credit hire and repair services market can be even longer as collections are dependent on the insurance claims process. An economic downturn could result in some of the Combined Group's customers, particularly in any industries specifically affected, experiencing financial difficulties. The failure of, or default by, a significant customer or group of customers may result in the Combined Group not receiving cash due from that receivable or those receivables. Further, there is no guarantee that the Combined Group's efforts to reduce exposure to customer credit risk may not be effective. The default of a payment by customers, whether altogether, in part or by late payment of monies owed, could negatively impact both the value of the Combined Group's assets and its profitability and could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

6. Legal and regulatory risks

6.1. *The Combined Group may become involved in legal proceedings in the ordinary course of business, and while it cannot predict the outcomes of those proceedings and other contingencies with certainty, some of these outcomes may adversely impact the Combined Group's business.*

The Combined Group's vehicles are serviced and maintained either through the Combined Group's own maintenance facilities or through third-party service providers, and the Combined Group could be exposed to claims for, among other things, personal injury, death and property damage resulting from the use of vehicles rented or sold by it. The Combined Group's reputation, business, financial condition and results of operations could be materially adversely affected in the event of a major incident or accident involving any of its vehicles. While the Combined Group currently maintains insurance coverage to address material contingencies, there can be no assurance that the Combined Group will not be exposed to uninsured liability at levels in excess of historical levels resulting from multiple payouts or otherwise. Liabilities in respect of existing or future claims may exceed the level of its insurance, or it may not have sufficient capital to pay any uninsured claims or that insurance with unaffiliated carriers may be unavailable to it on economically reasonable terms or at all.

The Combined Group may also become involved in legal proceedings such as consumer, employment, misuse or theft of non-public customer or employee data and other litigation that arises from time to time in the ordinary course of business. Litigation is inherently unpredictable, and the outcome of some of these proceedings and other contingencies could require the Combined Group to take or refrain from taking actions which could adversely impact the business or could result in excessive verdicts. Additionally, involvement in these lawsuits and related inquiries and other proceedings may involve significant expense, divert management's attention and resources from other matters, and negatively affect the reputation of the Combined Group.

6.2. *Change in regulation relating to greenhouse gases and other emissions from internal combustion engines could impact the value of the Combined Group's fleet and require significant investment in hybrid or electric vehicles.*

Governments around the world are increasingly focused on enacting laws and regulations regarding climate change and regulation of greenhouse gas and other emissions. Lawmakers and regulators in the jurisdictions where the Combined Group operates have proposed or enacted regulations requiring reporting of greenhouse gas and other emissions and the restriction thereof, as well as regulations addressing local pollution levels caused by vehicle emissions. In addition, efforts have been made and

continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues and impose reductions of hydrocarbon-based fuels. Laws or regulations incentivising or mandating the use of alternative energy sources, in particular the conversion from internal combustion engine-powered vehicles to electric-powered vehicles and restrictions on non-public transportation, could require the Combined Group to invest substantial resources in retrofitting or replacing its existing vehicle fleet or reduce the demand for the Combined Group's services. Laws, regulations, treaties, and international agreements related to reduction of greenhouse gas and other emissions, climate change and public health may unfavourably impact the Combined Group's hire business, the ability of the Combined Group to sell vehicles at the end of their useful life, its suppliers and its customers and may result in increased compliance costs and operating restrictions, all of which could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

6.3. *The Combined Group is subject to various consumer and financial regulations, particularly FCA insurance regulations. If the Combined Group fails to comply with these regulations it may result in reputational harm to the Combined Group and it may be subject to fines, sanctions or other liabilities.*

While the Combined Group seeks to conduct its business in compliance with all applicable regulations there remains a risk that regulators will find that the Combined Group has not complied fully with such regulations. Failure by the Combined Group to comply with regulations may adversely affect the Combined Group's reputation (which could in turn lead to fewer referrals), may result in the imposition of fines or an obligation to pay compensation or may prevent the Combined Group from carrying on a part of its business and could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

FCA Insurance Regulation

The conduct of general insurance business and insurance mediation is subject to regulation by the FCA. Any changes in the regulatory regime applicable to the conduct of general insurance business or insurance mediation and other regulatory changes may lead to increased costs incurred by the Combined Group and any such increase could have a material adverse effect on the business, financial condition and results of operations of the Combined Group.

SRA Legal Regulation

Redde Group's NewLaw Legal Limited, Principia Law Limited and FMG Legal LLP are each regulated by the Solicitors Regulation Authority (the "SRA"). Any changes in the regulatory regime applicable to the provision of legal services could materially impact on the Combined Group's business or financial position and results of operation.

7. *Risks relating to the Northgate Shares*

7.1. *The Northgate Shares may be subject to market price volatility and the market price of the Northgate Shares may fluctuate significantly.*

The market price of Northgate Shares may be volatile and subject to wide fluctuations. Fluctuations may occur as a result of a variety of factors including, but not limited to, the factors referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Northgate Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Northgate Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Northgate Group; speculation about the Northgate Group in the press or the investment community, including unfavourable press in relation to the Merger; an unfavourable view of the stock market in respect of the Merger; strategic actions by competitors, including acquisitions and restructurings; regulatory changes; and changes in market conditions, including broader market volatility and movements.

7.2. *Shareholders in the United States and other jurisdictions outside of the United Kingdom may not be able to participate in future equity offerings.*

The articles of association of Northgate (the “Northgate Articles”) provide for pre-emption rights to be granted to Northgate Shareholders in the Company, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the Company’s ability to allow participation by Northgate Shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Northgate Shares and any other securities that are offered and sold are registered under The US Securities Act, or the Northgate Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of The US Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other Northgate Shareholders to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

7.3. *Not all rights available to shareholders under US law will be available to holders of the Northgate Shares.*

Rights afforded to shareholders under English law differ in certain respects from the rights of shareholders in typical US companies. The rights of holders of the Northgate Shares are governed by English law and the Articles. In particular, English law currently limits significantly the circumstances under which the shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, English law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

7.4. *The Company’s ability to pay dividends in the future depends, among other things, on the Combined Group’s financial performance and capital requirements.*

There can be no guarantee that either the Northgate Group or the Redde Group’s historic performance will be repeated in the future, particularly given the competitive nature of the industries in which they operate, and their sales, profit and cash flow may significantly underperform market expectations. If the Combined Group’s cash flow underperforms market expectations, then its capacity to pay a dividend will suffer. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions on the payment of dividends in the Combined Group’s financing arrangements, the Combined Group’s financial position, the Company’s distributable reserves, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

7.5. *The issuance of additional Northgate Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.*

The Combined Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Northgate Shares may suffer dilution in their percentage ownership or the market price of the Northgate Shares may be adversely affected.

7.6. *Overseas shareholders may be subject to exchange rate risk.*

The Northgate Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Northgate Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Northgate Shares or any dividends in foreign currency terms.

PART 2

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

No person has been authorised to give any information or to make any representations other than those contained in this document or the Scheme Document in connection with the Merger and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Proposed Directors, the Joint Financial Advisors. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Section 87G of the FSMA and PR 3.4.1 of the Prospectus Regulation Rules, neither the delivery of this document nor of the issue of New Northgate Shares pursuant to the Merger shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of Redde since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Any Shareholder or prospective investor should consult his or her own lawyer, financial advisor or tax adviser for legal, financial or tax advice in relation to any action in respect of the Shares.

None of the Company, the Directors, the Proposed Directors and the Joint Financial Advisors is making any representation to any Shareholder or prospective purchaser of the New Northgate Shares regarding the legality of an investment by such Shareholder or investor.

Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Joint Financial Advisors by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Joint Financial Advisors accepts responsibility whatsoever for, or makes any representation or warranty, express or implied, as to, the contents of this document or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, Redde, the Shares, the Merger, and/or Admission and nothing in this document will be relied upon as a promise or representation in this respect, whether or not to the past or future.

Each of the Joint Financial Advisors accordingly disclaims all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of Northgate, the Northgate Directors, the Proposed Directors, any of the Joint Financial Advisors or any of their affiliates or representatives that any recipient of this Prospectus should vote in favour of the Scheme. Prior to making any decision as to whether to vote in favour of the Scheme, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination, analysis and enquiry of Northgate and the terms of the Scheme and this Prospectus, including the merits and risks involved.

Without limitation, the contents of the websites of the Company, Redde (or any other websites, including the content of any website accessible from hyperlinks on the websites of the Company and/or Redde) do not form part of this document.

Presentation of financial information

The financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The significant IFRS accounting policies applied in the financial information of Northgate are applied consistently in the financial information in this Prospectus.

Northgate's consolidated historical financial information incorporated by reference in Part 17 (*Historical Financial Information of Northgate*) of this Prospectus has been prepared in accordance with the requirements of the Prospectus Directive and the Listing Rules and in accordance with IFRS. The basis of preparation and significant accounting policies are set out within Note 2 of Northgate's consolidated historical financial information.

Financial information of Northgate

Northgate's financial year runs from 1 May to 30 April. The financial information for Northgate is incorporated by reference in Part 17 (*Historical Financial Information of Northgate*).

None of the financial information used in this Prospectus has been audited in accordance with auditing standards generally accepted in the United States of America ("US GAAS") or auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the financial information in Part 17 (*Historical Financial Information of Northgate*) and the implications of differences between the auditing standards noted herein.

Financial information of Redde

Redde's financial year runs from 1 July to 30 June. The financial information for Redde is included in Part 18 (*Historical Financial Information of Redde*).

None of the financial information used in this Prospectus has been audited in accordance with US GAAS or auditing standards of the PCAOB. In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the financial information in Part 18 (*Historical Financial Information of Redde*) and the implications of differences between the auditing standards noted herein.

Pro forma financial information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustments from the unaudited pro forma financial information contained in Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*) of this document. The unaudited pro forma information contained in Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*) of this document is based on the historical financial information of Northgate and Redde contained in Part 17 (*Historical Financial Information of Northgate*) and Part 18 (*Historical Financial Information of Redde*) of this document, respectively. The pro forma income statement and statement of net assets are presented in sterling, the proposed functional currency of the Combined Group. The unaudited pro forma income statement has been prepared to illustrate the effect on the earnings of the Combined Group as if the proposed Merger had taken place on 1 May 2018. The unaudited pro forma statement of net assets has been prepared to illustrate the effect on the net assets of the Combined Group as if the proposed Merger had taken place on 30 April 2019.

The unaudited pro forma income statement and unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent Northgate plc's or the Combined Group's actual financial position or results. The pro forma financial information has been prepared under IFRS and on the basis set out in Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*) of this document and in accordance with Annex 20 of the PR Regulation. The pro forma financial information is stated on the basis of the accounting policies of Northgate plc.

In addition to the matters noted above, the unaudited pro forma financial information does not reflect the effect of anticipated synergies and efficiencies associated with the Merger.

Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including, for Northgate, underlying profit before tax, underlying earnings per share and return on capital employed (“ROCE”) and for Redde, gross margin, adjusted profit before taxation, adjusted EBIT, adjusted EBIT margin, EBITDA, operating cash flow/EBITDA, debtor days, average fleet, fleet utilisation and closing fleet. Information regarding these measures are sometimes used by investors to evaluate the efficiency of a company’s operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare Northgate’s performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Northgate key financial and operating measures

To assist investors in comparing Northgate’s historical financial performance from period to period, certain key financial and operating measures have been presented in this Prospectus. Save where indicated, these measures have been extracted from Northgate’s management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools. Set out below is a description of these key financial and operating measures.

Underlying profit before tax: The Northgate Group defines underlying profit before tax as profit before tax excluding exceptional costs and certain intangible amortisation. The Northgate Directors view underlying profit before tax to be a key measure of profitability and a key remuneration metric. Exceptional costs are those items which are not considered to represent the underlying operational performance of the business, and therefore are excluded to provide what the Northgate Directors consider to be a better comparison of the business year on year. The Northgate Directors monitor underlying profit before tax to measure the success of the Northgate Group’s strategic objectives.

Underlying earnings per share: The Northgate Group defines underlying earnings per share as earnings per share excluding exceptional costs and certain intangible amortisation. The Northgate Directors view underlying earnings per share to be a key measure of profitability and a key remuneration metric. Exceptional costs are those items which are not considered to represent the underlying operational performance of the business, and therefore are excluded to provide what the Northgate Directors consider to be a better comparison of the business year on year. The Northgate Directors monitor underlying earnings per share to better plan how to allocate capital, including returns to shareholders.

Return of Capital Employed (“ROCE”): The Northgate Group defines ROCE as underlying operating profit divided by average capital employed. The Northgate Directors view ROCE as an important measure of performance given the capital-intensive nature of the Northgate business. The Northgate Directors believe that monitoring ROCE allows the Northgate Group to identify the efficiency of the Northgate Group’s business model and to allocate resources to the best growth opportunities.

Average vehicles on hire: The Northgate Group defines average vehicles on hire as the average number of vehicles on hire for the relevant period. This is an important KPI to the Northgate Group, as placing vehicles on hire with customers at profitable rates is a critical driver of the Northgate Group’s earnings. The Northgate Directors believe that monitoring average vehicles on hire enables the Northgate Group to assess the demand for its services and its market proposition.

Utilisation: The Northgate Group defines utilisation as the average number of vehicles on hire divided by the average rentable fleet in any period. The Northgate Group considers utilisation to be a measure of the proportion of available fleet on hire with customers. The Northgate Directors believe that monitoring utilisation allows the Northgate Group to assess how effectively it uses its fleet and manages its operational efficiency.

Staff turnover: The Northgate Group defines staff turnover as the percentage of employees who leave the business within a given year. The Northgate Group considers staff turnover to be a key measure for monitoring performance in attracting, retaining and developing its employees, which is critical to the delivery of the Northgate Group's strategy. The Northgate Directors believe that monitoring staff turnover allows the Group to manage the impact the Northgate Group's operations have on one of the Northgate Group's key stakeholders.

Redde key financial and operating measures

To assist investors in comparing Redde's historical financial performance from period to period, certain key financial and operating measures have been presented in this Prospectus. Save where indicated, these measures have been extracted from Redde's management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools. Set out below is a description of these key financial and operating measures.

Gross margin: The Redde Group defines gross margin as gross profit as a percentage of revenue. The Redde Group believes that gross margin percentage is a key measure of profitability.

Adjusted profit before taxation: The Redde Group defines adjusted profit before taxation as profit before taxation adjusted to exclude the impact of amortisation of intangibles, share based payments and exceptional items. The Redde Group believes that adjusted profit before taxation is a key measure of profitability. Exceptional items are those which are not considered to represent the underlying operational performance of the business, and therefore are excluded to provide what the Redde Group considers to be a better comparison of the business on an annual basis.

Adjusted EBIT: The Redde Group defines adjusted EBIT as profit/(loss) for the period, before finance costs, finance income, tax expenses/income adjusted to exclude the impact of amortisation of intangibles, share based payments and exceptional items. The Redde Group believes that adjusted EBIT is a meaningful performance indicator as it provides an analysis of the Redde Group's operating results, profitability and ability to service debt without the effect of non-recurring gains and impairment charges that do not have a cash effect. adjusted EBIT divided by revenue. The Redde Group believes the adjusted EBIT margin is an indicator of underlying operating results and profitability

Adjusted EBIT margin: The Redde Group defines adjusted EBIT margin as adjusted EBIT divided by revenue. The Redde Group believes the adjusted EBIT margin is an indicator of underlying operating results and profitability

Adjusted EBITDA: The Redde Group defines adjusted EBITDA as the profit/(loss) for the period before finance costs, finance income, tax expenses/income and depreciation and amortisation expenses (net). The Redde Group believes that EBITDA is a key metric for the Redde Group as it allows the Redde Group to evaluate its underlying operating performance by excluding certain items that the Redde Group does not consider indicative of the Redde Group's core operating performance.

Operating cash flow/EBITDA: The Redde Group defines operating cash flow/EBITDA as net cash from operating activities divided by EBITDA. The Redde Group believes that operating cash flow/EBITDA is a key measure of cash generation to which the Directors of Redde have regard.

Debtor days: The Redde Group defines debtor days as net trade receivables and contract assets, other receivables and accrued income as a proportion of revenue multiplied by 365 days. The Redde Group has identified this as a key performance indicator as it shows Redde's efficiency from invoicing to collection of debts which directly impacts upon cash flow.

Average fleet: The Redde Group defines average fleet as the average number of vehicles in the Redde Group's rentable fleet in any financial period. The Redde Group considers that monitoring average fleet size allows the Redde Group to assess the size of its operations and the businesses current volumes whilst allowing for the seasonality of Redde's business.

Fleet utilisation: The Redde Group defines fleet utilisation as the average number of vehicles on hire divided by the average rentable fleet in any period. The Redde Group considers fleet utilisation to be a measure of the proportion of available fleet on hire with customers. The Redde Group considers that monitoring fleet utilisation allows the Redde Group to assess how effectively it uses its fleet and manages its operational efficiency.

Closing fleet: The Redde Group defines closing fleet as the number of vehicles in the Redde Group's rentable fleet as at the end of any financial period. The Redde Group considers that monitoring closing fleet size is an indication of the size of Redde's operations and its current volumes

Currency presentation

Unless otherwise indicated, all references in this Prospectus to "sterling", "pounds sterling", "GBP", "£", "pence" or "penny" are to the lawful currency of the United Kingdom. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to the "US dollars" are to the lawful currency of the United States.

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors' estimates, using underlying data from independent third parties. Northgate obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications.

Northgate confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as Northgate is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. While the Directors believe the third-party information included herein to be reliable, Northgate has not independently verified such third party information, and neither Northgate, nor the Joint Financial Advisors make any representation or warranty as to the accuracy or completeness of such information as set forth in this prospectus.

Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 23 (*Definitions and Glossary*).

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Northgate since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond Northgate's control and all of which are based

on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors, the Proposed Directors or Northgate concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of Northgate and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "Information on Northgate", "Information on Redde", "Terms and Conditions of the Merger", "Operating and Financial Review of Northgate" and "Operating and Financial Review of Redde" regarding Northgate's and Redde's strategy, targets and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing Northgate. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. Northgate, the Directors, the Proposed Directors and the Joint Financial Advisors expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, or the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation.

The statements above related to forward-looking statements should not be construed as a qualification of the working capital statement contained in paragraph 18 (*Working capital*) of Part 21 (*Additional Information*) of this Prospectus.

PART 3

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISORS

Current Directors of Northgate	Avril Palmer-Baunack (<i>Non-Executive Chairman</i>) John Pattullo OBE (<i>Senior Independent Director</i>) Philip Vincent (<i>Chief Financial Officer</i>) William Spencer (<i>Non-Executive Director</i>) Claire Miles (<i>Non-Executive Director</i>) Mark Butcher (<i>Non-Executive Director</i>) Fernando Cogollos (<i>Non-Executive Director</i>)
Proposed Directors of Combined Group following completion	Martin Ward (<i>Chief Executive Officer</i>) John Davies (<i>Non-Executive Director</i>) Mark McCafferty (<i>Non-Executive Director</i>) Stephen Oakley (<i>Non-Executive Director</i>)
Company Secretary	Katie Tasker-Wood
Registered and head office of Northgate	Northgate Centre Lingfield Way Darlington DL1 4PZ United Kingdom
Lead Joint Financial Advisor and Sponsor to Northgate	Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU United Kingdom
Joint Financial Advisor and Corporate Broker to Northgate	Barclays 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom
English legal advisers to Northgate	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
Auditors to Northgate	PricewaterhouseCoopers LLP Central Square South Orchard Street Newcastle-Upon-Tyne NE1 3A2 United Kingdom
Reporting Accountants to Northgate	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

PART 4

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected timetable of principal events

Event	Time and Date
Prospectus and Circular published.....	12 December 2019
Date of circulation of scheme document.....	12 December 2019
Latest time and date for receipt of proxy appointment and voting instructions for Northgate General Meeting	10:00 a.m. on 13 January 2020 ⁽²⁾
Latest time and date for receipt of proxy appointment and voting instructions for Redde Court Meeting	10:00 a.m. on 13 January 2020
Latest time and date for receipt of proxy appointment and voting instructions for Redde General Meeting	10:15 a.m. on 13 January 2020
Scheme voting record time for the Redde Court Meeting and the Redde General meeting.....	6:00 p.m. on 13 January 2020
Northgate General Meeting held	10:00 a.m. on 15 January 2020
Redde Court Meeting held	10:00 a.m. on 15 January 2020
Redde General Meeting held	10:15 a.m. on 15 January 2020 ⁽³⁾
High court hearing to sanction Scheme	A date expected to be during Q1 2020 (“D”) ⁽⁴⁾
Last day for dealings in, and for registration of transfers of, Redde Shares.....	D ⁽⁴⁾
Suspension of trading, and dealings, in Redde Shares	5:00 p.m. on D ⁽⁴⁾
Scheme Record Time	6:00 p.m. on D ⁽⁴⁾
Effective Date of the Scheme	D+1 (“S”) ⁽⁴⁾
New Northgate Shares issued to Scheme Shareholders.....	By 8:00 a.m. on the first Business Day following S ⁽⁴⁾
Admission and commencement of dealings of.....	8:00 a.m. on the first Business Day following S ⁽⁴⁾
New Northgate Shares on the London Stock Exchange	8:00 a.m. on the first Business Day following S ⁽⁴⁾
Delisting of Redde Shares	8:00 a.m. on the first Business Day following S ⁽⁴⁾
CREST accounts of Scheme Shareholders credited with New Northgate Shares	On or after 8:00 a.m. on the first Business Day following S but no later than 14 days after the Effective Date ⁽⁴⁾
Latest date for CREST accounts to be credited with any cash due in relation to sale of fractional entitlements.....	14 days after the Effective Date ⁽⁴⁾
Latest date for despatch of share certificates for New Northgate Shares and cheques for the cash due in relation to the sale of fractional entitlements for those Scheme Shareholders who do not hold their Redde Shares in CREST.....	14 days after the Effective Date ⁽⁴⁾
Longstop Date	30 April 2020 ⁽⁵⁾

All times are UK times. Each of the times and dates in the above timetable is subject to change without further notice.

Notes:

- (1) The dates and times given are indicative only and are based on current expectations and may be subject to change.
- (2) Only persons entered in the register of members of Northgate at close of business on 13 January 2020 or, in the event that the meeting is adjourned, close of business on the date which is two working days prior to the reconvened meeting, shall be entitled to attend, speak and vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting or adjourned meeting.
- (3) To commence at the time fixed or, if later, immediately after the conclusion of the Redde Court Meeting.
- (4) The date of the Court hearing to sanction the Scheme and each of the subsequent dates set out in the timetable will depend, among other things, on the date on which: (i) the Conditions to the Scheme are satisfied or, if capable of waiver, waived; (ii) the Court sanctions the Scheme; and (iii) a copy of the Court order sanctioning the Scheme is delivered to the Registrar of Companies.
- (5) This is the latest date by which the Scheme may become effective unless Northgate and Redde agree in writing (with the Takeover Panel's consent and as the Court may approve (if such consent(s)/approval(s) are required)).

PART 5

INDICATIVE MERGER STATISTICS

Indicative Merger statistics

Consideration to be paid for each Redde Scheme Share.....0.3669 New Northgate Shares

Number of Northgate Shares in issue as at 6 December 2019
(being the Latest Practicable Date)133,232,518

Number of Northgate Shares to be issued pursuant to the Merger114,755,965

New Northgate Shares as a percentage of the Northgate ordinary
share capital in issue immediately following Admission⁽¹⁾.....approximately 46%⁽¹⁾

Number of Northgate Shares in issue immediately following
issue of Merger consideration.....247,988,483⁽²⁾

When admitted to trading, the New Northgate Shares will be registered with ISIN number GB00B41H7391 and SEDOL number B41H739, and trade under the symbol “NTG”.

Notes:

- (1) Based on Northgate’s issued share capital as at the Latest Practicable Date.
- (2) On the assumption that no further Northgate Shares are issued between 6 December 2019 (being the Latest Practicable Date) and Admission.

PART 6

INDUSTRY, COMPETITION, REGULATORY AND LEGAL ENVIRONMENTS

The following information relating to the Combined Group's industry, competition, regulatory and legal frameworks has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as Northgate is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this Part 6 (Industry, Competition, Regulatory and Legal) in conjunction with the more detailed information contained in this Prospectus including Part 1 (Risk Factors), Part 13 (Operating and Financial Review of Northgate) and Part 15 (Operating and Financial Review of Redde).

While the Merger remains subject to the fulfilment or waiver of certain conditions and there is no assurance that the Merger will be completed, certain of the descriptions below have been drafted on the basis of the Combined Group as it will be in existence following the Merger (unless expressly stated or the context otherwise requires).

Industry and Competition

The Combined Group will operate across the light commercial vehicle ("LCV") hire, vehicle sales in the secondary market and accident and incident management services.

LCV hire

LCVs are hired principally by business 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. In the United Kingdom, Republic of Ireland and Spain (being the Combined Group's geographic markets) approximately 8 million LCVs were in operation in 2018, of which approximately 1 million were operated on hire or leased terms.

Northgate believes that the LCV hire market in the UK and Spain will maintain a growth rate of approximately 3 per cent. 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; 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 United Kingdom, Republic of Ireland and Spain, Northgate is one of the largest participants in LCV hire by supply of vehicles. In practice, the LCV hire market also competes with vehicle ownership and longer-term leasing amongst end users.

Secondhand LCV Sales

Many market 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. In the United Kingdom, the overall used vehicle sales market splits into three key segments: used car auctions (estimated to be approximately £0.5 billion in annual revenue); online marketplaces (estimated to be approximately £0.5 billion in annual revenue); and dealer sales (estimated to be around £50 billion in annual revenue). Of the estimated £50 billion in annual revenue from dealer sales, 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.

In recent years used vehicle sales have weakened by approximately 1.6 percent from 2017 to 2018, following strong annualised growth of approximately 4 per cent. in the period from 2011 to 2016.

In regards to the market structure, the auction segment is highly consolidated with two key players in the online marketplace (BCA and Manheim). In contrast, dealers sales are highly fragmented with more than 9,000 dealers and more than 100 franchises holding less than 25 per cent. of the used cars market.

Accident and Incident Management Services

Accident management services providers supply replacement car hire, repair, legal and other services to individuals involved in traffic accidents.

In the United Kingdom, it is estimated that in 2017 accident management companies handled approximately £2.1 billion in claims with approximately 40 per cent. of those relating to commercial vehicles totalling an approximate claims value of £830 million.

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

Accident management services provided by the Redde Group include credit hire, fleet accident and incident management and legal services.

Credit Services

Credit hire providers supply replacement vehicle hire and repair services to primarily 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. Credit hire providers' customers are typically referred to them by the non-fault individual's own car insurer; typically on a preferred claims outsourcer basis.

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

Fleet Accident and Incident Management

Fleet accident and incident management providers supply or arrange roadside assistance, repairs, vehicle replacement, and insurance claims management (and other ancillary services) for fleet owners, either on a standalone basis (such as Redde) or as part of a larger outsourced fleet management provider.

Legal Services

Legal services providers in the context of accident management services will provide legal assistance to victims of road traffic accidents including in relation to personal injury, uninsured loss recovery and any other claims arising from the accident.

Fast Fit and Service, Maintenance and Repair

The estimated size of the fast fit and service, maintenance and repair market is approximately £15 billion of annual revenue including all repairs, servicing and MOT and car washes. Of that, an estimated £2.4 billion is spent on business-to-business owned vehicles. The market is expected to grow by approximately 2 per cent. over the next year, broadly correlated with vehicle parc growth.

Fleet Telematics and Fleet Management

Fleet telematics and fleet management relates to the monitoring and tracking of a fleet of commercial vehicles, typically to improve the optimisation of their use.

The estimated size of the fleet telematics market is approximately £350 million in annual revenue with approximately 30 per cent. of business-to-business vehicles estimated to have some form of fleet telematics hardware installed. Suppliers charge a monthly fee per car (generally approximately £15 per month) for this service. The market is driven by penetration and price, with LCVs and HGVs estimated to have higher penetration of 3rd party telematics than other vehicle types. Uptake in fleet telematics is forecast to grow with a compound annual growth rate of 20 per cent. through 2025. Reduced growth is likely to result from original equipment manufacturer installation of hardware, which could result in a switch of providers to purely digital companies.

The fleet management systems (and related solutions) market is estimated to have a size of approximately £200 million in annual revenue. The market is driven by fleets with over 25 vehicles which represents approximately 65 per cent. of vehicle fleets. Vehicles under fleet management are estimated to have grown by approximately 11 per cent. per annum from 2015 to 2017.

Regulatory and Legal Environments

The Northgate Group and the Redde Group are and, following completion of the Merger, the Combined Group will be subject to a wide variety of laws and regulations in key areas such as planning and environmental regulation, regulation of the storage of fuel, health and safety laws, data protection law, employment law (including in relation to minimum wages and working hours), trade and immigration law, consumer law (including trading, pricing, and advertising laws), anti-corruption and bribery laws, regulation of foreign investors, the FCA, the London Stock Exchange, income, corporate and other tax rules and others. As referred to below, the Redde Group is and, following completion of the Merger, the Combined Group will be subject to FCA insurance regulation and SRA legal regulation.

FCA Insurance and Claims Management Regulation

The conduct of insurance mediation and claims management business is subject to regulation by the FCA.

FMG Support (FIM) Ltd, FMG Support Ltd and Auxillis Limited (which are members of the Redde Group) are authorised and regulated by the FCA to carry on general insurance (non-investment) business. FMG Support (FIM) Ltd and Auxillis Ltd also have permission, and Cab Aid Limited has a temporary permission, to allow them to conduct claims management activities relating to seeking out personal injury claims. Cab Aid Limited is also appointed representative of Auxillis Ltd.

Each of these companies is subject to FCA Rules which include, broadly, certain high level principles for businesses and detailed rules designed to ensure that they have appropriate resources, are managed and controlled by fit and proper persons, have adequate senior management arrangements, systems and controls and comply with certain conduct of business requirements.

The FCA has wide powers to supervise and intervene in authorised firm's affairs, including the ability to impose sanctions on the firm and also on certain individuals within the firm, such as restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an individual's approval to perform particular roles within a firm.

SRA Legal Regulation

The Redde Group's NewLaw Legal Limited, Principia Law Limited and FMG Legal LLP are authorised and regulated by the SRA. The SRA's key purpose is to protect the public, ensuring solicitors maintain high standards of professional conduct and ensure solicitors, both in-house and in firms, act in the best interest of their clients when risks are identified. All SRA regulated businesses are subject to rules and principles of professional conduct contained in the SRA Code of Conduct.

The SRA Code of Conduct implements certain mandatory principles, such as upholding the rule of law and the proper administration of justice; acting with integrity; not allowing independence to be compromised; acting in the best interests of each client; and providing a proper standard of service to one's clients. These principles must be complied with at all times and steps taken to assure that NewLaw Legal Limited, Principia Law Limited and FMG Legal LLP remain compliant.

PART 7

INFORMATION ON NORTHGATE

Investors should read this Part 7 (Information on Northgate) in conjunction with the more detailed information contained in this Prospectus including Part 13 (Operating and Financial Review of Northgate). Where stated, financial information in this Part 7 (Information on Northgate) of this document has been extracted from Part 12 (Selected Financial Information of Northgate).

Overview

Northgate is the leading light commercial vehicle (“LCV”) rental business, by fleet size, in the UK and Ireland, and Spain with a rental network of over one hundred sites and a fleet in excess of 100,000 vehicles. Northgate’s core business is the rental of vehicles to other businesses on flexible length contracts, which gives customers the flexibility to manage their vehicle fleet without a long-term commitment.

UK has three support centre locations (all leasehold) and 59 rental locations, of which five are joint sites shared with Van Monster (16 are freehold and 43 are leasehold). There are 22 Van Monster sites, six are freehold and 16 are leasehold (two freehold are shared sites). The Irish business has four rental sites (one freehold three leasehold) and four Van Monster sites (three under licence and one leasehold).

Northgate operates with a combined fleet in the UK and Ireland of approximately 54,000 vehicles.

Spain has one support centre location in Madrid and one IT centre in Valencia (both rented). Vehicle rental and sales operations utilise 26 locations across Spain; eight of these sites are owned, 18 sites are rented. There are thirteen sites that have onsite workshops. Northgate operates with a combined fleet in Spain of approximately 51,000 vehicles.

Northgate maintains a modern fleet with the average vehicle age in the UK and Ireland, and Spain being approximately 21 months and 20 months, respectively, as at 30 April 2019. Northgate’s total fleet comprises approximately 38 per cent. small vans, 36 per cent. medium vans, 17 per cent. cars and 10 per cent. other trucks and heavy goods vehicles (“HGVs”).

Northgate serves business customers operating in a wide range of industries including construction (predominantly infrastructure and government funded projects), support services (including providers of engineering, repair and maintenance services for local authorities, government agencies and utility companies), rental brokers and distribution.

In addition to rental, another key element of Northgate’s business is the sale of former rental vehicles at the end of their useful economic life to Northgate. Vehicles are sold through Northgate’s own sales channels, including Van Monster, direct to consumers or trade buyers.

For the financial year ended 30 April 2019, the revenue of Northgate was £745.5m and underlying profit before tax (before amortisation of acquired intangibles and exceptional items) was £61.1m.

The following table sets out Northgate's key performance indicators ("KPIs") as at or for the periods indicated.

	Year ended 30 April		
	2017	2018	2019
Financial KPIs			
Underlying profit before tax (£m).....	75.0	57.0	61.1
Underlying earnings per share (p).....	47.3	34.8	38.7
ROCE (%)	10.5	7.5	7.7
Operational KPIs			
Average vehicles on hire ('000).....	80.8	83.8	93.2
Utilisation (%).....	89	89	89
Staff turnover (%)	20	20	24

History

Early history

Northgate Vehicle Hire was established in Darlington in 1981 and acquired by Goode Durrant plc in 1987. In 1991, Goode Durrant plc, which was a mini conglomerate, took the decision to focus on the Northgate business and gradually sold its other businesses. Building on its base in Darlington in the North East of England, the Company expanded rapidly through acquisitions and organic growth and by 1998 had a rental network of 27 sites and a fleet in excess of 20,000 vehicles. In 1999, Goode Durrant plc changed its name to Northgate plc and adopted a strategy to expand the network to 100 locations and double the fleet size over the next five years. The fleet objectives were achieved by September 2004, at which point the network had grown to 75 sites.

Acquisitions in Spain

In 2000, a review of potential new markets highlighted that several European countries had much lower LCV rental penetration rates than the UK and, of these, management believed that Spain offered the greatest growth potential. In July 2002, Northgate purchased an initial 40 per cent. interest in Fualsa, a leading Spanish LCV rental company, for €15.4 million with options to acquire the remaining 60 per cent. A 40 per cent. interest was purchased in May 2004 for €22.3 million with the remaining 20 per cent. purchased in May 2006 for €14.9 million, resulting in total consideration of €52.6 million. As at May 2004, Fualsa operated from 12 sites with a fleet of approximately 15,000 vehicles. Following the acquisition of Fualsa, in August 2005 Northgate acquired 49 per cent. of Record, another leading Spanish LCV rental company, for €54.8 million. At that time, Record operated from 16 sites with a fleet of approximately 20,000 vehicles. The remaining 51 per cent. of Record was acquired by Northgate in May 2006 for €72.7 million resulting in a total consideration of €127.5 million.

Acquisitions in the UK

In February 2006, Northgate acquired the commercial vehicle rental business of Arriva plc ("AVR") for a total consideration, including debt, of £123.9 million. AVR had, at the time of acquisition, a fleet of approximately 11,000 vehicles and was operating out of 33 locations in the UK. The integration of AVR into Northgate was successfully completed by April 2006. Northgate has also acquired other relatively smaller businesses and companies in the UK.

Expansion into new product markets

In January 2006, Northgate, in pursuing one of its key objectives to expand into new product markets, acquired Fleet Technique Limited for £5.7 million. Fleet Technique was a specialist fleet management business, based in the North East of England and following acquisition was successfully integrated into Northgate. Northgate has continued to evolve its fleet solutions to offer its customers a comprehensive range of complementary services including fleet management, telematics and accident management.

In 2018, following a review of the LCV market, Northgate determined that it should enter into the minimum term hire market in both the UK and Spain in order to widen its total addressable market, with the strategy being to selectively gain market share. Northgate currently provides minimum term rental solution on a twelve month plus basis, accounting for c. 24% of all vehicles on hire across the Group. This product offer adds to the flexibility in which customers can hire LCVs from Northgate.

Competitive strengths

Northgate's key strategies to enable it to fulfil its objectives are as follows:

- Market leading position
- Purchasing power as a result of economies of scale
- Vertical integration of services
- Diverse and long-standing customer base
- Sector specialist and experienced management teams

Northgate's business

Vehicle purchases

Vehicles on hire ("VOH") growth is supported by ongoing vehicle diversification of flexible hire vehicles allowing Northgate to serve new markets, with niche vehicles including refrigerated vehicles for food distribution now representing c.1.5% of Northgate's fleet. In addition, the Company has also increased its base of low emission vehicles in response to increasing anti-pollution measures and trends in sustainable mobility.

The Company is progressively aligning its fleet policy with market demands, to be at the forefront of electric and zero emission penetration into the market. Northgate is working with original equipment manufacturers to ensure it has as full an allocation as possible of these vehicle types for customers.

In Spain, Northgate have continued to invest in electric vehicles, which now comprise c. 1.5% of the fleet. The Company is also exploring LPG as an alternative fuel with near zero emissions, which is becoming an increasingly attractive proposition in Spain. In passenger car purchases, Northgate is now 100% petrol rather than diesel.

In the UK, the challenges of infrastructure, and reductions in payload coupled with the higher cost of investment are currently restricting the demand for commercial vehicles running on alternative fuels. However, changes in regulations and widening of low emission zones will influence demand.

Northgate's scale means it can negotiate directly with manufacturers, enabling us to access the best terms and the widest range of vehicles for customers. Northgate recognises that its relationships with suppliers are integral to the success of its strategy, and ensure it works effectively with the manufacturers to ensure that there is a strong relationship.

The strong and open relationships with suppliers enables Northgate to execute strategy efficiently, while helping suppliers manage their cash flow and production. Vehicle pricing is negotiated annually with open dialogue maintained with suppliers throughout the year. These relationships contribute to Northgate's competitive advantage.

Vehicles purchased (incl. acquired) 15.7 thousand in the UK and Ireland and 13.9 thousand vehicles purchased in Spain for the year ended 30 April 2019.

Vehicle rentals

£315.6 million hire revenue was generated in the UK and Ireland from 48.4 thousand vehicles on hire (year ended 30 April 2019). Average fleet utilisation of 88 per cent. for the year for a fleet of 54.6 thousand vehicles generating a rental margin of 7.8 per cent. In Spain £202.1 million hire revenue was generated from

44.8 thousand vehicles on hire (year ended 30 April 2019) with an average fleet utilisation of 91 per cent. for the year for a fleet of 51.1 thousand vehicles generating a rental margin of 19.7 per cent.

Flexible rental

Flexible rental is Northgate's core market and the Company is a market leader in the territories it operates in. Currently Northgate supports approximately 14,900 customers, with 93,200 vehicles on hire across the UK and Ireland, and Spain (as at 30 April 2019).

Flexible rental is the historical core of Northgate with no contractual time or capital commitment, this service offers the most operational flexibility for our customers. Vehicles are usually supplied fully inclusive of maintenance and other service enhancements.

There is generally strong demand from customers who want the ability to return a vehicle at short notice due to changes in demand through their business cycle. When businesses have more certainty in their outlook, there is a natural shift of customers moving from flexible rental into longer-term commitments in minimum-term rental.

Minimum term

Northgate offers a range of minimum-term commitments with levels of service typically associated with flexible rental. The product offer cross-sells within the existing flexible customer base, with many medium and large fleets having a requirement for both flexible and minimum-term rentals. Minimum-term is also the natural landing point for customers who transition from vehicle ownership to term-hire. Customers no longer feel the need to own their vehicles outright and are attracted to the upfront cash flow advantage, predictable cash flows, and the potential for whole-life costs to be lower than ownership.

Minimum term rentals require a contractual commitment from customers to commit to rental for a minimum period of 12 months. This service offers customers similar benefits to vehicle ownership while limiting their exposure to residual value risk and initial cash outflow.

Vehicle sales

Northgate utilises its disposal arm to dispose of the vehicles at the end of life either to retail or trade through our national Van Monster network in the UK & Ireland, and Northgate Occasion in Spain. This allows Northgate to maximise cash returns on sales of vehicles and reduce the overall holding cost of vehicles.

Acquisition of used vehicles in the secondary market generates transactions across the industry of c. £5 billion in value per year. End users typically consist of traders and individual business owners. Northgate can access the end users directly through the national network of retail sale locations. This enables Northgate to reduce the overall holding cost of our vehicles.

For the year ended 30 April 2019, Northgate sold 21.0 thousand vehicles in the UK and Ireland generating revenues of £166.5 million and sold 11.6 thousand vehicles in Spain generating revenues of £61.4 million.

Suppliers

The Northgate Group constantly reviews its equipment fleet to ensure that it is sourcing the right products to meet customer demand. The Northgate Group services and maintains its fleet with supplies from approximately 350 suppliers and sources the majority of its hire fleet from approximately 20 strategic suppliers, most of whom are based in the United Kingdom and Europe. The Northgate Group selects its equipment suppliers based upon quality, the price of their product, technical support and availability of spare parts. Its suppliers are chosen based on their product quality, reliability and service levels with respect to delivery, collection and administration. The Northgate Group maintains a broad supplier base in order to seek to maximise fleet availability to meet its customer demand.

Information technology

The Northgate Group has a range of IT solutions which are designed to both support its customer focus and enhance operational efficiency. The UK and Spanish business units operate using their own IT systems and

the Irish business uses a combination of systems from the UK and Spain, with functionality being provided through the core business platforms. Northgate's UK operations are currently developing a new IT system.

Intellectual property

The Northgate Group owns the rights to its most important trademark, "Northgate", along with other product names which it offers to customers, as well as the accompanying logos and images. Its core intellectual property consists mainly of certain trademarks and trade names that the Northgate Group owns.

Property

The Northgate Group has its headquarters in Darlington and provides vehicle hire services from 59 rental locations in the United Kingdom, 4 rental locations in Ireland and 26 rental locations in Spain. In addition to vehicle rental sites, the Group operates 22 Van Monster sites in the United Kingdom and 4 Van Monster sites in Ireland.

Employees

Culture is an integral part of Northgate's business and enables its employees to align behind the growth strategy. Northgate has strong leadership teams in each business who drive the culture and help ensure Northgate can achieve growth.

Attracting, retaining and developing the right people is key to the successful delivery of strategy. Staff turnover is a key measure for monitoring performance in this area, with group staff turnover for the year ended 30 April 2019 at 24 per cent.

The composition of our workforce at 30 April is as follows:

	As at 30 April 2017			As at 30 April 2018			As at 30 April 2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
UK & Ireland.....	1,355	523	1,878	1,371	506	1,877	1,361	625	1,986
Spain.....	668	370	1,038	735	388	1,123	778	410	1,188
Total	2,023	893	2,916	2,106	894	3,000	2,139	1,035	3,174

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

	As at 30 April 2017		As at 30 April 2018		As at 30 April 2019	
	Male	Female	Male	Female	Male	Female
Directors	4	2	5	2	4	2
Senior managers	21	5	21	5	15	4

None of the Northgate Group's employees in the UK and Ireland are covered by a collective bargaining agreement or represented by a labour organisation. Northgate Spain has agreements with Spanish trade unions in relation to some of its employees. To date, the Northgate Group has not experienced a labour-related work stoppage.

The Northgate Group has pension arrangements in the countries in which it operates. For the Senior Managers and other members of management, the Northgate Group offers the same pension arrangements with higher employer contribution. See paragraph 7 (*Northgate Directors' terms of employment*) and paragraph 11 (*Pensions*) of Part 21 (*Additional Information*).

Environment, health and safety

Northgate's approach to health and safety is simple: to ensure no harm comes to anyone working with Northgate or those affected by Northgate's business activities. As employers Northgate believes it should mitigate health, safety and environment risks within its control whilst working closely with employees, so they understand and embrace requirements. The 'Safe and sound' programme creates an environment of

openness and awareness, where all colleagues feel able to raise concerns about working practices and conditions. Northgate provides regular training to employees as well as carrying out regular special events highlighting certain topics throughout the year. The Health, Safety & Environment team reviewed the performance of health, safety and environment management systems at all locations across the Northgate Group during the year, and where necessary identified improvements, or monitored compliance with Northgate Group policy. Health and safety performance is measured across the business using an accident frequency rate. This is calculated as the number of lost time incidents, multiplied by 100,000, divided by the number of hours worked. These figures were as follows:

	For the year ended 30 April		
	2017	2018	2019
UK & Ireland.....	0.8	0.9	0.7
Spain	1.9	1.9	1.6
Northgate Group	1.2	1.2	1.0

Insurance

The Northgate Group-wide insurance coverage includes policies for risks associated with its business. These policies provide insurance cover for the motor fleet, property damage and business interruption, combined liability, in addition to standard corporate insurances including crime, directors and officers, cyber and professional indemnity in relation to the Van Monster business.

The Directors believe that its insurance coverage is sufficient for the risks associated with its operations and that its policies are in accordance with customary industry practices. However, there can be no guarantee that the coverage the Northgate Group maintains will be sufficient to cover the cost of defence or other damages in the event of a significant claim.

Legal and administrative proceedings

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Company's and/or the Northgate Group's financial position or profitability.

PART 8

INFORMATION ON REDDE

Investors should read this Part 8 (Information on Redde) in conjunction with the more detailed information contained in this Prospectus including Part 15 (Operating and Financial Review of Redde). Where stated, financial information in this Part 8 (Information on Redde) of this document has been extracted from Part 14 (Selected Financial Information of Redde).

The Redde Group offers a comprehensive package of motor claims accident and incident management services, including vehicle replacement and repair management together with full claims-handling assistance, as well as legal and other bespoke services. It is positioned to provide its key business partners with a range of services, from direct assistance to the non-fault motorist, through to partially or fully outsourced case-handling facilities. The Redde Group's business partners are insurance companies, brokers and other motoring organisations such as car dealerships, motor manufacturers, leasing companies, repair centres and owners and operators of large fleets (including government agencies and police forces).

The Redde Group is a leading supplier to the motor insurance industry and aims to be the preferred claims outsourcing partner for UK motor insurers by providing claims solutions which reduce their administrative work and expenditure and provide their customers with an excellent vehicle repair and temporary replacement service.

The Redde Group also provides specialised large fleet accident and incident management services for over 400,000 fleet vehicles through the FMG group of companies.

Redde is headquartered in Bath and it has accident management operational centres in Peterlee and Huddersfield. As at 30 June 2019, the Redde Group had a vehicle distribution network consisting of 27 branches, employed approximately 2,400 staff and had a fleet of over 10,000 vehicles with access to an additional 50,000 vehicles through selected rental partnerships. The Redde Group provides solicitors' services through Principia from Northwich and NewLaw from Bristol, Cardiff and an associated office in Glasgow.

For the financial year ended 30 June 2019, Redde's revenue was £589.7 million and profit before tax was £41.6 million. As at 30 June 2019, Redde's net assets were £161.1 million.

Claims made upon the at-fault motorists' insurers represent the majority of the Redde Group's receivables and a key strength is the efficient management of claims so as to ensure that claims are paid promptly. Redde has developed strong links with the insurance community in relation to both the referral of customers and the payment of claims and it now conducts a large proportion of its business pursuant to protocol agreements with major insurers which result in claims being settled quicker and more efficiently for the benefit of the insurer as well as Redde itself.

Redde is a leading provider of comprehensive accident-related services to owners of vehicle fleets and the customers of its referral partners. It provides a range of services which are essential to restoring motorists' mobility and protecting them financially in the event of an accident. For this reason, Redde is an important service provider to the automotive industry in the UK and the motor insurance industry in particular.

History

Redde was established in 1992 under the "Helphire" name to provide vehicle hire services to motorists involved in accidents where they were not at fault and in 1995 the Redde Group began arranging repairs to customers' vehicles on credit, providing them with a complete vehicle replacement and repair service. The group grew rapidly in the years following its formation and was admitted to the Official List in 1997 (the Redde Group later moved to AIM in 2013).

In 2002, Total Accident Management was formed to expand the Redde Group's range of services by providing similar accident management services to owners of large vehicle fleets. Redde also grew by

acquisition, acquiring the Albany Group in 2004, a large legal expense insurance and credit hire services provider; Swift Rentacar in 2005, a prestige credit hire specialist; and CabAid in 2007, a provider of replacement taxis and private hire vehicles.

Redde became a leader in the credit hire and repair market and in 2014 it broadened its service portfolio into the provision of personal injury legal services with the acquisition of the NewLaw group of companies. In 2015 the Redde Group strengthened its fleet accident management offering significantly with the acquisition of the FMG group of companies.

In May 2014, Redde announced the change of the name of its holding company from Helphire Group plc to Redde plc, a name which is associated, in Latin, with the concept of restoration, to reflect the broadening of its activities, and followed this with a change of trading name for its accident management business to Auxillis.

Competitive strengths

Each of the Redde Group's businesses requires specialist skills and systems to ensure that cases are expertly and cost-effectively managed. Referral partners insist on demanding standards for the management of their customers' cases and the Redde Group's key strength is its ability to provide an excellent service on an efficient and commercial basis.

In both its accident management and legal businesses the Redde Group works closely with its referrers to assess accidents, in particular liability for the event, and determine the appropriate response. Following this assessment Redde must deliver a service, whether hire, repair or legal, to the standards required and on a basis which ensures the integrity and enforceability of the resulting claim. Redde has to meet high standards of vehicle presentation, timeliness and service and ensure vehicle repairs and legal services are carried out effectively and economically. It is possible for competitors to challenge in certain areas of Redde's business but to create a business with the skilled people and dedicated systems to manage the entire process is extremely difficult.

Redde's business

Accident Management

Redde provides a comprehensive suite of accident management services to its partners' customers including vehicle hire and repair services and legal support services. Redde Group generally hires an equivalent replacement vehicle to victims of non-fault accidents either whilst their vehicle is off the road for the necessary repairs or until they can buy another vehicle. When motorists who have been involved in an accident report the incident to their insurer, or another service provider, that party refers the case to Redde, describing the incident and the customer's requirement, and Redde handles the case and meets the customer's needs from that point. Redde holds a large fleet of vehicles which reflects the composition of the UK's car parc, enabling it to match closely a hire vehicle to the customer's vehicle that it is replacing and it has an extensive network of high quality repair centre partners with whom it works to repair customers' vehicles.

The replacement vehicle is delivered from one of Redde Group's nationwide branches to the customer's chosen location. If the customer's vehicle is repairable, Redde assists with the repair and inspection arrangements and monitors the progress of that repair. The customer makes no payment for hire or repair at the conclusion of the hire or completion of repairs as these services are provided on credit while the customer's claim is pursued against the negligent party.

The provision of hire and repair services on credit followed by a claim against the at-fault party's insurer entails a natural lag for receivables collections versus a more conventional, contractual service, which can be lengthy. The Redde Group has shortened this cycle considerably in recent years through protocol arrangements with insurers. This generally involves discounting a claim in return for a non-frictional and a more efficient, faster settlement process conducted on agreed terms, which benefits all parties. As a large stakeholder in the motor claims market the Redde Group has good relationships with many insurers and makes efforts to maintain those relationships whilst ensuring a robust collection process.

Rising accident costs for insurers has resulted in pressure on insurers' operational costs, a reduction in resourcing of claims processing and an increase in claims settlement times. During the year ended 30 June 2019 the Redde Group launched a bespoke, digital, protocol portal link which enables further claim processing efficiencies for both protocol insurers and the Redde Group and the provision of real-time claim settlement status. The year saw an increase in the number of protocol insurers linking in direct to the Redde Group's protocol portal which will over time reduce claims processing times for those insurers although the roll out of this is dependent upon the availability of insurer internal IT resources.

Fleet and Incident Management

The Redde Group provides a range of accident management services to owners of vehicle fleets and now assists in servicing fleets, in aggregate, in excess of 400,000 vehicles. Arrangements vary fleet by fleet but generally there is a mixture of 'non-fault' (credit hire, credit repair and personal injury services) together with a range of more traditional fleet management services such as administering insurance claims, negotiating with the fleet's insurers and dealing with repairers and/or parts suppliers on behalf of the fleet in cases where the fleet's driver is at fault.

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

Legal Services

The Redde Group assists its customers with legal services through its NewLaw legal firm, Your Law LLP (a partnership with the National Accident Helpline), Ageas Law LLP, Principia Law and RCN Law LLP. These services cover personal injury services (motor, criminal injury, medical negligence and specialist serious injury) as well as employers' liability, wills and probate, family law, clinical negligence and public liability legal advice. While non-road traffic accident cases take longer to settle than road traffic accident claims and require greater cash investment as they progress, they are not affected by reforms of road-traffic accident soft tissue injury compensation levels that are presently scheduled to come into effect in April 2020. The Redde Group is investing in IT systems to provide a customer portal that will integrate with the proposed Ministry of Justice portals and provide efficiencies to deal with low-value claims after these proposed reforms take effect.

Customer and referrer relationships

Business is referred to the Redde Group from a number of sources including insurance companies, insurance brokers, dealerships, body-shops, leasing companies and owners of large fleets. In particular, a significant proportion of the Redde Group's business is referred from a limited number of leading insurance companies in the private motor insurance industry. The Redde Group has agreements in place with many of these referrers which govern the flow of hire and repair cases and the terms and commissions on which such cases are introduced. These agreements are subject to periodic review, and once out of initial term can be terminated with short notice periods of typically 3 to 6 months. As a result, the Redde Group has developed long term relationships with its partners and has sought to secure these relationships with appropriate long-term formal contracts.

Information technology

The Redde Group invests in technology to support its strategic objectives, including further integration of services across the group, productivity improvements within the Redde Group's operational centres, and enhancements to existing supply chain integration.

The Redde Group has recently focused on mobile device optimisation and in the year ended 30 June 2019 implemented a digital customer portal, enabling a clearer and faster data transfer between customers and the group's operational systems. In addition, Redde recently upgraded its Repair Tracker solution enabling network repairers to provide job status information in a simpler, more timely fashion via the portal, enabling automated updates to be provided to customers via the group's digital platforms. The Redde Group has also

implemented direct data integration with a leading body-shop management system, targeting further efficiencies to the capture of repair status information, and reducing administrative overheads for repairers.

A major upgrade to its core operational claims management system was successfully completed in October 2018, providing enhanced platform capability which will support further operating efficiencies and customer service improvements. Work also commenced on the development of a digital self-service claims-capturing platform which will bring further efficiencies in claims management, with greater visual tracking of claims progress by claimants.

The Redde Group has implemented robotics processing automation in the processing of claims information and documentation including back office, operational and finance systems. The implementations to date have proven to be cost effective and their use will be expanded across the Redde Group where appropriate, providing potential opportunities for future efficiencies.

Intellectual property

The Redde Group owns the rights to its most important trademarks, “Redde” and “Auxillis” along with other product names which it offers to customers, as well as the accompanying logos and images. Its core intellectual property consists mainly of certain trademarks and trade names that the Redde Group owns.

Property

The Redde Group has its headquarters in Bath and provides accident management services from leasehold office premises in Peterlee and Huddersfield and a network of leasehold depots. It provides solicitors’ services from premises in Cardiff, Northwich and Bristol.

Employees

As at 30 June 2019, the Redde Group had a team of more than 2,400 employees. The following table details the average number of employees (including directors and contractors) by function for the periods indicated.

	Year ended 30 June		
	2017	2018	2019
Operational	1,692	1,774	1,879
Office administration	362	396	410
Management	100	99	116
Total.....	2,154	2,269	2,405

None of the Redde Group’s employees are covered by a collective bargaining agreement or represented by a labour organisation. To date, the Redde Group has not experienced a labour-related work stoppage.

The Redde Group operates a defined contribution pension plan in the United Kingdom, membership of which is open to all employees. The executive directors of Redde receive a fixed sum allowance (subject to annual review) to be used for personal money purchase schemes (or cash in lieu) of contributions.

Insurance

The Redde Group insurance coverage includes policies for risk associated with the Redde business. These policies provide insurance cover for the motor fleet, property damage, business interruption, combined liability and professional indemnity for the legal services business in addition to standard corporate insurances including crime, directors and officers and cyber.

The Directors believe that the Redde Group’s insurance coverage is sufficient for the risks associated with its operations and that its policies are in accordance with customary industry practices. However, there can be no guarantee that the coverage the Redde Group maintains will be sufficient to cover the cost of defence or other damages in the event of a significant claim.

Legal and administrative proceedings

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Company's and/or the Redde Group's financial position or profitability.

PART 9

TERMS AND CONDITIONS OF THE MERGER

Introduction

On 29 November 2019, the boards of Northgate and Redde announced that they had reached agreement on the terms of a recommended all-share merger of Northgate and Redde (the “Merger”) pursuant to which Northgate will acquire all of the issued and to be issued share capital of Redde.

The Merger is intended to be implemented by way of a Court-sanctioned scheme of arrangement of Redde under Part 26 of the Act. Further details of the Merger are set out below.

Summary of the terms of the Merger

Under the terms of the Merger, which is subject to the Conditions (as summarised below in the section titled “*Structure of the Merger*” in this Part 9 (*Terms and Conditions of the Merger*)) and to the full terms and conditions to be set out in the Scheme Document, each holder of Redde Scheme Shares (“Scheme Shareholder”) at the Scheme Record Time will be entitled to receive:

0.3669 New Northgate Shares for each Redde Share

Immediately following Completion, Northgate Shareholders will own approximately 54 per cent. and Redde Shareholders will own approximately 46 per cent. of the share capital of the Combined Group (based on the fully diluted ordinary issued share capital of Northgate and the fully diluted share capital of Redde, in each case as at 6 December 2019, being the Latest Practicable Date). As a result, the voting rights of Existing Northgate Shareholders will be diluted, such that the Existing Northgate Shareholders would, immediately after the Effective Date, hold voting rights of approximately 54 per cent. of the total voting rights that they had held immediately prior to completion. Please see the section titled “*Dilution*” of this Part 9 (*Terms and Conditions of the Merger*) for details of how the dilution statistics are calculated.

The boards of Northgate and Redde have agreed to retain their current dividend policies for the period prior to Completion.

The New Northgate Shares will be issued as fully paid and will rank equally in all respects with the Northgate Shares in issue at the time the New Northgate Shares are issued pursuant to the Merger and will be entitled to receive any dividends and/or other distributions declared, made or paid, or any other return of capital (whether by reduction of share capital, share premium account or otherwise) made by Northgate in respect of the Northgate Shares with a record date falling after the Effective Date. Applications will be made to the FCA for the New Northgate Shares to be admitted to the premium listing segment of the Official List and to be admitted to trading on the London Stock Exchange’s Main Market for listed securities.

In the event that the Merger is to be implemented by way of a Takeover Offer, the Redde Shares will be acquired pursuant to the Takeover Offer fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto.

Dividends and dividend policy of the Combined Group

The Boards of Northgate and Redde have agreed to retain their current dividend policies for the period prior to Completion. Accordingly, Northgate and Redde have agreed that:

- Northgate Shareholders will be entitled to retain the Northgate interim dividend for the six month period to 31 October 2019 of 6.3 pence per Northgate Share announced by Northgate on 29 November 2019 (the “Permitted Northgate Dividend”); and
- if the Effective Date has not occurred before 6 March 2020, being the record date for any Redde dividend that may be declared for the six month period to 31 December 2019, Redde Shareholders

will be entitled to retain such dividend provided it is equal to or less than 5.5 pence per Redde Share (the “Permitted Redde Dividend”).

Reduction to Exchange Ratio

If, after the date of the Merger Announcement, any dividend, distribution or return of capital is declared, made or paid or becomes payable in respect of the Redde Shares (other than, or in excess of, any Permitted Redde Dividend or any Redde Equalisation Dividend) with a record date on or before the Effective Date (each a “Non-Permitted Redde Dividend”), Northgate reserves the right to reduce the Exchange Ratio accordingly so as to reflect the aggregate value attributable to any such Non-Permitted Redde Dividend.

Redde Equalisation Dividend

If, after the date of the Merger Announcement, any dividend (other than, or in excess of, any Permitted Northgate Dividend), distribution or return of capital is declared, made or paid or becomes payable in respect of the Northgate Shares with a record date on or before the Effective Date (a “Non-Permitted Northgate Dividend”), then Redde will be entitled (in addition to any Permitted Redde Dividend) to declare and pay, and the Redde Shareholders will be entitled to receive and retain an equalisation dividend in Sterling (the “Redde Equalisation Dividend”) in respect of the Redde Shares of an amount per Redde Share equal to the amount of the Non-Permitted Northgate Dividend per Northgate Share multiplied by the Exchange Ratio (taking into account any reduction to the Exchange Ratio arising as a result of any Non-Permitted Redde Dividends in accordance with the paragraph titled “*Reduction to Exchange Ratio*”).

Dividend policy of the Combined Group

Following the Merger and subject to the approval of the Board of the Combined Group, the Combined Group intends to adopt a progressive dividend policy consistent with a strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the dividend will be covered by the Combined Group’s profit after tax by around two times. The Combined Group will look to pay interim dividends that are 50 per cent. of the prior final dividend.

Background to and reasons for the Merger

Background

The boards of Northgate and Redde believe that the UK mobility and automotive services sector is a structurally attractive yet highly fragmented market with opportunities to remove inefficiencies that would enhance the customer proposition and unlock value for shareholders. Numerous players offer different aspects of the value chain and life-cycle of a vehicle across vehicle provision (sales, rental, term hire and leasing), vehicle fit out, fleet management, servicing maintenance and repair, breakdown and recovery, accident management, legal services, vehicle disposal (retail and trade) and salvage.

Northgate is a leading specialist business providing light commercial vehicles and cars to business customers in the UK, Spain and Ireland on flexible and minimum-term hire contracts.

Redde is a leading support services company in the UK specialising in accident and incident management and legal services to motorists. Primarily, it provides replacement vehicle, repair and recovery services to insurance company customers as well as accident and incident support services to private and public organisations who have contractual relationships with Redde. Redde aims to restore their mobility through the provision of hire vehicles and support them in achieving recoveries to which they are entitled.

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

- shifts by businesses and customers from owning to renting vehicles;
- the convergence of mobility solutions;

- increasing use of offering services and support to differentiate customer propositions relative to competitors; and
- interacting and providing customers with a broader end-to-end experience.

Rationale for the Merger

Northgate and Redde believe that the Merger will provide the opportunity to combine two highly complementary businesses into a Combined Group with a comprehensive suite of mobility services and a platform from which to create a leading integrated mobility solutions and automotive services business of scale.

Each company has previously stated their intention to and the benefits of diversifying their customer propositions and the Merger will enable both businesses to materially accelerate their complementary diversification strategies.

The Merger will enable Northgate to broaden the provision of capital-light fleet solutions such as market-leading fleet and accident management, strengthen the customer offer, and deliver low capex growth opportunities in attractive and adjacent markets. As well as immediately broadening its service offering, the Merger will provide Northgate with a platform from which to add further services, potentially extending to a turnkey fleet management suite of services with an attractive financial returns profile.

Redde specialises in responding to vehicle-related incidents, in particular road traffic accidents. Its expertise allows it to compete effectively with larger hire businesses despite scale disadvantages. Following the Merger, as part of a major vehicle hire group with an enlarged branch network throughout the UK, Redde will be able to strengthen the customer offer through an even more responsive service to its business partners and their customers. Northgate's support and its infrastructure is expected to enable Redde to provide a broader range of car hire services to complement its accident-related services and scale in selected markets where the returns and investment case are attractive.

The Combined Group will have the expertise, experience and infrastructure required to provide businesses and personal customers with a comprehensive suite of mobility services and a range of automotive services, supplying vehicles to meet their regular mobility needs, servicing and supporting them when unforeseen events occur to ensure that they remain mobile while providing support for any resulting claims.

In summary, Northgate and Redde believe that the Merger will:

- establish a complementary combination with a comprehensive suite of mobility services and a platform from which to create a leading integrated mobility solutions and automotive services business of scale;
- create a market-leading customer proposition;
- generate cost synergies underpinned by enhanced scale and optimisation potential;
- provide the opportunity to unlock attractive revenue synergies; and
- position the Combined Group with a strong financial profile.

Complementary combination with a comprehensive suite of mobility services

The Combined Group will serve customers across core rental and accident and incident management business lines and achieve greater diversification across its territories, service lines and customer base, with a strong financial profile and balance sheet.

The Merger will create a leading integrated mobility solutions and automotive services platform spanning the vehicle life-cycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale. It creates the platform onto which further value accretive services can be overlaid, delivering customer value across a broader range of services utilised by a vehicle through its life.

The Combined Group will have enhanced scale and be able to supply a far wider range of services to existing and new customers both as a function of cross-selling each other's services and through the creation of new services enabled by the Merger. It will have a combined network of enhanced scale and density with over 110,000 vehicles in its own fleet and over 400,000 managed vehicles managed through a combined rental network of over 100 branches in the UK and Spain with the ability to provide one stop-shop service, maintenance and repair operations. In addition, the Combined Group will have an extensive vehicle disposal network through which it can efficiently dispose of vehicles.

Consideration will be given to Northgate's Spanish operations and the extent to which this can be used as a suitable platform to build out the enlarged capabilities of the Combined Group.

A market-leading customer proposition

The Merger will create a market-leading customer proposition, providing fleet customers and insurers with access to an increased scope of services, a combined fleet, an increased and enhanced geographic coverage, benefits from cost efficiencies and a combination of existing capabilities.

Fleet customers of the Combined Group will benefit from the combination of a leading light commercial van rental provider and an efficient, leading fleet management, accident management and legal services provider. It is envisaged that fleet customers would benefit from the outstanding service proposition, have a greater choice and fulfilment ability, and be able to access the enhanced network of the Combined Group providing more proximate locations for service fulfilment, aiding overall responsiveness to customer requests.

The insurance customers of the Combined Group will benefit from credit hire service levels that are further enhanced through greater branch coverage and access to the breadth of vehicle fleet that the Combined Group would manage. The credit hire fleet of the Combined Group will be more cost effectively serviced and maintained.

Cost synergies underpinned by enhanced scale and optimisation potential

Northgate and Redde have identified significant savings that they expect to be delivered through the Merger. The Boards of Northgate and Redde expect that the Merger will generate pre-tax cost synergies of at least £10 million per annum, with target run-rate phasing of £7 million at the end of the first 12 months following Completion and £10 million at the end of the second 12 months following Completion.

These cost synergies are expected to be delivered from the following areas:

- *Corporate and support functions (approximately 45 per cent. of total pre-tax cost synergies):* Rationalisation and consolidation of corporate and support functions, removal of duplicate public company costs and optimisation of procurement;
- *Network (approximately 35 per cent. of total pre-tax cost synergies):* Operational savings from optimisation of the combined networks given enhanced scale of the Combined Group which is expected to enable the removal of branch overlap and the better optimisation of the network density of the Combined Group; and
- *Accident and fleet management (approximately 20 per cent. of total pre-tax cost synergies):* Operational savings from consolidating and rationalising the accident and fleet management capabilities of the Combined Group.

In achieving these cost synergies, the Combined Group expects to incur aggregate cash implementation costs of approximately £10 million. It is expected that approximately 70 per cent. of the total integration costs will be incurred in the first 12 months following Completion with the balance being incurred in the second 12 months following Completion.

Aside from these one-off costs, the boards of Northgate and Redde do not expect any material dis-synergies to arise from the creation of the Combined Group.

The identified synergies are contingent on the Merger and would not be achieved independently.

Attractive revenue synergies

The Combined Group is expected to realise revenue synergies from cross-selling Northgate's vehicle rental proposition to Redde customers as well as cross-selling Redde's FMG fleet management capabilities to Northgate customers. Further revenue synergies are anticipated to be available from accidents involving Northgate vehicles being channelled through FMG, and the service and maintenance of FMG customer vehicles through the enlarged service network of the Combined Group. The Boards of Northgate and Redde further believe that revenue growth opportunities exist from the launch of a UK flexible car rental proposition leveraging Redde's credit hire fleet operations alongside Northgate's considerable UK network.

Strong financial profile

The Combined Group is anticipated to have a strong financial profile with a diversified revenue mix, an attractive margin profile and improved cash flow characteristics.

The Boards of Northgate and Redde have considered the future capital management policy for the Combined Group. It is anticipated that this strong cash flow generation will enable the Combined Group to further strengthen the balance sheet over time with the Combined Group seeking to maintain a net debt to underlying EBITDA ratio of 1.0 times to 2.0 times in the near term.

The Merger is anticipated to deliver a post-tax return on invested capital which exceeds Northgate's weighted average cost of capital by the end of the first full financial year following Completion.

Information on the Northgate Group

Northgate is the leading light commercial vehicle hire business in the UK, Ireland and Spain by fleet size and has been operating in the sector since 1981.

Northgate's core business is the hire of light commercial vehicles to businesses on a flexible or minimum-term basis, giving customers the ability to manage their fleet requirements in a way which can adapt best to changing business needs.

Northgate operates a modern fleet of over 100,000 vehicles from more than 100 sites across the UK, Ireland and Spain. Through this network it partners with a wide spectrum of customers from sole traders to blue chip multi-nationals across multiple sectors. Northgate generated revenues of £745.5 million and underlying operating profit of £76.2 million in the financial year ended 30 April 2019.

Northgate is headquartered in Darlington, County Durham and employs over 3,000 employees.

Northgate Shares are listed on the premium listing segment of the Official List and are traded on the London Stock Exchange's Main Market.

Information on the Redde Group

The Redde Group offers a comprehensive package of motor claims accident management services, including vehicle replacement and repair management together with full claims-handling assistance, as well as legal and other bespoke services. It is positioned to provide its key business partners with a range of services, from direct assistance to the non-fault motorist, through to partially or fully outsourced case-handling facilities. The Redde Group's business partners are insurance companies, brokers and other motoring organisations such as car dealerships, motor manufacturers, leasing companies and repair centres.

The Redde Group is a leading supplier to the motor insurance industry and aims to be the preferred claims outsourcing partner for UK motor insurers by providing claims solutions which reduce their administrative work and expenditure and provide their customers with an excellent vehicle repair and temporary replacement service. The Redde Group also provides specialised large fleet accident and incident management services for over 400,000 fleet vehicles through the FMG group of companies.

Redde was established in 1992 and is headquartered in Bath, with accident management operational centres in Peterlee and Huddersfield. As at 30 June 2019, the Redde Group had a vehicle distribution network consisting of 27 branches, employed approximately 2,400 staff and had a fleet of over 10,000 vehicles with

access to an additional 50,000 vehicles through selected rental partnerships. The Redde Group provides solicitors' services through Principia from Northwich and NewLaw from Bristol, Cardiff and an associated office in Glasgow.

For the financial year ended 30 June 2019, Redde's revenue was £589.7 million and profit before tax was £41.6 million. Redde Shares are admitted to trading on AIM, a market of the London Stock Exchange.

Employees, management and locations

Strategic plans for the Combined Group

The Combined Group will create a leading integrated mobility solutions and automotive services business of scale. The Combined Group intends to move quickly to combine the existing businesses and create a combined business which harnesses the assets, best practices and skilled teams of both companies. It is expected that the Combined Group will:

- bring together some of the best talent in its industry;
- be focused on placing consumers at the centre of its business through a broader, more attractive, customer proposition;
- leverage its nationwide coverage and end-to-end portfolio of services;
- benefit from the expertise of both companies to provide best in class services for its customers;
- have a strong balance sheet and financial flexibility; and
- have a governance model which will support and challenge its management to ensure that the interests of all stakeholders are considered.

Given the complementary nature of Northgate and Redde in terms of their respective propositions to customers and the nature of customers that each business addresses, it is anticipated that there will be limited impact from the Merger on customers and employees, in particular in the short term. Upon Completion, the Combined Group will initiate a detailed review of the operations of both businesses to assess how they can work most effectively and efficiently together. The review, which is expected to take at least three months following Completion, will consider the current operating and organisational structures of both businesses and provide the basis for the development of an integration programme designed to minimise disruption to customers and employees whilst delivering the expected opportunities and benefits of the Merger for the Combined Group's stakeholders.

The Combined Group will retain extensive operations across the UK, Ireland and Spain, and, given the complementary nature of the businesses and the limited areas of overlap, it is anticipated that there will be minimal consolidation of the existing operational centres of both businesses. While an initial assessment has been undertaken as part of the preparation of the Northgate Quantified Financial Benefits Statement, following Completion the Combined Group will perform a detailed review of the enlarged branch network to identify opportunities to realise infrastructure and operating efficiencies. The review, which is expected to take at least three months following Completion, will identify the optimal network by removing overlap and enhancing overall scale along with greater density to align with the needs of the Combined Group's portfolio of services and its efficient delivery to customers. It is expected that this will be achieved by ensuring that vehicles are closer to customers resulting in lower delivery and collection costs. In respect of head office and corporate functions, where overlap and duplication does exist, it is intended that, following a review of the options available, activities will be consolidated and rationalised to allow for the better integration of the Combined Group.

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

- Focus: complete the integration of the two businesses alongside initiation of the delivery of the anticipated cost synergies, development of the Combined Group's product and services, and start to leverage the platform to enable revenue growth on the basis of the broader offering;

- Drive: complete the initiatives around the cost synergies, product and service portfolio and platform, and initiate service diversification into complementary markets alongside exploring further market and geographic growth opportunities; and
- Broaden: accelerate the service diversification and exploration of market and geographic growth opportunities.

Governance

The Combined Group will draw on the array of talent and experience in both companies to drive the business forward. Following the Merger, it is intended that the Combined Group will have a Board comprising members of both Northgate and Redde's existing Boards.

- Avril Palmer-Baunack, currently non-executive chairman of Northgate, will become non-executive chairman of the Combined Group;
- Martin Ward, currently CEO of Redde, will become CEO of the Combined Group; and
- Philip Vincent, currently CFO of Northgate, will become CFO of the Combined Group.

In addition, John Davies and Mark McCafferty, currently non-executive directors of Redde, and Stephen Oakley, currently CFO of Redde, will join the Board of Northgate as non-executive directors from Completion. William Spencer, John Pattullo, Claire Miles, Mark Butcher and Fernando Cogollos, currently non-executive directors of Northgate, will remain on the board of Northgate upon Completion. Mark Chessman, currently chief operating officer of Redde, will step down from the board of Redde upon Completion.

It is intended that, following Completion, the composition and size of the board at Northgate will be reviewed with a view to ensuring that the board of Northgate is commensurate with the size and nature of the Combined Group.

In conjunction with the proposed governance arrangements and board composition of the Combined Group, Northgate confirmed in the Merger Announcement that Kevin Bradshaw had stepped down, by agreement with the Board of Northgate, from his position as a director and CEO of Northgate on that day and with immediate effect.

Employees

Northgate attaches great importance to the skills and experience of the existing management and employees of Redde and Northgate and believes that they will benefit from greater opportunities within the Combined Group following the Merger. Northgate confirms that it intends to safeguard fully the existing statutory and contractual employment and pension rights of the Redde Group's employees and management and to make no material changes to the conditions of employment or change to the balance of skills and functions of employees across the Redde Group.

The Board of Northgate recognises that in order to achieve the expected benefits of the Merger, it will be necessary to perform a detailed review of how best to integrate the two businesses. Northgate believes that there is the potential to generate cost savings in the Combined Group through business, operational and administrative restructuring following Completion. As part of the preparation of the Northgate Quantified Financial Benefits Statement, Northgate's initial analysis has identified that there is likely to be an opportunity to rationalise certain corporate overheads and support functions, including public company related costs and central functions, and that there may be duplication at a limited number of operational branches capable of rationalisation without impacting customers. At this stage, Northgate has not yet developed a proposal as to how such integration and restructuring would be implemented and will only be able to develop and implement such proposals once the Combined Group has completed its review, which is expected to take at least three months following Completion.

Subject to the outcome of the detailed review of the integration options, it is possible that there may be a low to mid-single digit percentage reduction in the Combined Group's headcount, where there is duplication across

Northgate's and Redde's existing corporate and support functions. At this early stage in integration planning, the Combined Group has not yet developed a proposal as to how any such headcount reductions might be implemented and will only develop and implement such a proposal once the review referred to above has been completed. The Combined Group will aim to retain the best talent and will consult as appropriate with relevant employees, employee representatives and other stakeholders before any proposals are finalised.

Northgate Share plans

Northgate and Redde have agreed that the participants in the Northgate Share Plans will, so far as possible, be treated equitably with the participants in the Redde Share Plans. In order to achieve that equitable treatment, it is expected that the terms of certain of the Northgate Share Plans will be adjusted and that performance conditions that would not be relevant in the context of the Combined Group would be tested on Completion and the awards would thereafter be conditional only upon continued employment with the Combined Group. Northgate will seek shareholder approval for an amendment to its directors' remuneration policy so that the CFO's awards can be treated in a manner that is consistent with all other Northgate employees.

Northgate Value Creation Plan

The Board of Northgate has proposed to introduce a new long-term incentive plan (the "Value Creation Plan") for a small number of senior employees in the Combined Group, including the CEO, to support in the delivery of the integration of Northgate and Redde and in the delivery of the anticipated strategic benefits of the Merger.

The Value Creation Plan provides a clear link between the remuneration of the participants and the creation of value for shareholders by rewarding the delivery of significant, sustainable absolute returns to shareholders over the long-term. The award has no value on grant but gives the participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle over a performance period of at least three and a half years.

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

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

The value that can be delivered by the Value Creation Plan is linked to the shareholder value created over the relevant performance period. A minimum CAGR in total shareholder return of 5% must be achieved above an initial share price following announcement of the Merger.

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

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

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

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

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

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

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

Northgate requires shareholder approval to introduce the Value Creation Plan.

Other senior employees of the Combined Group will receive share awards under the existing Northgate EPSP consistent with Northgate's existing practice.

Locations, headquarters and research and development

Management recognise that it is in the Combined Group's best interest for the head office functions of both Northgate and Redde to be combined. While an initial assessment has been undertaken as part of the preparation of the Northgate Quantified Financial Benefits Statement, following Completion the Combined Group will consider the migration and rationalisation of the combined corporate head office function to allow for the better integration of both businesses and may result in the rationalisation of the Combined Group's head office locations. A number of options are under consideration but no decision has been taken on the preferred outcome and the Combined Group will only develop and implement such a proposal once the review referred to above in this Part 9 (*Terms and Conditions of the Merger*) has been completed.

Beyond the potential changes identified above in this Part 9 (*Terms and Conditions of the Merger*) in relation to the Combined Group's branch network and corporate head office, there are no further plans to change the locations of Northgate's or Redde's operational places of business or redeploy the fixed assets of Redde.

Neither Northgate nor Redde currently has a research and development function and Northgate has no plans in this regard.

Pensions

Following Completion, the Combined Group does not intend to make any changes with regard to the agreed employer contributions into Redde's existing defined contribution pension scheme(s) or the accrual of benefits to existing members or the admission of new members to such pension schemes.

Name of the Combined Group

Upon Completion, it is intended that the name of the Combined Group will be Redde Northgate plc.

Listing locations

Prior to the Scheme becoming effective, it is intended that applications will be made to the London Stock Exchange to cancel trading in the Redde Shares on AIM, with effect from or shortly following the Effective Date, and to re-register Redde as a private company.

Northgate will seek approval for the New Northgate Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market.

Other

The financial year end of the Combined Group will be 30 April.

The statements in this Part 9 (*Terms and Conditions of the Merger*) which constitute “post-offer intention statements” for the purposes of Rule 19.6 of the Code, will apply for 12 months from Completion.

No statements in this Part 9 (*Terms and Conditions of the Merger*) constitute “post-offer undertakings” for the purposes of Rule 19.5 of the Code.

Views of the Redde Board

In considering the recommendation of the Merger to Redde Shareholders, the Board of Redde has given due consideration to the confirmations that Northgate has given in relation to employees within the Combined Group. The Board of Redde welcomes the Combined Group’s intentions with respect to the future operations of the business and its employees as part of a larger business combined with Northgate, in particular, Northgate’s confirmation of its intention to safeguard fully the existing statutory and contractual employment and pension rights of the Redde Group’s employees and management and to make no change to the balance of skills and functions of employees across the Redde Group.

Northgate’s current trading, trends and prospects

On 29 November 2019, Northgate released its interim results for the six month period to 31 October 2019 with total revenue of £357.8 million, underlying operating profit of £35.1 million and underlying earnings per share of 17.6 pence. Northgate also reported the Company’s overall financial performance expected for the year ending 30 April 2020 is in line with its expectations.

Structure of the Merger

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Redde and the Scheme Shareholders, under Part 26 of the Companies Act 2006. The procedure involves, among other things, an application by Redde to the Court to sanction the Scheme, in consideration for which the Scheme Shareholders will receive New Northgate Shares on the basis described in in the section titled “*Summary of the Terms of the Merger*” in this Part 9 (*Terms and Conditions of the Merger*). The purpose of the Scheme is to provide for Northgate to become the owner of the entire issued and to be issued share capital of Redde.

The Scheme is subject to the Conditions and certain further terms referred to in Appendix 1 to the Merger Announcement and to be set out in the Scheme Document, and will only become effective if, among other things, the following events occur on or before the Longstop Date:

- a resolution to approve the Scheme is passed by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Court Meeting, either in person or by proxy, representing 75 per cent. or more in value of the Scheme Shares held by those Scheme Shareholders;
- the Redde Special Resolution necessary to implement the Scheme is passed by the requisite majority of Redde Shareholders at the Redde General Meeting;
- the Northgate Shareholder Resolutions are passed by the requisite majority of Northgate Shareholders at the Northgate Shareholder Meeting;
- the relevant approvals required from the FCA and SRA in connection with the Merger are obtained;
- the Scheme is sanctioned by the Court (with or without modification, on terms agreed by Northgate and Redde); and
- an office copy of the Scheme Court Order is delivered to the Registrar of Companies (upon which the Scheme shall become effective).

Upon the Scheme becoming effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Redde General Meeting (and if they attended and voted, whether or not they voted in favour); (ii) Redde will become a wholly owned subsidiary of Northgate; and (iii) share certificates in respect of Redde Shares will cease to be valid and entitlements to

Redde Shares held within the CREST system will be cancelled. The New Northgate Shares will be allotted to Scheme Shareholders on the Effective Date and issued to Scheme Shareholders as soon as practicable thereafter. It is expected that Admission will become effective and that dealings for normal settlement in the New Northgate Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date.

If the Scheme does not become effective on or before the Longstop Date, it will lapse and the Merger will not proceed (unless the Panel otherwise consents).

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the Redde General Meeting. The Scheme Document will also contain the expected timetable for the Merger, and will specify the necessary actions to be taken by Redde Shareholders. The Scheme Document, together with the Forms of Proxy, will be posted to Redde Shareholders and, for information only, to persons with information rights and to holders of options granted under the Redde Share Plans, as soon as practicable and, in any event, within 28 days of the Merger Announcement (or on such later date as may be agreed by Northgate and Redde with the consent of the Panel). Subject, amongst other things, to the satisfaction or waiver of the Conditions, it is expected that the Scheme will become effective during Q1 2020.

Fractions of New Northgate Shares will not be issued to Scheme Shareholders under the Scheme. Fractional entitlements to New Northgate Shares will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the relevant Scheme Shareholders. However, individual entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) of less than £5 will not be paid to the relevant Scheme Shareholder but will be retained for the benefit of Northgate.

Irrevocable undertakings and other Merger related arrangements

Irrevocable undertakings in respect of the Northgate Shares

The Northgate Directors who hold Northgate Shares have irrevocably undertaken to vote in favour of the Northgate Shareholder Resolutions in respect of their own beneficial holdings of, in aggregate, 65,023 Northgate Shares (representing approximately 0.05% of the Northgate Shares in issue on 6 December 2019, being the Latest Practicable Date).

Irrevocable undertakings in respect of the Redde Shares

The Redde Directors, together with a close relative of Martin Ward, who hold Redde Shares have irrevocably undertaken to vote in favour of the Scheme at the Redde Court Meeting and the resolutions to be proposed at the Redde General Meeting in respect of their own beneficial holdings of, in aggregate, 4,687,303 Redde Shares (representing approximately 1.53% of the Redde Shares in issue on 6 December 2019, being the Latest Practicable Date).

Confidentiality agreement

Northgate and Redde have entered into a mutual confidentiality agreement dated 21 October 2019 pursuant to which each of Northgate and Redde has undertaken, amongst other things, to: (i) keep confidential information relating to the Merger and the other party and not to disclose it to third parties (other than certain permitted parties) unless required by law or regulation; and (ii) use the confidential information for the sole purpose of evaluating, negotiating, advising on or implementing the potential Merger.

These confidentiality obligations remain in force until the earlier of: (i) two years from the date of the confidentiality agreement; and (ii) the Effective Date. The agreement also contains provisions pursuant to which each party has agreed not to solicit certain employees, suppliers and customers of the other party, subject to customary carve-outs, for a period of 12 months from the date of the confidentiality agreement.

Co-operation agreement

Northgate and Redde have entered into the Co-operation Agreement, pursuant to which Northgate and Redde have agreed certain undertakings to co-operate and provide each other with reasonable information,

assistance and access in relation to the filings, submissions and notifications to be made in relation to regulatory clearances and authorisations. Northgate and Redde have also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

- The Co-operation Agreement records Northgate's and Redde's intention to implement the Merger by way of the Scheme, subject to the ability of Northgate to proceed by way of a Takeover Offer in certain circumstances.
- The Co-operation Agreement also contains provisions that will apply in respect of the Redde Share Plans, the Northgate Share Plans and certain other employee incentive arrangements.
- The Co-operation Agreement shall be terminated with immediate effect if: (i) Northgate and Redde so agree in writing; (ii) if the Merger is, with the permission of the Takeover Panel, withdrawn or lapses in accordance with its terms prior to the Longstop Date; or (iii) if the Scheme has not become effective by the Longstop Date.
- Northgate has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Redde (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) any Condition in so far as it relates to Redde is not satisfied or waived or becomes incapable of satisfaction or waiver (where such invocation has been permitted by the Takeover Panel) by the Longstop Date.
- Redde has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Northgate (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) Northgate breaches clause 8.3 of the Co-operation Agreement.
- In addition, either party has the right to terminate the Co-operation Agreement if: (i) there is a Redde Adverse Recommendation Change (as defined in the Co-operation Agreement); or (ii) there is a Northgate Adverse Recommendation Change (as defined in the Co-operation Agreement).

De-listing and re-registration

It is intended that dealings in Redde Shares will be suspended at 5.00 p.m. London time on the Business Day prior to the Effective Date. It is further intended that an application will be made to the London Stock Exchange for the cancellation of trading of the Redde Shares on AIM, with effect from or shortly following the Effective Date.

From the Effective Date, share certificates in respect of Redde Shares will cease to be valid and entitlements to Redde Shares held within the CREST system will be cancelled.

It is also intended that, following the Effective Date, Redde will be re-registered as a private company under the relevant provisions of the Companies Act 2006.

Settlement, listing and dealings in Northgate ordinary shares

The Consideration payable to Scheme Shareholders under the terms of the Merger will be despatched by Northgate to Scheme Shareholders no later than 14 days after the Effective Date (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of options under the Redde Share Plans who elect to exercise their options conditional on the Court sanctioning the Scheme).

The New Northgate Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Following Completion, the New Northgate Shares will be issued as fully paid and will rank equally in all respects with the Northgate Shares in issue at the time the New Northgate Shares are issued pursuant to the Merger and will be entitled to receive any dividends and/or other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital, share premium account or

otherwise) made, by Northgate in respect of the Northgate Shares with a record date falling after the Effective Date.

Northgate will seek approval for the New Northgate Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Northgate Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date.

The New Northgate Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

The one million cumulative preference shares in the capital of Northgate will remain in issue after Completion and the rights attaching to such shares will be unaffected by the Merger

Dilution

Assuming the issue of up to 114,755,965 New Northgate Shares pursuant to the Merger, immediately following Admission, the Existing Northgate Shareholders are expected to hold 133,232,518 Northgate Shares, representing approximately 54 per cent. of the total number of Northgate Shares in issue at that time (assuming no further Northgate shares are issued between 6 December 2019 (being the Latest Practicable Date) and Admission)).

Northgate shareholder approval

As a result of the size of the acquisition, the Merger constitutes a class 1 transaction for Northgate for the purposes of the Listing Rules. Accordingly, Northgate is required to seek the approval of the Northgate Shareholders for the Merger at the Northgate Shareholder Meeting. Northgate Shareholder approval is also required for the issuance of the New Northgate Shares under the Merger. The directors of Northgate have recommended to Northgate Shareholders to vote in favour of the Northgate Shareholder Resolutions at the Northgate Shareholder Meeting.

Northgate has sent to Northgate Shareholders the Northgate Circular summarising the Merger and including a notice convening the Northgate Shareholder Meeting. The Merger is conditional on, among other things, the Northgate Shareholder Resolutions being passed by the requisite majority of the Northgate Shareholders at the Northgate Shareholder Meeting.

It is expected that the Northgate Shareholder Meeting will be held on the same day as the Redde Meetings.

Overseas shareholders

The availability of the Merger and the distribution of the Prospectus to Redde Shareholders who are not resident in the United Kingdom or the United States may be affected by the laws of the relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. Redde Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

PART 10

DIRECTORS, PROPOSED DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

The Current Northgate Directors

The following table lists the names, positions and ages of the current Directors of Northgate.

Name	Age	Position
Avril Palmer-Baunack.....	55	Non-Executive Chairman
John Pattullo OBE	67	Senior Independent Director
Philip Vincent.....	50	Chief Financial Officer
William Spencer.....	60	Non-Executive Director
Claire Miles.....	47	Non-Executive Director
Mark Butcher	61	Non-Executive Director
Fernando Cogollos.....	60	Non-Executive Director

Avril Palmer-Baunack *(Non-Executive Chairman)*

Avril was appointed to the Northgate Board in August 2019 as Non-Executive Chairman. She has more than 25 years' experience in leading businesses in the automotive industry in a number of senior executive and non-executive roles. Avril is currently executive chairman of BCA Marketplace, and non-executive chairman of Safe Harbour Holdings plc. She has previously held roles as non-executive chairman of Redde plc, executive chairman of Stobart Group, chief executive officer of Autologic Holdings plc and of Universal Salvage plc.

John Pattullo OBE *(Senior Independent Director)*

John was appointed to the Northgate Board as a Non-Executive Director in January 2019 and Senior Independent Director in September 2019. John, is also chairman of V Group Ltd. His prior non-executive roles include senior independent director of Electrocomponents plc, and being chairman of NHS Blood & Transplant and chairman of Marken Logistics. He was chief executive officer of Ceva Logistics Ltd between 2007 and 2012. Prior to that he held a number of senior appointments with Exel plc, DHL & Procter & Gamble. John has an MA in economic history from the University of Glasgow.

Philip Vincent *(Chief Financial Officer)*

Philip was appointed as Chief Financial Officer in July 2018. He was previously at SABMiller plc where he held the position of regional finance director, Asia Pacific 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.

William Spencer *(Non-Executive Director)*

William was appointed to the Northgate Board as a Non-Executive Director in June 2016, William chairs the audit committee of Northgate. William is also a non-executive director and audit committee chairman of Ricardo plc. He was previously senior independent director and audit committee chairman of Exova Group plc and a non-executive director of UK Mail Group plc. He was also chief financial officer of Intertek Group plc, a FTSE 100 company. Prior to that he held a number of senior financial appointments William is a member of the Chartered Institute of Management Accountants.

Claire Miles (*Non-Executive Director*)

Claire was appointed to the Northgate Board as a Non-Executive Director in November 2015. Claire is currently chief executive officer of Yell Ltd, the UK's leading online business directory and digital marketing services company. She was formerly the managing director of Centrica Hive and held a number of general management appointments in the Centrica Group. Prior to joining the energy industry, Claire held senior management positions in financial services with Santander Cards Ltd between 2009 and 2010, GE Money between 2005 and 2008 (prior to its acquisition by Santander) and HFC Bank Ltd between 2002 and 2005. Claire has a BSc from Aston University and an MSc from Cranfield University.

Mark Butcher (*Non-Executive Director*)

Alexander Mark Butcher was appointed to the Northgate Board as a Non-Executive Director and Chair of the remuneration committee in September 2019. Mark has 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. As well as investment management, Mark has wide experience in international accounting, corporate finance, banking transactions as well as sitting on a number of public company boards. Currently he is a non-executive director of AssetCo plc and National Milk Records plc.

Fernando Cogollos (*Non-Executive Director*)

Prior to joining the Northgate Board as a Non-Executive Director in September 2019 Fernando was the general manager of Northgate Spain. He led Northgate's Spanish business for nine years, during which time he was instrumental in growing the Company's operations in the region into a leading provider of flexible rental vehicles. Prior to joining Northgate, Fernando gained wide management experience in multinational companies such as SAAB-SCANIA and CHEP and, most recently, at ABM REXEL, the market leader in wholesale electrical supplies, where Fernando was managing director for six years. Fernando qualified as an industrial engineer with ICAI and PADE by IESE. He holds a diploma in finance, HR and strategic marketing from INSEAD and in strategy from the University of Cranfield.

The Proposed Northgate Directors Following Completion

The following table lists the names, positions and ages of the Redde Directors who it is proposed will join the Combined Group's Board upon completion of the Merger. A brief biography of each proposed director is also set out below.

Name	Age	Position
Martin Ward	52	Current Redde Chief Executive Officer Proposed Combined Group Chief Executive Officer
John Davies	70	Current Redde Non-Executive Director Proposed Combined Group Non-Executive Director
Mark McCafferty	60	Current Redde Non-Executive Director Proposed Combined Group Non-Executive Director
Stephen Oakley	67	Current Redde Chief Financial Officer Proposed Combined Group Non-Executive Director

Martin Ward (*Current Redde Chief Executive Officer*) (*Proposed Combined Group Chief Executive Officer*)

Martin joined Redde in August 2005 as managing director of its subsidiary business, Albany Assistance Limited. In February 2009 Martin became managing director of the Redde Group's combined accident

management business and in April of the same year was appointed group managing director. In October 2011 he became chief executive officer of Redde.

Martin has extensive insurance industry experience, having jointly founded the Rarrigini & Rosso Group in 1994, a leading independent wholesale motor fleet, property and risk management insurance business, where he was commercial and operations director. This business built a membership network of over 500 leading commercial insurance brokers throughout the UK and marketed schemes on behalf of insurance companies. The business was acquired by THB plc in 2003. Martin has an MBA from Durham University.

John Davies (*Current Redde Non-Executive Director*) (*Proposed Combined Group Non-Executive Director*)

John became interim non-executive chairman of Redde in August 2019, having joined the board of Redde as non-executive director in December 2011. He brings a wealth of relevant experience to the board of Redde having been, until he retired 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 their 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.

John was previously non-executive chairman of Autologic Holdings plc and chairman of the Vehicle Remarketing Association. He is currently a non-executive director of Mpac Group plc (previously called Molins plc) and a director of Local Car and Van Rental Limited.

Mark McCafferty (*Current Redde Non-Executive Director*) (*Proposed Combined Group Non-Executive Director*)

Mark joined the board of Redde as non-executive director in March 2009 and is currently chair of its remuneration committee. He brings extensive sector management and commercial experience, having spent six years as chief executive officer of Avis Europe plc. Prior to Avis, Mark was 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. Mark was chief executive officer of Premiership Rugby until July 2019 and is now an adviser to CVC Capital Partners as well as chair of the Warwickshire CCC board. He has previously held non-executive directorships with HMV Group plc, Umbro plc and Horserace Totalisator (Tote).

Stephen Oakley (*Current Redde Chief Financial Officer*) (*Proposed Combined Group Non-Executive Director*)

Stephen joined the Redde Group as chief financial officer in October 2011. Stephen is a Fellow of the Institute of Chartered Accountants having qualified in 1974 with Price Waterhouse, London and is also a member of the Chartered Institute of Taxation.

Stephen has been the group finance director of fully listed groups such as Macarthy plc and The Hartstone Group plc. He was also previously group chief executive of AIM listed Loftus Road plc and interim chief financial officer of AIM listed Sira Business Services plc.

Senior Managers

Northgate's Senior Managers following Completion are as follows:

Name	Age	Position
Martin Ward	52	Chief Executive Officer
Philip Vincent.....	50	Chief Financial Officer

Martin Ward (*Chief Executive Officer*)

See “—The Proposed Northgate Directors Following Completion” above for Martin's biography.

Philip Vincent (*Chief Financial Officer*)

See “—*The Current Northgate Directors*” above for Philip’s biography.

Corporate Governance Following Completion***UK Corporate Governance Code***

The Northgate Board is committed to the highest standards of corporate governance. As of the date of this Prospectus, the Northgate Board complies with the UK Corporate Governance Code (the “Governance Code”). As envisaged by the Governance Code, the Northgate Board has established an audit and risk committee, a nominations committee and a remuneration committee. If the need should arise, the Northgate Board may set up additional committees as appropriate.

The Governance Code recommends that, in the case of a FTSE 350 company, at least half the board of directors, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director’s judgement. The Northgate Board considers that Northgate complies with the requirements of the Governance Code in this respect.

Audit and risk committee

The audit and risk committee’s role is to assist the Northgate Board with the discharge of its responsibilities in relation to financial reporting, including reviewing Northgate’s annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within Northgate. The audit and risk committee will normally meet not less than four times a year.

The audit and risk committee is chaired by William Spencer and its other members are Claire Miles, John Pattullo and Mark Butcher and John Davies who will join following Completion. The Governance Code recommends that all members of the audit and risk committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The Northgate Board considers that Northgate complies with the requirements of the Governance Code in this respect.

Nominations committee

The nominations committee assists the Northgate Board in reviewing the structure, size, skills and experience of the Northgate Board. It is also responsible for reviewing succession plans for Northgate’s directors, including the Chairman and the Chief Executive Officer and other senior executives. The nominations committee will normally meet not less than one time each financial year.

The nominations committee is chaired by Avril Palmer-Baunack and its other members are William Spencer, Claire Miles, John Pattullo and Mark Butcher and John Davies who will join following Completion. The Governance Code recommends that a majority of the nominations committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Northgate Board considers that Northgate complies with the requirements of the Governance Code in this respect.

Remuneration committee

The remuneration committee recommends Northgate’s policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and other senior executives and prepares an annual remuneration report for approval by the Northgate Shareholders at the annual general meeting. The remuneration committee will normally meet not less than four times a year.

The remuneration committee is chaired by Mark Butcher and its other members are Avril Palmer-Baunack, William Spencer, Claire Miles and John Pattullo and John Davies who will join following Completion. The

Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Northgate Board considers that Northgate complies with the requirements of the Governance Code in this respect.

Share dealing code

Northgate has adopted a code of securities dealings in relation to the Shares which is based on the requirements of the Market Abuse Regulation. The code adopted will apply to the Directors and other relevant employees of Northgate.

Conflicts of interest

There are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to Northgate and their private interests or other duties.

PART 11

DIVIDENDS AND DIVIDEND POLICY

Under the terms of the Merger, the boards of Northgate and Redde have agreed to retain their current dividend policies for the period prior to Completion. Accordingly, Northgate and Redde have agreed that:

- Northgate Shareholders will be entitled to retain the Northgate interim dividend for the six month period to 31 October 2019 of 6.3 pence per Northgate Share announced by Northgate on 29 November 2019; and
- if the Effective Date has not occurred before 6 March 2020, being the record date for any Redde dividend that may be declared for the six month period to 31 December 2019, Redde Shareholders will be entitled to retain such dividend provided it is equal to or less than 5.5 pence per Redde Share.

Reduction to Exchange Ratio

If, after the date of the Merger Announcement, any dividend, distribution or return of capital is declared, made or paid or becomes payable in respect of the Redde Shares (other than, or in excess of, any Permitted Redde Dividend or any Redde Equalisation Dividend) with a record date on or before the Effective Date, Northgate reserves the right to reduce the Exchange Ratio accordingly so as to reflect the aggregate value attributable to any such Non-Permitted Redde Dividend.

Redde Equalisation Dividend

If, after the date of the Merger Announcement, any dividend (other than, or in excess of, any Permitted Northgate Dividend), distribution or return of capital is declared, made or paid or becomes payable in respect of the Northgate Shares with a record date on or before the Effective Date, then Redde will be entitled (in addition to any Permitted Redde Dividend) to declare and pay, and the Redde Shareholders will be entitled to receive and retain an equalisation dividend in Sterling in respect of the Redde Shares of an amount per Redde Share equal to the amount of the Non-Permitted Northgate Dividend per Northgate Share multiplied by the Exchange Ratio (taking into account any reduction to the Exchange Ratio arising as a result of any Non-Permitted Redde Dividends in accordance with the paragraph titled “*Reduction to Exchange Ratio*” in Part 9 (*Terms and Conditions of the Merger*)).

Dividend policy of the Combined Group

Following the Merger and subject to the approval of the Board of the Combined Group, the Combined Group intends to adopt a progressive dividend policy consistent with a strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the dividend will be covered by the Combined Group’s profit after tax by around two times. The Combined Group will look to pay interim dividends that are 50 per cent. of the prior final dividend.

PART 12

SELECTED FINANCIAL INFORMATION OF NORTHGATE

The tables below set out Northgate's selected financial information for the periods indicated, as reported in accordance with IFRS, which have been extracted without material adjustment from the historical financial information incorporated by reference in Part 17 (*Historical Financial Information of Northgate*).

Consolidated income statement

	Year ended 30 April			For the six months ended 31 October	
			(£000)	(unaudited)	
	2017	2018	2019	2018	2019
Revenue: hire of vehicles	456,120	471,187	517,624	259,493	265,876
Revenue: sale of vehicles	211,309	230,485	227,846	114,478	91,910
Total Revenue	667,429	701,672	745,470	373,971	357,786
Cost of sales	(514,446)	(563,232)	(592,598)	(298,969)	(280,082)
Gross profit	152,983	138,440	152,872	75,002	77,704
Administrative expenses (excluding exceptional items and certain intangible amortisation).....	(68,378)	(70,097)	(76,672)	(38,327)	(42,587)
Exceptional administrative expenses	(1,293)	(2,499)	–	–	(2,221)
Certain intangible amortisation	(1,830)	(1,767)	(709)	(494)	(6)
Total administrative expenses	(71,501)	(74,363)	(77,381)	(38,821)	(44,814)
Operating profit	81,482	64,077	75,491	36,181	32,890
Interest income	2	1	39	–	42
Finance costs	(9,601)	(11,340)	(15,124)	(7,438)	(7,582)
Exceptional finance credit.....	339	–	–	–	(565)
Profit before taxation	72,222	52,738	60,406	28,743	24,785
Taxation	(11,321)	(9,506)	(8,988)	(4,295)	(3,295)
Profit for the period	60,901	43,232	51,418	24,448	21,490

Consolidated balance sheet

	As at 30 April			As at 31 October
			(£000)	(unaudited)
	2017	2018	2019	2019
Non-current assets				
Goodwill	3,589	3,589	3,589	3,589
Other intangible assets	3,309	5,205	11,495	16,661
Property, plant and equipment:				
vehicles for hire	731,657	897,323	900,335	939,671
Other property, plant and equipment	65,262	67,979	68,843	112,376
Total property, plant and equipment	796,919	965,302	969,178	1,052,047
Deferred tax assets	13,730	10,791	6,620	5,589
	817,547	984,887	990,882	1,077,886
Current assets				
Inventories	33,666	31,828	29,826	33,820
Trade and other receivables	62,656	76,091	71,802	75,833
Derivative financial instrument assets	213	—	—	—
Current tax assets	—	4,745	116	—
Cash and bank balances	41,166	21,382	35,742	46,632
	137,701	134,046	137,486	156,285
Total assets	955,248	1,118,933	1,128,368	1,234,171
Current Liabilities				
Trade and other payables	64,913	97,671	72,487	94,361
Derivative financial instruments	—	112	77	656
Current tax liabilities	18,568	15,246	13,425	10,884
Lease liabilities (IFRS 16)	—	—	—	6,333
Short term borrowings	32,585	17,952	44,190	44,424
	116,066	130,981	130,179	156,658
Net current (liabilities)/assets	21,635	3,065	7,307	(373)
Non-current liabilities				
Derivative financial instrument liabilities	2,706	1,277	914	—
Lease liabilities (IFRS 16)	—	—	—	38,969
Long term borrowings	318,439	442,751	428,409	461,509
Deferred tax liabilities	1,420	4,796	5,250	5,306
	322,565	448,824	434,573	505,784
Total liabilities	438,631	579,805	564,752	662,442
Net assets	516,617	539,128	563,616	571,729
Equity				
Share capital	66,616	66,616	66,616	66,616
Share premium account	113,508	113,508	113,508	113,508
Own shares reserve	(1,659)	(3,238)	(3,359)	(2,273)
Hedging reserve	(2,020)	(1,125)	(803)	(532)
Translation reserve	(5,241)	(1,146)	(4,825)	(3,769)
Other reserve	68,614	68,660	68,637	68,636
Retained earnings	276,799	295,853	323,842	329,543
Total equity	516,617	539,128	563,616	571,729

Summary consolidated cash flow statement

	Year ended 30 April			Six months ended 31 October	
				<i>(unaudited)</i>	
	2017	2018	<i>(£000)</i> 2019	2018	2019
Net cash generated from/(used in) operations	47,818	(81,797)	38,528	(12,214)	1,827
Net cash generated from/(used in) investing activities	(4,787)	(10,990)	(14,887)	(5,949)	(7,272)
Net cash generated from/(used in) financing activities	(43,358)	87,280	(37,257)	14,508	16,579
Net increase/(decrease) in cash and cash equivalents	(327)	(5,507)	(13,616)	(3,655)	11,134
Cash and cash equivalents at the beginning of the period	18,748	19,637	14,127	14,127	805
Effect of foreign exchange movements	1,216	(3)	294	214	(281)
Cash and cash equivalents at the end of the period	19,637	14,127	805	10,686	11,658

PART 13

OPERATING AND FINANCIAL REVIEW OF NORTHGATE

This Part 13 (Operating and Financial Review of Northgate) should be read in conjunction with Part 2 (Presentation of Financial and Other Information), Part 6 (Industry, Competition, Regulatory and Legal) and Part 17 (Historical Financial Information of Northgate). Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 13 (Operating and Financial Review of Northgate) is extracted from the financial information set out in Part 17 (Historical Financial Information of Northgate).

The following discussion of Northgate's results of operations and financial condition contains forward-looking statements. Northgate's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1 (Risk Factors) and Part 2 (Presentation of Financial and Other Information). In addition, certain industry issues also affect Northgate's results of operations and are described in Part 6 (Industry, Competition, Regulatory and Legal).

OVERVIEW

Northgate is the leading light commercial vehicle rental business, by fleet size, in the UK, Ireland and Spain with a rental network of over one hundred sites and a fleet in excess of 100,000 vehicles. Northgate's core business is the rental of vehicles to other businesses on flexible length contracts, which gives customers the flexibility to manage their vehicle fleet without a long-term commitment.

KEY FACTORS AFFECTING NORTHGATE'S RESULTS OF OPERATIONS

The results of Northgate's operations have been, and will continue to be, affected by many factors, some of which are beyond Northgate's control. This section sets out certain key factors the Directors believe have affected Northgate's results of operations in the period under review and could affect its results of operations in the future.

Demand in the vehicle rental market

The Northgate Group's results of operations are strongly affected by underlying demand in the vehicle rental market. Such demand drives the Northgate Group's average vehicles on hire, which in turn drives the Northgate Group's vehicle hire revenue. The vehicle rental market has been experiencing an increase in demand owing to customers who have switched from vehicle ownership to vehicle rental business models. The Northgate Group believes that customers are increasingly attracted to a rental position that avoids the high initial capital outlay of vehicle ownership and brings them certainty of future cash flows. This trend has positively impacted the Northgate Group's results of operation in the period under review. The Northgate Group also expects this trend to continue for the foreseeable future. Should demand in the vehicle rental market decrease, however, this could also negatively affect the Northgate Group's results of operations.

General economic conditions

The Northgate Group's results of operations are affected by global economic conditions as well as specific economic conditions in the countries in which it operates, comprising the UK, Ireland and Spain. In particular, the Northgate Group's business is correlated with construction, business services and other service industries, and therefore any decline in such markets could affect the Northgate Group's customers and in turn could negatively impact the Northgate Group. Negative developments in, or the general weakness of, the UK, Irish and Spanish economies and, in particular, any restriction on infrastructure development or capital spending projects, higher unemployment and lower household income could have a direct negative impact on the spending patterns of customers. In most cases adverse economic conditions such as recession in the UK or Spain have impacted the VOH and led to declining VOH in those periods, whilst periods of positive GDP growth have allowed the company to grow VOH, although there are also other factors such as competition and scope of products that also impact this growth. Further, current and ongoing Brexit-related

political and economic uncertainty in the UK could have an impact on various market sectors, such as construction and retail, and in turn could impact VOH.

Emissions and vehicle regulatory policy

Governments around the world are increasingly focused on enacting laws and regulations regarding climate change and regulation of greenhouse gases and other emissions. Lawmakers and regulators in the jurisdictions where the Northgate Group operates have proposed or enacted regulations requiring reporting of greenhouse gas and other emissions and the restriction thereof. In addition to general vehicle emissions regulations, certain localities have instituted low emission zone policies. For example, London has instituted a low emissions zone and an ultra-low emissions zone, which impose a fee for vehicles that operate within central London based on the emissions of the vehicles. The cost of retrofitting or replacing a vehicle to comply with these regulations can be substantial and therefore can drive certain users to instead rely on vehicle rentals to ensure that they are in compliance with these laws.

As a general policy, the Northgate Group purchases vehicles with a view to hold them for between three and four years, which therefore results in approximately one-quarter of the Northgate Group's fleet of vehicles being replaced each year. This replacement cycle helps ensure that the Northgate Group maintains a modern fleet of vehicles that are in compliance with the newest regulations. Further, due to the strong relationship that the Northgate Group has with its suppliers, it is able to acquire vehicles with newer technologies, such as electric vehicles, that may be in limited supply due to their cost of manufacturing or limited demand compared to more conventional vehicle designs. The Northgate Group is therefore able to offer rental vehicles to its customers to comply with the strictest of vehicle emissions standards. This drives customer demand for the Northgate Group's offering as it allows the customer to avoid the cost of retrofitting their vehicles to comply with these regulations.

Demand for used vehicles

The Northgate Group's results of operations are affected by demand for its used vehicles. At the end of the useful rental life of a vehicle the Northgate Group will sell the vehicle through its retail network or through an auction. The vehicles that the Northgate Group sells at retail are refurbished and sold with a limited warranty. Given that a typical vehicle sold is approximately four years old, the Northgate Group addresses a similar demand for its used vehicle customers as it does for its rental customers by providing those customers with a modern vehicle that can meet newer vehicle regulations. If it is not economical for the Northgate Group to refurbish and sell a vehicle at the end of its useful rental life, the Northgate Group will instead sell the vehicle at auction.

Pricing and full-service proposition

The Northgate Group's results of operations are affected by its pricing policies, and in particular its ability to price its products and services in a way that is both attractive to customers and profitable to the business. The Northgate Group aims to offer to customers a full vehicle rental proposition for which it charges accordingly. The Northgate Group is evolving its fleet solutions to offer customers a comprehensive range of services with their vehicle hire including fleet management, telematics and accident management. The Northgate Group believes that this evolution increases the attractiveness of the Northgate Group's rental solutions to customers, and in turn will allow the Northgate Group to participate in the higher returns these technology-led services offer. Such services are priced into the Northgate Group's vehicle hire offerings. The Northgate Group, therefore, must correctly price its products and services and manage effectively any need for price increases. In the year ended 30 April 2019, for example, the Northgate Group introduced price rises to certain flexible hire products followed by further regular rate increases across its full range of rental products. The Northgate Group works to reflect the structural costs increases faced by its business through regular adjustments to its hire rates.

Ability to manage costs/efficient management of fleet and people

The Northgate Group's results of operations are affected by its ability to manage its costs. The Northgate Group's largest cost item is the vehicle hire fleet and its second largest cost item relates to the Northgate Group's employees. The Northgate Group works to manage its relationships with commercial suppliers in

order to have access to competitive pricing and a wide range of vehicles. The Northgate Group also manages its costs through efficiently managing its vehicle fleet over the course of their lifetime and implements continuous improvement to other areas of its cost base in order to improve productivity and lower costs.

KEY PERFORMANCE INDICATORS

The Northgate Directors utilise six key performance indicators (“KPIs”) to identify and monitor business performance and to inform strategic decision-making: underlying profit before tax, underlying earnings per share, return on capital employed (“ROCE”), average vehicles on hire, utilisation and staff turnover, each of which is described further below.

The table below presents the Northgate Group’s KPIs for the periods indicated. Certain of these KPIs, which are financial measures, are not defined or specified under IFRS (“Alternative Performance Measures”). Although the Northgate Group considers that these measures are relevant and reliable in assessing the Northgate Group’s financial performance and position for the reasons set out below, such measures are not a substitute for financial measures under IFRS. Please refer to Part 2 (*Presentation of Financial and Other Information—Non-IFRS financial information*) for more information.

	Year ended 30 April			Six months ended 31 October	
	2017	2018	2019	(unaudited) 2018	2019
Financial KPIs					
Underlying profit before tax (£m)	75.0	57.0	61.1	29.2	27.6
Underlying earnings per share (p)	47.3	34.8	38.7	18.5	17.6
ROCE (%)	10.5	7.5	7.7	6.7	7.1
Operational KPIs					
Average vehicles on hire (’000)	80.8	83.8	93.2	<i>nr</i>	<i>nr</i>
Utilisation (%)	89	89	89	<i>nr</i>	<i>nr</i>
Staff turnover (%)	20	20	24	<i>nr</i>	<i>nr</i>

Notes:

nr – not reported for interim period.

Underlying profit before tax

The Northgate Group defines underlying profit before tax as profit before tax excluding exceptional costs. The Northgate Directors view underlying profit before tax to be a key measure of profitability and a key remuneration metric. Exceptional costs are those items which are not considered to represent the underlying operational performance of the business, and therefore are excluded to provide what the Northgate Directors consider to be a better comparison of the business year on year. The Northgate Directors monitor underlying profit before tax to measure the success of the Northgate Group’s strategic objectives. The following table presents a reconciliation from profit before tax to underlying profit before tax.

	Year ended 30 April			Six months ended 31 October	
	2017	2018	(£000) 2019	(unaudited) 2018	2019
Profit before tax	72,222	52,738	60,406	28,743	24,785
Add back:					
Exceptional operating expenses	2,189	2,499	—	—	2,221
Certain intangible amortisation	1,830	1,767	709	494	6
Exceptional finance costs	—	—	—	—	565
Spain tax settlement	(1,235)	—	—	—	—
Underlying profit before tax	75,006	57,004	61,115	29,237	27,577

Underlying earnings per share

The Northgate Group defines underlying earnings per share as earnings per share excluding exceptional costs.

The following table presents a reconciliation from profit for the year to underlying earnings per share. The Northgate Directors view underlying earnings per share to be a key measure of profitability and a key remuneration metric. Exceptional costs are those items which are not considered to represent the underlying operational performance of the business, and therefore are excluded to provide what the Northgate Directors consider to be a better comparison of the business year on year. The Northgate Directors monitor underlying earnings per share to better plan how to allocate capital, including returns to shareholders. The following table presents a reconciliation from profit for the year to underlying earnings per share.

	Year ended 30 April			Six months ended 31 October	
	2017	2018	(£000) 2019	2018	2019
Profit for the period	60,901	43,232	51,418	24,448	21,490
Add back:					
Exceptional operating expenses	2,189	2,499	—	—	2,221
Certain intangible amortisation	1,830	1,767	709	494	6
Exceptional finance costs	—	—	—	—	565
Tax on exceptional items and certain intangible amortisation	(686)	(1,145)	(545)	(278)	(772)
Spain tax settlement.....	(1,235)	—	—	—	—
Underlying profit for the year	62,999	46,353	51,582	24,664	23,510
Weighted average number of ordinary shares	133,232,518	133,232,518	133,232,518	133,232,518	133,232,518
Underlying earnings per share (p)	47.3	34.8	38.7	18.5	17.6

ROCE

The Northgate Group defines ROCE as underlying operating profit divided by average capital employed. The Northgate Directors view ROCE as an important measure of performance given the capital-intensive nature of the Northgate business. The Northgate Directors believe that monitoring ROCE allows the Northgate Group to identify the efficiency of the Northgate Group's business model and to allocate resources to the best growth opportunities. The following table presents a reconciliation from operating profit to ROCE.

	Year ended 30 April			Six months ended 31 October	
	2017	2018	(£000) 2019	2018	2019
Operating profit.....	81,482	64,077	75,491	36,181	32,890
Add back:					
Exceptional operating expenses	2,189	2,499	—	—	2,221
Certain intangible amortisation.....	1,830	1,767	709	494	6
Spain tax settlement	(896)	—	—	—	—
Underlying operating profit	84,605	68,343	76,200	36,675	35,117
Average capital employed.....	805,762	902,442	998,426	989,894 ⁽¹⁾	1,052,525 ⁽¹⁾
ROCE (%)	10.5	7.5	7.7	6.7⁽¹⁾	7.1⁽¹⁾

Notes:

(1) calculated using a rolling 12-month basis.

Average vehicles on hire

The Northgate Group defines average vehicles on hire as the average number of vehicles on hire for the relevant period. This is an important KPI to the Northgate Group, as placing vehicles on hire with customers at profitable rates is a critical driver of the Northgate Group's earnings. The Northgate Directors believe that monitoring average vehicles on hire enables the Northgate Group to assess the demand for its services and its market proposition.

Utilisation

The Northgate Group defines utilisation as the average number of vehicles on hire divided by the average rentable fleet in any period. The Northgate Group considers utilisation to be a measure of the proportion of available fleet on hire with customers. The Northgate Directors believe that monitoring utilisation allows the Northgate Group to assess how effectively it uses its fleet and manages its operational efficiency.

Staff turnover

The Northgate Group defines staff turnover as the percentage of employees who leave the business within a given year. The Northgate Group considers staff turnover to be a key measure for monitoring performance in attracting, retaining and developing its employees, which is critical to the delivery of the Northgate Group's strategy. The Northgate Directors believe that monitoring staff turnover allows the Northgate Group to manage the impact the Northgate Group's operations have on one of the Northgate Group's key stakeholders.

DESCRIPTION OF KEY LINE ITEMS***Revenue***

The Northgate Group's revenue is comprised of vehicle hire and vehicle sales. Vehicle hire includes flexible, short-term rentals as well as minimum-term rentals of at least one year. When a vehicle has reached the end of its useful rental life the Northgate Group will sell the vehicle in the secondary market to realise the residual value of the vehicle.

Cost of sales

The Northgate Group's cost of sales consists of primarily the cost associated with the purchase and maintenance of the Northgate Group's fleet of vehicles, including relevant employee costs. Cost of sales also include the cost of employees engaged in the customer facing side of the vehicle hire business.

Administrative expenses

The Northgate Group's administration expenses comprise employee costs, property expenses, auditors' fees and other operating expenses not directly attributable to the hire and sale of vehicles.

Interest income

Interest income relates to interest received on cash and bank balances.

Finance costs

Finance costs represent the interest and similar charges payable on the Northgate Group's outstanding indebtedness as well as amortisation of fees and expenses incurred in connection with the refinancing of the Northgate Group's borrowings.

Taxation

The statutory effective tax rate of the Group was 15 per cent. for 2019 (2018: 18 per cent., 2017: 16 per cent.).

COMPARABILITY OF RESULTS

Depreciation rate changes

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

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

- 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; and
- 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.

Inevitably, a difference arises between the net book value of a vehicle and its market value at the date of disposal. Where differences arising are within an acceptable range these are adjusted against depreciation. Where these differences are outside of the range Northgate changes the depreciation rate estimate to better reflect the pattern of usage of the vehicle.

CURRENT TRADING AND PROSPECTS

On 29 November 2019, Northgate released its interim results for the six month period to 31 October 2019 with total revenue of £357.8 million, underlying operating profit of £35.1 million and underlying earnings per share of 17.6 pence. Northgate also reported the Company's overall financial performance expected for the year ending 30 April 2020 is in line with its expectations.

RESULTS OF OPERATIONS

The table below presents Northgate's results of operations for the periods indicated, which have been extracted without material adjustment from the historical financial information as incorporated by reference in Part 17 (*Historical Financial Information of Northgate*).

	Year ended 30 April			For the six months ended 31 October	
			(£000)	(unaudited)	
	2017	2018	2019	2018	2019
Revenue: hire of vehicles.....	456,120	471,187	517,624	259,493	265,876
Revenue: sale of vehicles.....	211,309	230,485	227,846	114,478	91,910
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Gross profit	152,983	138,440	152,872	75,002	77,704

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Exceptional administrative expenses	(1,293)	(2,499)	–	–	(2,221)
Certain intangible amortisation.....	(1,830)	(1,767)	(709)	(494)	(6)
Total administrative expenses	(71,501)	(74,363)	(77,381)	(38,821)	(44,814)
Operating profit	81,482	64,077	75,491	36,181	32,890
Interest income.....	2	1	39	–	42
Finance costs.....	(9,601)	(11,340)	(15,124)	(7,438)	(7,582)
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Taxation.....	(11,321)	(9,506)	(8,988)	(4,295)	(3,295)
Profit for the year.....	60,901	43,232	51,418	24,448	21,490

Results of operations for the unaudited six months ended 31 October 2019 compared to the unaudited six months ended 31 October 2018

Revenue from hire of vehicles

Revenue from hire of vehicles increased by £6.4 million, or 2.5 per cent., to £265.9 million in the six months ended 31 October 2019 from £259.5 million in the six months ended 31 October 2018. This increase was mainly due to growth in average VOH, with pricing remaining broadly flat over the prior year.

Revenue from sale of vehicles

Revenue from sale of vehicles decreased by £22.6 million, or 19.7 per cent., to £91.9 million in the six months ended 31 October 2019 from £114.5 million in the six months ended 31 October 2018. This decrease was primarily due to lower vehicle disposal volumes driven in part by the prior year disposal of TOM vehicles.

Total revenue

Revenue decreased by £16.2 million, or 4.3 per cent., to £357.8 million in the six months ended 31 October 2019 from £374.0 million in the six months ended 31 October 2018. This decrease was due to factors described above.

Cost of sales

Cost of sales decreased by £18.9 million, or 6.3 per cent., to £280.1 million in the six months ended 31 October 2019 from £299.0 million in the six months ended 31 October 2018. This decrease was primarily due to lower vehicle disposal volumes as described above.

Gross profit

Gross profit increased by £2.7 million, or 3.6 per cent., to £77.7 million in the six months ended 31 October 2019 from £75.0 million in the six months ended 31 October 2018. This increase was primarily due to the reduction in cost of sales offset by a lesser reduction in total revenue.

Administrative expenses (excluding exceptional items and certain intangible amortisation)

Administrative expenses increased by £4.3 million, or 11.1 per cent., to £42.6 million in the six months ended 31 October 2019 from £38.3 million in the six months ended 31 October 2018. This increase was primarily due to staff costs and other overheads.

Exceptional administrative expenses

Exceptional administrative expenses of £2.2 million in the six months ended 31 October 2019 related to restructuring programmes in the UK, Ireland and Spain.

Northgate did not have any exceptional administrative expenses in the six months ended 31 October 2018.

Certain intangible amortisation

Certain intangible amortisation was £6 thousand in the six months ended 31 October 2019 and £494 thousand in the six months ended 31 October 2018. These charges relate to intangible assets recognised on previous business combinations and other non-recurring items.

Operating profit

Operating profit decreased by £3.3 million, or 9.1 per cent., to £32.9 million in the six months ended 31 October 2019 from £36.2 million in the six months ended 31 October 2018. This decrease was primarily due to exceptional administrative expenses described above.

Interest income

Interest income was £42 thousand in the six months ended 31 October 2019.

Northgate did not have any interest income in the six months ended 31 October 2018.

Finance costs

Finance costs increased by £0.1 million, or 1.9 per cent., to £7.6 million in the six months ended 31 October 2019 from £7.4 million in the six months ended 31 October 2018. This increase was as a result of both higher borrowings and a higher cost of borrowing.

Exceptional finance costs

In the six months ended 31 October 2019 an exceptional finance charge of £0.6 million included costs for the refinancing of bank facilities during the period.

Northgate did not have any exceptional finance costs in the six months ended 31 October 2018.

Profit before tax

Profit before tax decreased by £4.0 million, or 13.8 per cent., to £24.8 million in the six months ended 31 October 2019 from £28.7 million in the six months ended 31 October 2018. This decrease was due to the factors described above.

Taxation

Taxation decreased by £1.0 million, or 23.3 per cent., to £3.3 million in the six months ended 31 October 2019 from £4.3 million in the six months ended 31 October 2018. The statutory effective rate was 13 per cent. in 2019 and 15 per cent. in 2018.

Profit

Profit for the period decreased by £3.0 million, or 12.1 per cent., to £21.5 million in the six months ended 31 October 2019 from £24.4 million in the six months ended 31 October 2018. This was primarily due to exceptional administrative expenses described above.

Results of operations for the year ended 30 April 2019 compared to the year ended 30 April 2018*Revenue from hire of vehicles*

Revenue from hire of vehicles increased by £46.4 million, or 9.9 per cent., to £517.6 million in the year ended 30 April 2019 from £471.2 million in the year ended 30 April 2018. This increase was mainly due to the 11.1 per cent. increase in Northgate Group average VOH.

Revenue from sale of vehicles

Revenue from sale of vehicles decreased by £2.7 million, or 1.1 per cent., to £227.8 million in the year ended 30 April 2019 from £230.5 million in the year ended 30 April 2018. This decrease was primarily due to increased vehicle ageing following the fleet optimisation strategy, partly offset by Northgate Group-wide sales channel optimisation and in particular by improved retail penetration in the UK & Ireland resulting in higher average proceeds per vehicle.

Total revenue

Revenue increased by £43.8 million, or 6.2 per cent., to £745.5 million in the year ended 30 April 2019 from £701.7 million in the year ended 30 April 2018. This increase was due to the factors described above.

Cost of sales

Cost of sales increased by £29.4 million, or 5.2 per cent., to £592.6 million in the year ended 30 April 2019 from £563.2 million in the year ended 30 April 2018. This increase was primarily due to staff costs, fleet depreciation and workshop costs.

Gross profit

Gross profit increased by £14.5 million, or 10.4 per cent., to £152.9 million in the year ended 30 April 2019 from £138.4 million in the year ended 30 April 2018. This increase was primarily due to strong VOH growth across the Northgate Group's business and the impact of depreciation rate changes. This was offset somewhat by fewer vehicle sales in 2019 compared to 2018.

Administrative expenses (excluding exceptional items and certain intangible amortisation)

Administrative expenses increased by £6.6 million, or 9.4 per cent., to £76.7 million in the year ended 30 April 2019 from £70.1 million in the year ended 30 April 2018. This increase was primarily due to staff costs and other overheads.

Exceptional administrative expenses

Northgate did not have any exceptional administrative expenses in the year ended 30 April 2019. Exceptional administrative expenses of £2.5 million in the year ended 30 April 2018 related to restructuring and turnaround programmes in the UK and Ireland including senior management changes, site closures and the establishment of a commercial hub.

Certain intangible amortisation

Certain intangible amortisation of £0.7 million in the year ended 30 April 2019 decreased by £1.1 million, or 59.9 per cent. from a £1.8 million charge in the year ended 30 April 2018. These charges relate to intangible assets recognised on previous business combinations and other non-recurring items.

Operating profit

Operating profit increased by £11.4 million, or 17.8 per cent., to £75.5 million in the year ended 30 April 2019 from £64.1 million in the year ended 30 April 2018. This increase was primarily due to growth in gross profit noted above.

Interest income

Interest income was £39 thousand in the year ended 30 April 2019 compared to £1 thousand in the year ended 30 April 2018.

Finance costs

Finance costs increased by £3.8 million, or 33.4 per cent., to £15.1 million in the year ended 30 April 2019 from £11.3 million in the year ended 30 April 2018. This increase was due to an increased borrowing cost on higher net debt.

Profit before tax

Profit before tax increased by £7.7 million, or 14.5 per cent., to £60.4 million in the year ended 30 April 2019 from £52.7 million in the year ended 30 April 2018. This increase reflects the Northgate Group's increase in operating profit for the period, partly offset by higher finance costs.

Taxation

Taxation decreased by £0.5 million, or 5.4 per cent., to £9.0 million in the year ended 30 April 2019 from £9.5 million in the year ended 30 April 2018. This decrease was primarily due to a decrease in the statutory effective tax rate to 15 per cent. in 2019 from 18 per cent. in 2018.

Profit

Profit for the year increased by £8.2 million, or 18.9 per cent., to £51.4 million in the year ended 30 April 2019 from £43.2 million in the year ended 30 April 2018. This was primarily due to the increase in profit before tax and the decrease in tax described above.

Results of operations for the year ended 30 April 2018 compared to the year ended 30 April 2017*Revenue from hire of vehicles*

Revenue from hire of vehicles increased by £15.1 million, or 3.3 per cent., to £471.2 million in the year ended 30 April 2018 from £456.1 million in the year ended 30 April 2017. This increase was primarily due to the 3.7 per cent. increase in the Northgate Group's average VOH.

Revenue from sale of vehicles

Revenue from sale of vehicles increased by £19.2 million, or 9.1 per cent., to £230.5 million in the year ended 30 April 2018 from £211.3 million in the year ended 30 April 2017. This increase was primarily due to the 8.0 per cent. growth in average proceeds per vehicle which was driven by younger vehicles being sold as well as a higher proportion of vehicles being sold through retail channels in the UK and Ireland.

Total revenue

Revenue increased by £34.4 million, or 5.1 per cent., to £701.7 million in the year ended 30 April 2018 from £667.4 million in the year ended 30 April 2017. This increase was due to the factors described above.

Cost of sales

Cost of sales increased by £48.8 million, or 9.5 per cent., to £563.2 million in the year ended 30 April 2018 from £514.4 million in the year ended 30 April 2017. This increase was primarily due to fleet depreciation and the cost of vehicles sold.

Gross profit

Gross profit decreased by £14.5 million, or 9.5 per cent., to £138.4 million in the year ended 30 April 2018 from £153.0 million in the year ended 30 April 2017. This decrease was primarily due to the increase in cost of sales and was partially offset by the growth in total revenue.

Administrative expenses (excluding exceptional items and certain intangible amortisation)

Administrative expenses increased by £1.7 million, or 2.5 per cent., to £70.1 million in the year ended 30 April 2018 from £68.4 million in the year ended 30 April 2017. This increase was primarily due to staff costs and other overhead costs.

Exceptional administrative expenses

Exceptional administrative expenses of £2.5 million in the year ended 30 April 2018 increased by £1.2 million, or 93.3 per cent., from £1.3 million in the year ended 30 April 2017. These expenses represent restructuring costs incurred in the UK and Ireland as part of the Northgate Group's strategic turnaround initiatives, as well as income of £0.9 million in the year ended 30 April 2017 relating to a tax settlement in Spain.

Certain intangible amortisation

Certain intangible amortisation decreased by £63 thousand, or 3.4 per cent., to £1,767 thousand in the year ended 30 April 2018 from £1,830 thousand in the year ended 30 April 2017. These charges relate to intangible assets recognised on previous business combinations and other non-recurring items.

Operating profit

Operating profit decreased by £17.4 million, or 21.4 per cent., to £64.1 million in the year ended 30 April 2018 from £81.5 million in the year ended 30 April 2017. This decrease was primarily due to lower gross profit and increased administrative expenses in the year ended 30 April 2018 compared to the year ended 30 April 2017.

Interest income

Interest income increased by £1 thousand, to £2 thousand in the year ended 30 April 2018 from £1 thousand in the year ended 30 April 2017.

Finance costs

Finance costs increased by £1.7 million, or 18.1 per cent., to £11.3 million in the year ended 30 April 2018 from £9.6 million in the year ended 30 April 2017. This increase was due to an increased borrowing cost on higher net debt.

Exceptional finance costs

Northgate did not have any exceptional finance costs in the year ended 30 April 2018. In the year ended 30 April 2017 an exceptional finance credit of £0.3 million reflected a refund of interest in relation to the settlement of a tax case in Spain.

Profit before tax

Profit before tax decreased by £19.5 million, or 27.0 per cent., to £52.7 million in the year ended 30 April 2018 from £72.2 million in the year ended 30 April 2017. This decrease reflects the decline in the Northgate Group's operating profit and the increased finance costs noted above.

Taxation

Taxation decreased by £1.8 million, or 16.0 per cent., to £9.5 million in the year ended 30 April 2018 from £11.3 million in the year ended 30 April 2017. This decrease was primarily due to a decrease in the Northgate Group's profit before tax. The Northgate Group's statutory effective tax rate was 18 per cent. in the year ended 30 April 2018 compared to 16 per cent. in the year ended 30 April 2017.

Profit

Profit for the year decrease by £17.7 million, or 29.0 per cent., to £43.2 million in the year ended 30 April 2018 from £60.9 million in the year ended 30 April 2017. This was primarily due to the decrease in profit before tax being offset by the decrease in tax as described above.

LIQUIDITY AND CAPITAL RESOURCES

Northgate's primary sources of liquidity are the cash flows generated from its operations, along with third-party loans and overdrafts. The primary use of this liquidity is to fund Northgate's operations.

Cash flows

The table below presents a summary of Northgate's cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information as incorporated by reference in Part 17 (*Historical Financial Information of Northgate*).

	Year ended 30 April			Six months ended 31 October	
			(£000)	(unaudited)	
	2017	2018	2019	2018	2019
Net cash generated from/(used in) operations	47,818	(81,797)	38,528	(12,214)	1,827
Net cash generated from/(used in) investing activities.....	(4,787)	(10,990)	(14,887)	(5,949)	(7,272)
Net cash generated from/(used in) financing activities	(43,358)	87,280	(37,257)	14,508	16,579
Net increase/(decrease) in cash and cash equivalents	(327)	(5,507)	(13,616)	(3,655)	11,134
Cash and cash equivalents at the beginning of the period	18,748	19,637	14,127	14,127	805
Effect of foreign exchange movements	1,216	(3)	294	214	(281)
Cash and cash equivalents at the end of the period	19,637	14,127	805	10,686	11,658

Cash generated from/(used in) operations

Cash generated from operating activities increased by £14.0 million to an inflow of £1.8 million in the six months ended 31 October 2019 from an outflow of £12.2 million in the six months ended 31 October 2018, primarily due to lower capital expenditure on new vehicles.

Cash generated from operating activities increased by £120.3 million to an inflow of £38.5 million in the year ended 30 April 2019 from an outflow of £81.8 million in the year ended 30 April 2018, primarily due to lower capital expenditure due to increased vehicle ageing following the implementation of the fleet optimisation strategy.

Cash used in operating activities decreased by £129.6 million to an outflow of £81.8 million in the year ended 30 April 2018 from an inflow of £47.8 million in the year ended 30 April 2017, primarily due to capital expenditure on new vehicles.

Cash (used in) investing activities

Cash used in investing activities increased by £1.3 million, or 22.2 per cent., to £7.3 million in the six months ended 31 October 2019 from £5.9 million in the six months ended 31 October 2018, primarily due to increased purchases of intangible assets.

Cash used in investing activities increased by £3.9 million, or 35.5 per cent., to £14.9 million in the year ended 30 April 2019 from £11.0 million in the year ended 30 April 2018, primarily due to the purchase of intangible assets.

Cash used in investing activities increased by £6.2 million, or 129.6 per cent., to £11.0 million in the year ended 30 April 2018 from £4.8 million in the year ended 30 April 2017, primarily due to the purchase of other software intangible assets, and non-vehicle property plant and equipment.

Cash (used in)/generated from financing activities

Cash generated from financing activities increased by £2.1 million, or 14.3 per cent., to £16.6 million in the six months ended 31 October 2019 from £14.5 million in the six months ended 31 October 2018, primarily due to increased receipts of bank loans and other borrowings, partially offset by increased debt issue costs and presentational differences due to implementation of IFRS 16 lease payments.

Cash generated from financing activities decreased by £124.5 million to an outflow of £37.3 million in the year ended 30 April 2019 from an inflow of £87.3 million in the year ended 30 April 2018, primarily due to the receipt of bank loans and other borrowings in the year ended 30 April 2018.

Cash generated from financing activities increased by £130.7 million to an inflow of £87.3 million in the year ended 30 April 2018 from an outflow of £43.4 million in the year ended 30 April 2017, primarily due to the receipt of bank loans and other borrowings in the year ended 30 April 2018.

Borrowings

The table below presents a breakdown of Northgate's interest-bearing loans and borrowings as at the dates indicated.

	As at 30 April			As at 31 October
				(unaudited)
		(£000)		
	2017	2018	2019	2019
Bank loans and overdrafts	265,765	372,005	385,545	419,216
Loan notes	84,393	87,890	86,194	86,088
Cumulative preference shares	500	500	500	500
Confirming facilities.....	366	308	360	129
IFRS 16 debt.....	—	—	—	45,302
Total	351,024	460,703	472,599	551,235

See paragraph 14.1.3 (*Material financing arrangements*) of Part 21 (*Additional Information*) for more information on the Northgate Group's financing arrangements.

*Commitments and Contingent Liabilities**Commitments*

Northgate has various contractual obligations and commercial commitments to make future payments, including bank loans, long term debt instruments, overdrafts and lease obligations. The following table summarises Northgate's future obligations under these contracts due by the periods indicated as of 31 October 2019.

	Less than one year	More than one year	Total
		(£000)	
Borrowings.....	50,757	500,478	551,235

Contingent liabilities

As at 30 April 2019, Northgate did not have any contingent liabilities.

Capital expenditure

The table below presents a breakdown of Northgate's capital expenditure for the periods indicated.

	Year ended 30 April			Six months ended 31 October	
			(£000)	(unaudited)	
	2017	2018	2019	2018	2019
Replacement capex	174.1	311.0	243.9	92.8	76.6
Growth capex	1.1	125.2	42.6	56.7	47.5
Total	175.2	436.2	286.5	149.5	124.1

The most significant element of Northgate's capital expenditure during the period under review relates to the purchase of vehicles.

Off-balance sheet arrangements

Northgate does not use off-balance sheet arrangements.

PART 14

SELECTED FINANCIAL INFORMATION OF REDDE

The tables below set out Redde's selected financial information for the periods indicated, as reported in accordance with IFRS, which have been extracted without material adjustment from the historical financial information set out in Sections A, B and C of Part 18 (*Historical Financial Information of Redde*).

Consolidated income statement

	Year ended 30 June		
	2017	(£000) 2018	2019
Revenue	472,344	526,981	589,724
Cost of sales	(356,337)	(399,199)	(452,034)
Gross profit	116,007	127,782	137,690
Administrative expenses	(85,588)	(91,006)	(101,009)
Operating profit	30,419	36,776	36,681
Share of results of associates	1,502	2,206	5,261
EBIT	31,921	38,982	41,942
Net finance costs	(150)	(170)	(288)
Profit before taxation	31,771	38,812	41,654
Taxation	(4,960)	(4,284)	(7,148)
Profit for the year	26,811	34,528	34,506

Consolidated statement of financial position

	As at 30 June		
		<i>(£000)</i>	
	2017	2018	2019
Non-current assets			
Goodwill.....	85,990	85,990	85,077
Intangible assets	18,917	16,527	14,137
Property, plant and equipment (including vehicles)	55,515	48,596	46,022
Interest in associates	1,361	2,559	4,401
Deferred tax assets	4,236	6,165	6,940
	166,019	159,837	156,577
Current assets			
Receivables and contract assets	142,852	181,414	219,645
Cash and cash equivalents	36,344	30,746	11,880
	179,196	212,160	231,525
Total assets	345,215	371,997	388,102
Current Liabilities			
Trade and other payables	131,386	164,030	171,301
Obligations under finance leases	20,683	23,723	15,535
Short term borrowings	—	—	9,000
Provisions.....	1,318	2,475	3,401
	153,387	190,228	199,237
Net current assets	25,809	21,932	32,288
Non-current liabilities			
Obligations under finance leases	25,377	15,482	22,030
Deferred tax liability	4,991	3,836	3,800
Provisions.....	2,506	2,256	1,951
	32,874	21,574	27,781
Total liabilities	186,261	211,802	227,018
Net assets	158,954	160,195	161,084
Equity			
Share capital	304	304	307
Share premium account.....	73,780	73,788	74,768
Retained earnings.....	84,870	86,103	86,009
Total equity	158,954	160,195	161,084

Consolidated statement of cash flows

	Year ended 30 June		
		<i>(£000)</i>	
	2017	2018	2019
Net cash generated from/(used in) operations	47,221	39,712	12,047
Net cash generated from/(used in) investing activities.....	19,080	27,272	29,656
Net cash generated from/(used in) financing activities	(64,604)	(72,582)	(60,569)
Net increase/(decrease) in cash and cash equivalents.....	1,697	(5,598)	(18,866)
Cash and cash equivalents at 1 July.....	34,647	36,344	30,746
Cash and cash equivalents at 30 June.....	36,344	30,746	11,880

PART 15

OPERATING AND FINANCIAL REVIEW OF REDDE

This Part 15 (Operating and Financial Review of Redde) should be read in conjunction with Part 2 (Presentation of Financial and Other Information), Part 6 (Industry, Competition, Regulatory and Legal), and Part 18 (Historical Financial Information of Redde). Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 15 (Operating and Financial Review of Redde) is extracted from the financial information set out in Part 18 (Historical Financial Information of Redde).

The following discussion of Redde's results of operations and financial condition contains forward-looking statements. Redde's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1 (Risk Factors) and Part 2 (Presentation of Financial and Other Information). In addition, certain industry issues also affect Redde's results of operations and are described in Part 6 (Industry, Competition, Regulatory and Legal).

OVERVIEW

The Redde Group is a leading supplier to the motor insurance industry and aims to be the preferred claims outsourcing partner for UK motor insurers by providing claims solutions and services which reduce their administrative work and expenditure and provide their customers with an excellent vehicle repair and temporary replacement service.

KEY FACTORS AFFECTING REDDE'S RESULTS OF OPERATIONS

The results of Redde's operations have been, and will continue to be, affected by many factors, some of which are beyond Redde's control. This section sets out certain key factors the Directors believe have affected Redde's results of operations in the period from 1 July 2016 to 30 June 2019 (the "Review Period") and could affect its results of operations in the future.

Accident Frequency

The Redde Group's results of operations are strongly affected by any increase or decrease in the frequency of road traffic accidents ("RTA") as this would likely result in a corresponding increase or decrease in demand for credit hire and credit repair services. An example of growth from increased RTAs is shown in the Redde Group's results for the financial period ended 30 June 2018 which were boosted by the effects of the elongated winter period following the weather phenomenon referred to in the media as "the beast from the east" which resulted in increased claims and costs referred to by many insurers in announcing their own results for that period. On the other hand, changes in driving habits, technological advances in new cars, including the development of effective collision avoidance technology, and any changes to road safety laws could all lead to a decrease in the frequency of RTAs and have a resulting negative impact on the Redde Group's results of operations in the future.

Relationship with Customers and Referrers

The Redde Group's results of operations are strongly affected by its relationships with a select group of leading insurers in the private motor insurance industry along with its ability to maintain these relationships. During the review period, the Redde Group has both announced that they have successfully won new contracts whilst also being unable to successfully renew other arrangements with insurers. The Redde Group seeks to mitigate the termination of certain arrangements by arranging an orderly run-off of services involving the continuation of higher margin non-fault hire and non-fault repair services whilst ceasing the lower margin work. There is no guarantee, however, that such arrangements can be negotiated on the termination of a contract in the future.

Hire Length

The Redde Group's results of operations are strongly affected by the length of repair times, which can increase and decrease and, as a consequence, average hire days. During the Review Period, events have caused repairer capacity to be squeezed with the availability of parts affected by the higher levels of claims working their way through the repair supply chain, increasing demand for replacement vehicles. Similarly, members of the Association of British Insurers have commented that the delay in availability of some spare parts sourced from overseas and the increased complexity of repairs has also increased repair times and, as a consequence, average hire days.

Insurer Payment Patterns

A main activity of the Redde Group's operating model is to deliver credit hire and repair services on a B2C basis. This has a natural lag for receivables collections which under an insurance claims process can be lengthy. The Redde Group has shortened this cycle considerably over the years through protocol arrangements with insurers. This generally involves discounting a claim in return for a non-frictional and a more efficient, faster settlement process. Despite this financial incentive for insurers to settle claims within a reasonable timescale, for a variety of reasons, including the at-fault party's insurer disputing the claim, a number of claims are not settled within the timescales included in the protocol. The Redde Group therefore intends to be more robust on collections to ensure the value of protocols are preserved for those that meet the terms and to remove non-performing protocols so that fuller recoveries are made.

Changes in legislation/government policy

Certain of the Redde Group's activities and arrangements are subject to regulation. Therefore, the Redde Group's results of operations are strongly affected by any changes to the legal or regulatory environment in which the Redde Group currently operates. For example, the Government continues to look at the overall costs of litigation and may bring in legislation or amend or create new rules of court, which further reduce the costs recoverable in certain types of actions and/or change the criteria for litigation to fall within the small claims track (where legal costs (except the most basic) are not generally recoverable), which might have an impact on the Redde Group's legal businesses and/or increase the cost of recovering credit charges. The Redde Group's legal function monitors any developments in legislation or Government policy and endeavours to adapt the business model to deal with any such changes if and when they are introduced. However, even though the Redde Group seeks to mitigate any impact in changes to legislation or Government policy these changes could still have a negative impact on the results of operations.

KEY PERFORMANCE INDICATORS

The Redde Directors utilise ten key performance indicators ("KPIs") to identify and monitor business performance and to inform strategic decision making: gross margin, adjusted profit before taxation, adjusted EBIT, adjusted EBIT margin, EBITDA, operating cash flow/EBITDA, debtor days, average fleet, fleet utilisation and closing fleet, each of which is described further below.

This Prospectus includes certain financial measures of historical or future financial performance, financial position, or cash flows which are not defined or specified under IFRS ("Alternative Performance Measures"). Although the Redde Group considers that these measures are relevant and reliable in assessing the Redde Group's financial performance and position for the reasons set out below, such measures are not a substitute for financial measures under IFRS. The table below sets out the Redde Group's main Alternative Performance Measures and segmental results for the period under review.

	Year ended 30 June		
	2017	2018	2019
Financial KPIs			
Revenue (£000)	472,344	526,981	589,724
Gross profit (£000)	116,007	127,782	137,690
Gross margin	24.6%	24.2%	23.3%

	Year ended 30 June		
	2017	2018	2019
Profit before taxation (£000).....	31,771	38,812	41,654
EBIT (£000)	31,921	38,982	41,942
Adjusted ⁽¹⁾ profit before taxation (£000)	40,024	46,021	49,288
Adjusted ⁽¹⁾ EBIT (£000)	40,174	46,191	49,576
Adjusted⁽¹⁾ EBIT margin as a per cent. of revenue.....	8.5%	8.8%	8.4%
EBITDA ⁽²⁾ (£000).....	51,848	55,435	54,919
Operating cash flow/EBITDA ⁽²⁾	91%	72%	22%
Debtor days	91	105	116
Operational KPIs			
Average fleet	8,160	9,312	11,173
Fleet utilisation.....	81.5%	82.9%	81.6%
Closing fleet	8,371	9,741	10,711

Notes:

- (1) Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items and are as shown on the consolidated income statement.
- (2) Calculation of EBITDA is analysed in the consolidated statement of cash flows.

Gross margin

Gross margin represents gross profit as a percentage of revenue. The Redde Group believes that gross margin percentage is a key measure of profitability.

Adjusted profit before taxation

The Redde Group defines adjusted profit before taxation as profit before taxation adjusted to exclude the impact of amortisation of intangibles, share based payments and exceptional items. The Redde Group believes that adjusted profit before taxation is a key measure of profitability. Exceptional items are those which are not considered to represent the underlying operational performance of the business, and therefore are excluded to provide what the Redde Group considers to be a better comparison of the business on an annual basis. The following table presents a reconciliation from profit before tax to adjusted profit before taxation for the periods considered therein.

	Year ended 30 June		
	2017	(£000) 2018	2019
Profit before tax	31,771	38,812	41,654
Add back:			
Amortisation of acquired intangible assets.....	2,390	2,390	2,390
Share-based payments.....	2,004	1,791	1,082
Exceptional items.....	3,859	3,028	4,162
Adjusted profit before taxation	40,024	46,021	49,288

Adjusted EBIT

Adjusted EBIT represents profit/(loss) for the period, before finance costs, finance income, tax expenses/income adjusted to exclude the impact of amortisation of intangibles, share based payments and exceptional items. The Redde Group believes that adjusted EBIT is a meaningful performance indicator as it provides an analysis of the Redde Group's operating results, profitability and ability to service debt without the effect of non-recurring gains and impairment charges that do not have a cash effect. The following table presents a reconciliation of adjusted EBIT to statutory EBIT for the periods considered herein.

	Year ended 30 June		
	2017	(£000) 2018	2019
Statutory EBIT	31,921	38,982	41,942
Adjustments:			
Amortisation of acquired intangible assets	2,390	2,390	2,390
Share-based payments	2,004	1,791	1,082
Property lease provisions	3,859	1,973	3,064
Reassessment of property provisions	—	—	(252)
Impairment of freehold properties	—	379	(246)
Goodwill impairment	—	—	913
Reorganisation and redundancy costs	—	676	683
Adjusted EBIT	40,174	46,191	49,576

Adjusted EBIT margin

Adjusted EBIT margin is defined as adjusted EBIT divided by revenue. The Redde Group believes the adjusted EBIT margin is an indicator of underlying operating results and profitability.

EBITDA

EBITDA is defined as the Redde Group's profit/(loss) for the period before finance costs, finance income, tax expenses/income and depreciation and amortisation expenses (net). The Redde Group believes that EBITDA is a key metric for the Redde Group as it allows the Redde Group to evaluate its underlying operating performance by excluding certain items that the Redde Group does not consider indicative of the Redde Group's core operating performance. The following table presents a reconciliation from Redde's profit for the year to its EBITDA for the periods considered therein.

	Year ended 30 June		
	2017	(£000) 2018	2019
Profit for the year	26,811	34,528	34,506
Tax charge	4,960	4,284	7,148
	31,771	38,812	41,654
Income from associates	(1,502)	(2,206)	(5,261)
Net finance costs	150	170	288
Fleet finance lease interest	1,538	1,203	1,222
Depreciation of tangible fixed assets	11,318	10,506	10,124
Impairment of properties	—	379	—
Impairment of goodwill	—	—	913
Property lease provisions	3,859	1,973	3,064
Amortisation of intangible assets	2,390	2,390	2,390
(Gains)/losses on sale of property, plant and equipment	320	417	(557)
Share-based payments	2,004	1,791	1,082
EBITDA	51,848	55,435	54,919

Operating cash flow/EBITDA

Operating cash flow/EBITDA is defined as net cash from operating activities divided by EBITDA. The Redde Group believes that operating cash flow/EBITDA is a key measure of cash generation to which the Directors of Redde have regard.

Debtor days

Debtor days is based upon net trade receivables and contract assets, other receivables and accrued income as a proportion of revenue multiplied by 365 days. The Redde Group has identified this as a key performance indicator as it shows Redde's efficiency from invoicing to collection of debts which directly impacts upon cash flow.

Average fleet

Average fleet is defined as the average number of vehicles in the Redde Group's rentable fleet in any financial period. The Redde Group considers that monitoring average fleet size allows the Redde Group to assess the size of its operations and the businesses current volumes whilst allowing for the seasonality of Redde's business.

Fleet utilisation

Fleet utilisation is defined as the average number of vehicles on hire divided by the average rentable fleet in any period. The Redde Group considers fleet utilisation to be a measure of the proportion of available fleet on hire with customers. The Redde Group considers that monitoring fleet utilisation allows the Redde Group to assess how effectively it uses its fleet and manages its operational efficiency.

Closing fleet

Closing fleet is defined as the number of vehicles in the Redde Group's rentable fleet as at the end of any financial period. The Redde Group considers that monitoring closing fleet size is an indication of the size of Redde's operations and its current volumes.

DESCRIPTION OF KEY LINE ITEMS***Revenue***

Revenue for the Redde Group consists of accident management services and legal claim services. The Redde Group's accident management services provides replacement vehicles and vehicle repair services. The Redde Group's legal services revenue is derived from acquiring claims from insurers and pursuing those claims either to a judgement or settlement.

Cost of sales

Cost of sales include expenses related to the repair of customer vehicles, leasing of vehicles and the purchasing and maintenance of the Redde Group's vehicle fleet. In addition, the Redde Group's cost of sales also represents expenses related to acquiring and pursuing insurance claims including associated legal expenses.

Administrative expenses (less exceptional items, share based payments and amortisation of intangibles)

The Redde Group's administration expenses are presented excluding exceptional items, share-based payments and amortisation of intangibles and includes the costs of administrative, commercial and finance functions and all other corporate operating costs including staff costs.

Exceptional items

The Redde Group's exceptional items comprise items which due to their size, incidence or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and, in the opinion of the Redde Board, to show more accurately the underlying results of the Redde Group. These exceptional items will include, for example, property lease provisions, impairment of freehold properties or reorganisation and redundancy costs.

Share-based payments

The Redde Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value determined at the date of grant and expensed on a straight-line basis over the vesting period, based on the Redde Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Intangible amortisation

Intangible assets comprise goodwill, software and customer relationships and are amortised in accordance with the accounting policies set out at Note 1 (*Significant Accounting Policies*) of Section A of Part 18 (*Historical Financial Information of Redde*).

Share of results of associates

Income from associates represents the Redde Group's share of the profits in relation to NewLaw's membership of several limited liability partnerships providing legal services in association with certain business partners (subject to regulation by the Solicitors Regulation Authority).

Net finance costs

Finance costs represent the interest and similar charges payable on the Redde Group's outstanding indebtedness as well as amortisation of fees and expenses incurred in connection with the refinancing of the Redde Group's borrowings.

Taxation

The effective corporate income tax rate for Redde in England and Wales was 17 per cent. for 2019 (2018: 11 per cent., 2017: 16 per cent.).

CURRENT TRADING AND PROSPECTS

As announced on 30 October 2019, the first quarter's trading of Redde's new financial year is in line with Redde management's expectations.

RESULTS OF OPERATIONS

The table below presents Redde's results of operations for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in Sections A, B and C of Part 18 (*Historical Financial Information of Redde*).

	Year ended 30 June		
	2017	(£000) 2018	2019
Revenue	472,344	526,981	589,724
Cost of sales	(356,337)	(399,199)	(452,034)
Gross profit	116,007	127,782	137,690
Administrative expenses (less exceptional items, share based payments and amortisation of intangibles)	(77,335)	(83,797)	(93,375)
Exceptional items	(3,859)	(3,028)	(4,162)
Share based payments	(2,004)	(1,791)	(1,082)
Intangible amortisation	(2,390)	(2,390)	(2,390)
Operating profit	30,419	36,776	36,681
Share of results of associates	1,502	2,206	5,261
EBIT	31,921	38,982	41,942
Net finance costs	(150)	(170)	(288)
Profit before taxation	31,771	38,812	41,654
Taxation	(4,960)	(4,284)	(7,148)
Profit for the year	26,811	34,528	34,506

Results of operations for the year ended 30 June 2019 compared to the year ended 30 June 2018

Revenue

Revenue increased by £62.7 million, or 11.9 per cent., to £589.7 million in the year ended 30 June 2019 from £527.0 million in the year ended 30 June 2018. This increase was primarily due to a 9.4% growth in the number of credit hires together with a 5.2% increase in the total number of repairs undertaken and higher activity within the Group's fleet and incident management businesses.

Cost of sales

Cost of sales increased by £52.8 million, or 13.2 per cent., to £452.0 million in the year ended 30 June 2019 from £399.2 million in the year ended 30 June 2018. This increase was primarily due to an increase in volume along with an increased mix of lower margin activities and higher levels of commission payments to Redde's referral partners.

Gross profit

Gross profit increased by £9.9 million, or 7.8 per cent., to £137.7 million in the year ended 30 June 2019 from £127.8 million in the year ended 30 June 2018. This increase was primarily due to the increase in revenue, offset by the increased cost of sales.

Administrative expenses (less exceptional items, share based payments and amortisation of intangibles)

Administrative expenses increased by £9.6 million, or 11.4 per cent., to £93.4 million in the year ended 30 June 2019 from £83.8 million in the year ended 30 June 2018. This increase was primarily due to increased investment in underlying infrastructure, marketing costs as well as increased operational costs as a result of increased volumes.

Exceptional items

Exceptional items of £4.2 million in the year ended 30 June 2019 increased by £1.2 million, or 37.5 per cent., from £3.0 million in the year ended 30 June 2018. This increase was primarily due to an impairment of goodwill in relation to NewLaw and an increase in property lease provisions.

Share based payments

Share based payments of £1.1 million were made in the year ended 30 June 2019 decreased by £0.7 million, or 39.6 per cent., from £1.8 million in the year ended 30 June 2018. This decrease was primarily due to a decrease in the number of options issued under Redde's share incentive schemes compared to the previous period.

Intangible amortisation

Intangible amortisation remained flat at £2.4 million in the year ended 30 June 2018 and £2.4 million in the year ended 30 June 2019. There was no change between the two periods as Redde is continuing to amortise the value of customer relationships and acquired software relating to the FMG business over 10 and 5 years respectively.

Operating profit

Operating profit decreased by £0.1 million, or 0.3 per cent., to £36.7 million in the year ended 30 June 2019 from £36.8 million in the year ended 30 June 2018. This decrease was primarily due to the increase in gross profit, offset by the increased administrative expenses.

Share of results of associates

Share of results of associates increased by £3.1 million, or 138.5 per cent., to £5.3 million in the year ended 30 June 2019 from £2.2 million in the year ended 30 June 2018. This increase was primarily due to the growth in the number of cases processed in Your Law LLP which commenced as a start-up venture in July 2017.

EBIT

EBIT increased by £3.0 million, or 7.6 per cent., to £41.9 million in the year ended 30 June 2019 from £39.0 million in the year ended 30 June 2018. This increase was primarily due to the increase in the share of results of associates, offset by the decrease in operating profit.

Net finance costs

Net finance costs increased by £118 thousand, or 69.4 per cent., to £288 thousand in the year ended 30 June 2019 from £170 thousand in the year ended 30 June 2018. This was primarily in relation to non-utilisation fees incurred during the year on the Group's bank revolving working capital facility.

Profit before tax

Profit before tax increased by £2.8 million, or 7.3 per cent., to £41.6 million in the year ended 30 June 2019 from £38.8 million in the year ended 30 June 2018. This increase was primarily due to the increase in EBIT less the net finance costs mentioned above.

Taxation

Taxation increased by £2.9 million, or 66.9 per cent., to £7.1 million in the year ended 30 June 2019 from £4.3 million in the year ended 30 June 2018. This increase was primarily due to increased profits and a lower level of deferred tax credit as a result of a lower level of tax losses available.

Profit

Profit was mostly unchanged between the years ended 30 June 2019 and 2018, being £34.5 million in each year. This was primarily due to the increase in profit before tax being offset by the increase in tax.

Results of operations for the year ended 30 June 2018 compared to the year ended 30 June 2017*Revenue*

Revenue increased by £54.6 million, or 11.6 per cent., to £527.0 million in the year ended 30 June 2018 from £472.3 million in the year ended 30 June 2017. This increase was primarily due to a 19.3% growth in the number of credit hires together with a 3.4% increase in the total number of repairs undertaken and higher activity within the Group's fleet and incident management businesses.

Cost of sales

Cost of sales increased by £42.9 million, or 12.0 per cent., to £399.2 million in the year ended 30 June 2018 from £356.3 million in the year ended 30 June 2017. This increase was primarily due to the increase in revenue including the full year effect of the new contract won in the latter part of 2016 along with an increase in the mix of commissions payable to Redde's referral partners.

Gross profit

Gross profit increased by £11.8 million, or 10.2 per cent., to £127.8 million in the year ended 30 June 2018 from £116.0 million in the year ended 30 June 2017. This increase was primarily due to the increase in revenue offset by the increase in the cost of sales.

Administrative expenses (less exceptional items, share based payments and amortisation of intangibles)

Administrative expenses increased by £6.5 million, or 8.4 per cent., to £83.8 million in the year ended 30 June 2018 from £77.3 million in the year ended 30 June 2017. This increase was primarily due to increased operational cost arising from new business won in 2016 and associated increased investment in underlying infrastructure.

Exceptional items

Exceptional items of £3.0 million in the year ended 30 June 2018 decreased by £0.9 million, or 21.5 per cent., from £3.9 million in the year ended 30 June 2017. This decrease was primarily due to decreased property lease provisions offset by reorganisation and redundancy costs.

Share based payments

Share based payments of £1.8 million were made in the year ended 30 June 2018 decreased by £0.2 million, or 10.6 per cent., from £2.0 million in the year ended 30 June 2017. This decrease was primarily due to a decrease in the number of options issued under Redde's share incentive schemes compared to the previous period.

Intangible amortisation

Intangible amortisation remained flat at £2.4 million in the year ended 30 June 2017 and £2.4 million in the year ended 30 June 2018. There was no change between the two periods as Redde is continuing to amortise the value of customer relationships and acquired software relating to the FMG business over 10 and 5 years respectively.

Operating profit

Operating profit increased by £6.4 million, or 20.9 per cent., to £36.8 million in the year ended 30 June 2018 from £30.4 million in the year ended 30 June 2017. This increase was primarily due to the increased gross profit offset by the increase in administrative expenses.

Share of results of associates

Share of results of associates increased by £0.7 million, or 46.9 per cent., to £2.2 million in the year ended 30 June 2018 from £1.5 million in the year ended 30 June 2017. This increase was primarily due to increased volume from the Redde Group's alternative business structures.

EBIT

EBIT increased by £7.1 million, or 22.1 per cent., to £39.0 million in the year ended 30 June 2018 from £31.9 million in the year ended 30 June 2017. This increase was primarily due to the increase in operating profit and share of results of associates.

Net finance costs

Net finance costs increased by £20 thousand, or 13.3 per cent., to £170 thousand in the year ended 30 June 2018 from £150 thousand in the year ended 30 June 2017. This was primarily in relation to costs of committed, but unutilised bank facilities available to the Group since December 2015.

Profit before tax

Profit before tax increased by £7.0 million, or 22.2 per cent., to £38.8 million in the year ended 30 June 2018 from £31.8 million in the year ended 30 June 2017. This increase was primarily due to increased EBIT, offset by the increase in net finance costs.

Taxation

Taxation decreased by £0.7 million, or 13.6 per cent., to £4.3 million in the year ended 30 June 2018 from £5.0 million in the year ended 30 June 2017. This decrease was primarily due to increased profit that was offset by the use of deferred tax credit on the recognition of previous unrecognised tax losses.

Profit

Profit increased by £7.7 million, or 28.8 per cent., to £34.5 million in the year ended 30 June 2018 from £26.8 million in the year ended 30 June 2017. This increase was primarily due to an increase in the profit before tax and a decrease in taxation.

LIQUIDITY AND CAPITAL RESOURCES

Redde's primary sources of liquidity are the cash flows generated from its operations, along with third-party loans and overdrafts. The primary use of this liquidity is to fund Redde's operations.

Cash flows

The table below presents a summary of Redde's cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in Sections A, B and C of Part 18 (*Historical Financial Information of Redde*).

	Year ended 30 June		
	2017	(£000) 2018	2019
Net cash generated from/(used in) operations	47,221	39,712	12,047
Net cash generated from/(used in) investing activities.....	19,080	27,272	29,656
Net cash generated from/(used in) financing activities	(64,604)	(72,582)	(60,569)
Net increase/(decrease) in cash and cash equivalents.....	1,697	(5,598)	(18,866)
Cash and cash equivalents at 1 July.....	34,647	36,344	30,746
Cash and cash equivalents at 30 June.....	36,344	30,746	11,880

Cash generated from/(used in) operations

Cash generated from operating activities decreased by £27.7 million, or 69.7 per cent., to £12.0 million in the year ended 30 June 2019 from £39.7 million in the year ended 30 June 2018, primarily due to an increase in receivables arising from an increase in revenue together with a slowdown in payment from a third party insurer as they reacted against the higher level of claims seen in the market.

Cash generated from operating activities decreased by £7.5 million, or 15.9 per cent., to £39.7 million in the year ended 30 June 2018 from £47.2 million in the year ended 30 June 2017, primarily due to an increase in receivables as a result of higher sales together with higher levels as taxation as a result of the Redde Group having used deferred tax losses.

Cash generated from/(used in) investing activities

Cash generated from investing activities increased by £2.4 million, or 8.7 per cent., to £29.7 million in the year ended 30 June 2019 from £27.3 million in the year ended 30 June 2018, primarily due to increased distributions of profits from associates which was part off-set by non-vehicle capital expenditure.

Cash generated from investing activities increased by £8.2 million, or 42.9 per cent., to £27.3 million in the year ended 30 June 2018 from £19.1 million in the year ended 30 June 2017, primarily due to an increase in sale proceeds from the sale of motor vehicles and the non-payment of prior year one-off investment in a new contract.

Cash generated from/(used in) financing activities

Cash used in financing activities decreased by £12.0 million, or 16.6 per cent., to £60.6 million in the year ended 30 June 2019 from £72.6 million in the year ended 30 June 2018, primarily due to a drawdown under the working capital facility and lower levels of finance lease principal repayments.

Cash used in financing activities increased by £8.0 million, or 12.3 per cent., to £72.6 million in the year ended 30 June 2018 from £64.6 million in the year ended 30 June 2017, primarily due to an increase in finance lease principal repayments together with increased dividends.

Borrowings

The table below presents a breakdown of Redde's interest-bearing loans and borrowings as at the dates indicated.

	As at 30 June		
	2017	(£000) 2018	2019
Finance leases	46,060	39,205	37,565
Revolving credit facility	—	—	9,000
Total	46,060	39,205	46,565

Redde (and certain other Redde Group companies) entered into an unsecured credit facility agreement on 2 December 2015 (as amended and restated by an amendment and restatement agreement dated 8 August 2019) pursuant to which HSBC UK Bank plc agreed to make available a committed revolving credit facility of up to £50 million for the general corporate and working capital purposes of the Redde Group. The Redde Group also has access to an uncommitted overdraft facility of up to £5 million in respect of various Redde Group accounts with HSBC UK Bank plc.

See paragraph 13.2.3 (*Material financing arrangements*) in Part 21 (*Additional Information*) for more information on the Redde Group's key financing agreements.

Commitments and Contingent Liabilities*Commitments*

Redde's commitments relate to obligations under finance leases and a revolving credit facility. The table below presents a summary of Redde's commitments as at 30 June 2019.

	Less than one year	One to five years	Total
		(£000)	
Borrowings	9,000	—	9,000
Finance lease obligations	15,535	22,030	37,565
Future finance charges	897	569	1,466
Total	25,432	22,599	48,031

Contingent liabilities

Redde has no material contingent liabilities as at 30 June 2019.

Capital expenditure

The table below presents a breakdown of Redde's capital expenditure for the periods indicated.

	Year ended 30 June		
	2017	(£000) 2018	2019
Leasehold improvements	34	18	61
Vehicle hire fleet	41,393	31,507	34,436
Fixtures and equipment	2,663	2,198	2,481
Total	44,090	33,723	36,978

The most significant element of Redde's capital expenditure during the period under review was the acquisition of vehicles for hire.

Off-balance sheet arrangements

The Redde Group rents certain of its motor vehicles, plant and equipment and properties under operating leases. The following table sets forth the outstanding commitments for future minimum lease payments under non-cancellable operating leases as of the dates indicated.

	Year ended 30 June								
	2017			(£000) 2018			2019		
	Vehicles	Properties	Total	Vehicles	Properties	Total	Vehicles	Properties	Total
Within one year	8,861	1,992	10,853	13,020	1,845	14,865	13,482	2,453	15,935
In the second to fifth years inclusive...	2,574	7,008	9,582	4,162	7,828	11,990	2,650	16,059	18,709
After five years.....	—	3,450	3,450	—	2,996	2,996	—	1,236	1,236
Total	11,435	12,450	23,885	17,182	12,669	29,851	16,132	19,748	35,880

Other than in respect of the above operating leases, the Redde Group does not have any material off-balance sheet arrangements.

PART 16

CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness of Northgate

The capitalisation information set out below has been extracted without material adjustment from Northgate's unaudited interim financial information for the six months ended 31 October 2019 incorporated by reference in Part 17 (*Historical Financial Information of Northgate*).

	As at 31 October 2019 (£000)
Capitalisation	
Shareholder's equity	
Share capital	66,616
Share premium account	113,508
Other reserves ⁽¹⁾	62,062
Total	242,186

Note:

(1) Other reserves include own share reserve, hedging reserve, translation reserve and other reserves.

There has been no material change in Northgate's capitalisation since 31 October 2019.

The following table sets out Northgate's unaudited gross indebtedness as at 31 October 2019.

	As at 31 October 2019 ⁽¹⁾⁽²⁾ (£000)
Indebtedness	
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	50,757
Total non-current debt (excluding current portion of non-current debt)	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	500,478

The following table sets out Northgate's net indebtedness as at 31 October 2019.

	As at 31 October 2019⁽¹⁾⁽²⁾
	<i>(£000)</i>
Cash.....	46,632
Cash equivalent.....	—
Trading Securities	—
Liquidity	46,632
Current financial receivable.....	—
Current bank debt	44,424
Current position of non-current debt	—
Other financial debt ⁽³⁾	6,333
Current finance debt	50,757
Net current financial indebtedness	4,125
Non-current bank loans.....	374,921
Bond issued.....	—
Other non-current loans ⁽³⁾	125,557
Non-current financial indebtedness	500,478
Net financial indebtedness	504,603

Note:

- (1) The tables of gross and net indebtedness are shown net of unamortised finance fees of £6 million
- (2) The tables of gross and net indebtedness exclude amounts related to Northgate's derivative financial instruments which were a net liability of £0.7 million as at 31 October 2019
- (3) Other financial debt includes current lease liabilities. Other non-current loans include non-current lease liabilities, loan notes and cumulative preference shares.

Northgate has no indirect or contingent indebtedness.

PART 17

HISTORICAL FINANCIAL INFORMATION OF NORTHGATE

The following documents, which have been filed with the FCA and are available for inspection in accordance with paragraph 22 (*Documents available for inspection*) of Part 21 (*Additional Information*) of this Prospectus, contain financial information which is relevant to the Merger:

- Northgate's 2020 Interim Report and Financial Statements, which include Northgate's interim financial statements for the six months ended 31 October 2019 ("Northgate's 2020 Interim Report and Financial Statements");
- Northgate's 2019 Annual Report and Financial Statements, which include Northgate's audited financial statements for the year ended 30 April 2019 ("Northgate's 2019 Annual Report and Financial Statements");
- Northgate's 2018 Annual Report and Financial Statements, which include Northgate's audited financial statements for the year ended 30 April 2018 ("Northgate's 2018 Annual Report and Financial Statements"); and
- Northgate's 2017 Annual Report and Financial Statements, which include Northgate's audited financial statements for the year ended 30 April 2018 ("Northgate's 2017 Annual Report and Financial Statements").

Information incorporated by reference

The information set out in the table below is incorporated by reference into, and forms part of, this Prospectus, for purposes of the Prospectus Regulation Rules. Only those parts of the documents identified below which are specifically referred to below are incorporated by reference into, and form part of, this Prospectus.

Northgate's 2020 Interim Report and Financial Statements

(<https://www.northgateplc.com/media/2685/fy20-h1-interims-statement-final.pdf>)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's review report to Northgate plc only	25-26
Condensed Consolidated Income Statement	13
Condensed Consolidated Statement of Comprehensive Income.....	14
Condensed Consolidated Balance Sheet.....	15
Condensed Consolidated Cash Flow Statement	16
Condensed Consolidated Statement of Changes in Equity	17
Unaudited Notes to the Northgate Group Financial Statements	18-24

Northgate's 2019 Annual Report and Financial Statements

(https://www.northgateplc.com/media/2654/Northgate_annual-report-2019-bookmarks.pdf)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Northgate plc only	76-81
Consolidated Income Statement	83
Consolidated Statement of Comprehensive Income.....	84
Consolidated Balance Sheet	85
Consolidated Cash Flow Statement.....	86
Consolidated Statement of Changes in Equity	88
Notes to the Northgate Group Financial Statements.....	89-114

Northgate's 2018 Annual Report and Financial Statements

(https://www.northgateplc.com/media/2246/Northgate-ar2018-interactive.pdf)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Northgate plc only	83-89
Consolidated Income Statement	92
Consolidated Statement of Comprehensive Income.....	93
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Northgate's 2017 Annual Report and Financial Statements

(https://www.northgateplc.com/media/2045/annual-report-2017.pdf)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Northgate plc only	78-83
Consolidated Income Statement	86
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PART 18

HISTORICAL FINANCIAL INFORMATION OF REDDE

Basis of financial information

The following pages set out the audited consolidated financial information of Redde for the years ended 30 June 2017, 2018 and 2019.

This information, including the relevant audit opinions, has been extracted without material adjustment from the financial statements for the years ended 30 June 2017, 2018 and 2019, as set out in Redde's annual report and accounts for 2017, 2018 and 2019. The audit reports in Redde's annual reports and accounts for 2017, 2018 and 2019 were unqualified.

As described above, each of these financial statements has been extracted without material adjustment (in each case, as originally published) and reproduced in this Part 18 (*Historical Financial Information of Redde*). Consequently, page numbers and other references may no longer be valid (in particular, there may be references to other parts of the annual reports not reproduced in this Part 18 (*Historical Financial Information of Redde*)). The terms used in the Redde historical financial information have the meaning given to them in the relevant annual report and accounts.

The Northgate Directors confirm that no material adjustment needs to be made to the financial information of the Redde Group for the year ended 30 June 2017, 2018 or 2019 to achieve consistency with the Northgate Group's accounting policies for the year ended 30 April 2019.

SECTION A: HISTORICAL FINANCIAL INFORMATION OF REDDE FOR THE YEAR ENDED 30 JUNE 2019

Consolidated income statement

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 Adjusted* £'000	Year ended 30 June 2019 Adjustment Items* £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 Adjusted* £'000	Year ended 30 June 2018 Adjustment Items* £'000	Year ended 30 June 2018 £'000
Revenue	3	589,724	–	589,724	526,981	–	526,981
Cost of sales		(452,034)	–	(452,034)	(399,199)	–	(399,199)
Gross profit		137,690	–	137,690	127,782	–	127,782
Administrative expenses.....	4	(93,375)	(7,634)	(101,009)	(83,797)	(7,209)	(91,006)
Operating profit.....	5	44,315	(7,634)	36,681	43,985	(7,209)	36,776
Share of results of associates	14	5,261	–	5,261	2,206	–	2,206
EBIT.....		49,576	(7,634)	41,942	46,191	(7,209)	38,982
Net finance costs	7	(288)	–	(288)	(170)	–	(170)
Profit before taxation		49,288	(7,634)	41,654	46,021	(7,209)	38,812
Tax (charge)/credit.....	8	(8,163)	1,015	(7,148)	(5,702)	1,418	(4,284)
Profit for the year		41,125	(6,619)	34,506	40,319	(5,791)	34,528
Profit for the year attributable to:							
Equity holders of the Company.....		41,125	(6,619)	34,506	40,319	(5,791)	34,528
Profit for the year		41,125	(6,619)	34,506	40,319	(5,791)	34,528
Earnings per share (p)							
Basic	10	13.44	(2.16)	11.28	13.27	(1.91)	11.36
Diluted	10	13.21	(2.13)	11.08	13.07	(1.88)	11.19

The profit for the year was derived from continuing operations for both financial years.

* Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') and are analysed and described in note 4.

Consolidated statement of comprehensive income*for the year ended 30 June 2019*

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit for the year	34,506	34,528
Other comprehensive income	—	—
Total comprehensive income for the year attributable to equity holders of the company	34,506	34,528

Consolidated statement of changes in equity*for the year ended 30 June 2019*

	Share Capital £'000	Share Premium Account £'000	Shares held in treasury £'000	Retained Earnings £'000	Total £'000
Balance at 01 July 2017	304	73,780	—	84,870	158,954
Profit for the year	—	—	—	34,528	34,528
Total comprehensive income for the year	—	—	—	34,528	34,528
Issue of Ordinary Shares	—	8	—	—	8
Purchase of shares into treasury	—	—	(1)	(1,963)	(1,964)
Re-issue of shares from treasury for SAYE exercises	—	—	1	617	618
Dividends paid in the year	—	—	—	(33,740)	(33,740)
Share-Based Payments	—	—	—	1,791	1,791
Balance at 30 June 2018	304	73,788	—	86,103	160,195
Profit for the year	—	—	—	34,506	34,506
Total comprehensive income for the year	—	—	—	34,506	34,506
Issue of Ordinary Shares	3	980	—	—	983
Dividends paid in the year	—	—	—	(35,682)	(35,682)
Share-Based Payments	—	—	—	1,082	1,082
Balance at 30 June 2019	307	74,768	—	86,009	161,084

Consolidated statement of financial position*as at 30 June 2019*

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill	11	85,077	85,990
Intangible assets	12	14,137	16,527
Property, plant and equipment (including vehicles)	13	46,022	48,596
Interests in associates	14	4,401	2,559
Deferred tax asset	20	6,940	6,165
		<u>156,577</u>	<u>159,837</u>
Current assets			
Receivables and contract assets	15	219,645	181,414
Cash and cash equivalents		11,880	30,746
		<u>231,525</u>	<u>212,160</u>
Total assets		<u>388,102</u>	<u>371,997</u>
Current liabilities			
Trade and other payables	16	(171,301)	(164,030)
Obligations under finance leases	17	(15,535)	(23,723)
Short term borrowings	18	(9,000)	—
Provisions	19	(3,401)	(2,475)
		<u>(199,237)</u>	<u>(190,228)</u>
Net current assets		<u>32,288</u>	<u>21,932</u>
Non-current liabilities			
Obligations under finance leases	17	(22,030)	(15,482)
Deferred tax liability	20	(3,800)	(3,836)
Provisions	19	(1,951)	(2,256)
		<u>(27,781)</u>	<u>(21,574)</u>
Total liabilities		<u>(227,018)</u>	<u>(211,802)</u>
Net assets		<u>161,084</u>	<u>160,195</u>
Equity			
Share capital	21	307	304
Share premium account	21	74,768	73,788
Retained earnings		86,009	86,103
Equity attributable to owners of the Company		<u>161,084</u>	<u>160,195</u>

The notes on pages 105 to 134 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 4 September 2019. They were signed on its behalf by:

Stephen Oakley

Chief Financial Officer

4 September 2019

Company Number 03120010

Consolidated statement of cash flows*for the year ended 30 June 2019*

	Note	£'000	2019 £'000	£'000	2018 £'000
Cash flows from operating activities					
Profit for the year		34,506		34,528	
Tax charge.....		7,148		4,284	
		41,654		38,812	
Income from associates		(5,261)		(2,206)	
Net finance costs.....	7	288		170	
Fleet finance lease interest	7	1,222		1,203	
Depreciation of tangible fixed assets	13	10,124		10,506	
Impairment of properties	13	–		379	
Impairment of goodwill	11	913		–	
Property lease provisions.....	4	3,064		1,973	
Amortisation of intangible assets	4	2,390		2,390	
(Gains)/Losses on sale of property, plant and equipment		(557)		417	
Share-based payment charges.....	4	1,082		1,791	
EBITDA		54,919		55,435	
Increase in receivables and contact assets.....		(38,173)		(38,633)	
Increase in payables.....		6,607		30,723	
Decrease in provisions.....		(2,443)		(1,066)	
Cash generated from operating activities			20,910		46,459
Bank interest received		37		112	
Bank interest paid		(61)		–	
Fleet finance lease interest		(1,222)		(1,203)	
Interest element of non-fleet finance lease rentals.....		(1)		(4)	
			(1,247)		(1,095)
Taxation paid			(7,616)		(5,652)
Net cash from operating activities			12,047		39,712
Cash flows from investing activities					
Distributions from associates		3,419		1,007	
Purchase of property, plant and equipment		(3,748)		(3,075)	
Proceeds from sale of plant and equipment		29,985		29,340	
Net cash inflow from investing activities			29,656		27,272

	Note	£'000	2019 £'000	£'000	2018 £'000
Cash flows from financing activities					
Proceeds from issue of share capital		983		8	
Purchase of shares into treasury		—		(1,964)	
Proceeds from re-issue of treasury shares		—		618	
Proceeds from borrowings		9,000		—	
Dividends paid		(35,682)		(33,740)	
Finance lease principal repayments		(34,870)		(37,504)	
Net cash used in financing activities			(60,569)		(72,582)
Net (decrease)/increase in cash and cash equivalents					
25			(18,866)		(5,598)
Cash and cash equivalents at beginning of year			30,746		36,344
Cash and cash equivalents at end of year ...	25		11,880		30,746
Cash and cash equivalents consist of:					
Cash at bank and in hand			11,880		30,746

Notes to the consolidated financial statements

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation. The presentational currency is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

Adoption of new and revised standards

Two new accounting standards, IFRS 15 (Revenue from contracts with customers) and IFRS 9 (financial Instruments), have come into force for the current financial year and have now been adopted. The Group has assessed the impacts of these standards and they have not resulted in any material measurement differences. Consequently the two methods of adoption, being the fully retrospective method or the modified retrospective method, are not applicable to the Group. The Group has applied the practical expedient in IFRS 15 paragraph 121 exempting the Group from disclosure of amounts pertaining to outstanding performance obligations for contracts with an expected duration of 1 year or less.

New and revised standards not yet adopted

The following standard has not been applied in preparing these consolidated Financial Statements:

- IFRS 16 – Leases.

The Group will report its financial statements under IFRS 16 for the first time from 1 July 2019. The Group presently expects to adopt IFRS 16 on a modified retrospective basis in its 2019/20 financial statements. Accordingly prior year comparatives will not be restated for the effect of IFRS 16 but instead the Group's 1 July 2019 opening reserves will be restated for the full cumulative impact of adopting this standard.

The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The following indicative impacts are anticipated:

- there is expected to be an increase in total assets, as leased assets which are currently accounted for off balance sheet (i.e. classified as operating leases under IAS 17) will be recognised on balance sheet and valued in accordance with the principles of IFRS 16. The biggest asset categories impacted for the group are expected to be land and buildings and motor vehicles currently supplied under contract hire arrangements;
- there is expected to be an increase in debt, as liabilities relating to existing operating leases are recognised;
- operating lease expenditure will be reclassified and split between depreciation and finance costs. Therefore EBITDA will increase. Future depreciation and finance costs are also expected to increase as a result of increased assets and liabilities;
- there is an expected temporary but immaterial reduction in profit after tax. This is expected to be driven by an increase in finance costs as a result of the new leases. These finance costs will have an accelerated profile which will reduce over a lease term; and
- there may be a corresponding effect on tax balances in relation to all of the above impacts.

This standard will require the Group to make key accounting judgments in particular around the likelihood of lease renewals. Details of the Group's existing operating lease commitments at 30 June 2019 are set out in note 22.

On transition, the Group intends to apply the practical expedient allowing the exclusion of leases with a remaining life of less than one year. As a result, on 1 July 2019 right of use assets will increase by £18.6m, lease liabilities will increase by £19.1m, and there will be a one-off reduction to opening reserves of £0.5m.

If applied for the financial year just ended then operating profit would have increased by 0.6m, interest charges would have increased by 0.3m and profit before taxation would have increased by £0.3m. EBITDA would have increased by £20.9m.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June each year.

The results of entities acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of controlled entities 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.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has adequate resources to continue in operational existence for the foreseeable future. Full details can be found in the Group Strategic Report on page 14.

Business combinations

The acquisition of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus (for acquisitions prior to the implementation of IFRS 3), any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated losses for impairment. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, each cash generating unit is allocated goodwill and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Revenue recognition

Revenue is recognised on the basis of contractual performance obligations following the 5 step model under IFRS 15 and is the consideration to which the Group expects to be entitled based on contractual terms and customary business practice (after applying the variable consideration constraint), net of VAT and other sales taxes. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services on the basis of a relative stand-alone selling price of the individual service.

Credit hire revenue is recognised from the date a vehicle is placed on hire, over time as the performance obligation is completed. Each performance obligation is the provision of an individual vehicle for the needed duration, and is satisfied as the hire takes place. Vehicles are only supplied and remain on hire after a validation process that assesses to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial tariffs for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment for variable consideration to the expected settlement value, for an estimation of the extent to which insurers are entitled or expected to take advantage of the terms of the protocols that are in place. For more information as to the operation of protocol agreements, please see the strategic report commentary on page 6.

The Group also receives late payment fees where relevant claims are not settled within the terms of any protocol arrangements or other agreements. Such charges are not recognised at the time of the hire transaction as they would be at significant risk of reversal; rather they are recognised on settlement of the related claim.

Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles carried out by third party body shops. Each performance obligation for this service is the repair of an individual vehicle, and is satisfied over time as this repair takes place. Credit repair revenue is recognised based on a reasonable estimate of the cost and stage of completion of the repair services at the reporting date. Credit repair revenue is reported after adjustment for variable consideration to the expected settlement value. The Group records credit repair revenue on a principal basis as the service is controlled by the Group, who have primary responsibility for its provision. Managed repair revenue is recorded at a point in time when the repair is started based on the contractual value of each repair, net of discounts, VAT and other sales related taxes.

Fleet and incident management revenue represents amounts chargeable, net of VAT, in respect of fleet and incident management and other related services provided to customers. The Group's performance obligations include various services related to the management of a fleet of vehicles, and revenue is recognised over time or at a point in time, depending on the individual service, as or when these obligations are performed. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services on the basis of the relative stand-alone selling price of the individual service. In providing fleet and incident management services, the Group acts either as principal or agent. This is differentiated by the extent to which the Group has control over the service provided, primary responsibility for providing the service and discretion in establishing pricing. Where there are circumstances that do not meet the above criteria, and therefore the Group is not the principal in providing the service, revenue is accounted for on a net basis and comprises fees for processing services. Where the Group is acting as a principal, revenue is accounted for gross.

Revenue in respect of legal services represents amounts chargeable, net of VAT, in respect of legal services to customers. The Group's performance obligation is the provision of legal services, and revenue is recognised at a point in time when the case is settled, or in the case of interim and processing fees, over time as the legal work required to process the case is completed. Revenue in respect of cases which are contingent upon future events which are outside the control of the Group is not recognised until the contingent event has occurred and the performance obligation has been completed. Revenue in relation to legal services is valued at the expected recoverable amount, after due regard to non-recoverable time. Expected recoverable amount is based on chargeable time less any anticipated write offs prior to completion. No value is placed on work in progress in respect of contingent fee cases until there is virtual certainty as to the receipt of cash flows, either through an interim fee or through the outcome of cases, to justify the recognition of an asset.

Certain costs incurred and associated with partnerships and directly relating to the activities of the Group's legal services are held as prepayments until the corresponding benefits accrue to the business.

Other accident management related activities

Other accident management activities represent ancillary revenue streams, including hire of vehicles other than on a credit hire basis and the provision of out-sourced fleet accident management services. Revenue for other accident management activities is recorded as the performance obligation is completed, over time or at a point in time depending on the nature of the service, at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute, and are therefore considered to be variable consideration. On initial recognition, this consideration is constrained to exclude any revenue at significant risk of reversal. As described above, the Group records revenue net of potential reversal on the settlement of claims, which reflects the Group's estimate of the expected recoverable amounts from insurers. The Group reassesses the amounts of variable consideration at the balance sheet date reflecting the latest information available on the settlement of claims in the period.

The Group's estimation of the amounts of revenue arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claim.

Contract assets – Claims due from insurance companies and self-insuring organisations

Credit hire and credit repair contract assets and claims in progress are stated at the expected net claim value, which is after a variable consideration adjustment for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under protocol agreements and an estimation of the expected adjustments arising on the settlement of claims. At the end of each reporting period the Group updates the estimated claim values, to reflect the Group's most recent estimation of amounts ultimately recoverable. Any further variable consideration adjustments arising from such subsequent revision of the Group's expected claim values are recorded in the income statement against revenue.

Trade receivables – amounts invoiced for services

Trade receivables – amounts invoiced for services are stated at invoiced amount less any provision for impairment.

Operating profit

Operating profit is stated after charging administrative costs and costs of vehicle financing but before non-vehicle finance costs, so that the costs of vehicles are recognised consistently in the income statement, regardless of whether they are owned, subject to finance lease or contract or other short-term hire.

Exceptional items and adjustment items

Exceptional items are items which due to their size, incidence or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and, in the opinion of the Board, to show more accurately the underlying results of the Group. Adjustment items include amortisation of intangibles, share based payments, property lease provisions, reorganisation costs and similar items as analysed and described in note 4 and are also summarised separately on the face of the consolidated income statement.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. A portion of the finance lease expense is apportioned to cost of sales as finance leased vehicles are considered to be directly attributable to the sales of the business and in order to enable comparability of holding costs between leased vehicles and those operated under contract hire operating lease arrangements. On disposal, the Group settles any remaining finance lease principal outstanding, and may elect to dispose of the asset in due course resulting in a cash inflow.

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

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred. Associated funding costs relevant to the Group's borrowings are recognised as part of the effective interest calculation over the life of the financial liability.

Retirement benefit costs

The Group contributes to the personal pension plans of employees at fixed percentages of basic earnings. The cost is charged to the income statement as the contributions fall due. The Group has no defined benefit arrangements.

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 period. 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 periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Non-hire fleet

Freehold buildings	2%
Leasehold improvements	over the term of the lease
Fixtures and equipment	15% to 33.33%
Hire fleet	see below

Non-hire fleet assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or over the term of the relevant lease.

Hire fleet

Fleet vehicles are depreciated to write down the cost of the vehicles to their estimated residual value over the expected holding period which is typically between 12 and 24 months. Residual value is based on current estimates of the net disposal value of the vehicle as if the vehicle were already of the age and in the condition expected at the date of disposal. Management review these estimates at each reporting date by reference to publicly available data on second-hand vehicle sales. The depreciation charge is adjusted prospectively to reflect movements in the residual value.

Impairment of tangible and intangible assets

At each balance sheet date the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 risk specific to the assets.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments – Borrowings

Borrowings are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable quantitative and qualitative information that is relevant and available, based on the Group's experience including forward looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

For certain categories of financial asset, such as non-insurance debt, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables is based on the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets are generally considered to be in default if sufficient indicators exist that the debtor will not pay. Amounts are written off as uncollectable when all reasonably collectable amounts have been recovered and following the completion or cessation of enforcement activity.

The carrying amount of financial assets is reduced by the impairment losses directly for all financial assets with the exception of trade receivables invoiced for services, where the carrying amount is reduced through the use of a loss allowance. The Group uses the simplified model for loss allowances.

Subsequent recoveries of amounts previously written off are credited against these provisions. Changes in the carrying amount of these provisions are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and any other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Borrowings and other financial liabilities are initially measured at fair value, net of transaction costs. Borrowings and other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value determined at the date of grant, and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For options, fair value is measured by use of Binomial and Monte Carlo option pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For other long-term incentive schemes under which shares are awarded to directors and employees subject to performance conditions, the fair value is determined to be the market price of the shares at the date of grant. However, for awards that are subject to market-based performance conditions a Stochastic Model is used, which applies the performance condition to a large number of possible price movements and uses the average result to estimate the fair value of an award.

Key judgments and sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make judgments, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group believes that 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. A number of judgments are made by the Group relating to these estimates and details are set out in note 15. In addition, the sources of estimation uncertainty and judgments made in the assessment of goodwill impairment are set out in note 11.

2. Segmental information

The activities of the Group are managed by the Executive Board, "the Board", which is deemed to be the Chief Operating Decision Maker, as a single operating platform. The entities within the Group contribute as part of the whole operation of the Group to provide services for the core business. The Board of Redde plc considers the performance of the business by reference to contributions from all activities of the Group as a whole, and reviews requirements of the total Group when determining allocations of resources. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance. The Group has identified two operating segments.

The directors consider that these operating segments meet the aggregation criteria under IFRS 8 for aggregation into one reportable operating segment. The directors have considered a number of economic indicators in forming their assessment that the two operating segments share similar economic characteristics, including long-term average gross margins. A significant part of the business of both operating segments involves vehicle incident and accident management as well as associated rectification, and performance is influenced by the growth or reduction in the number of vehicles on UK roads, the associated accident and incident rates and the growth in vehicles insured or managed by the segments customers. Their activities carried out in generating revenue are not independent of each other, and their customer bases are similar in type.

3. Revenue

	2019 £'000	2018 £'000
Revenue – insurance claims (variable consideration under IFRS 15).....	416,416	363,844
Revenue – invoiced for services (non-variable consideration under IFRS 15).....	173,308	163,137
Total revenue.....	589,724	526,981

As described in note 15, the estimation of the expected adjustment arising on settlement of claims is revised, where necessary, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. 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 claims. Adjustments arising from subsequent revision of the Group's expected adjustment arising on settlement of claims, including amounts received by way of late payment charges, are recorded in revenue in the income statement.

4. Amortisation of intangibles, share based payments and exceptional items

Management is required to exercise its judgment in the classification of certain items such as exceptional and those other items considered to be outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustment requires judgment on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance.

Throughout the Annual Report and Accounts reference is therefore made to adjusted results and measures. The directors believe that the selected adjusted measures allow management and other stakeholders to better compare the performance of the Group between the current and prior year, without the effects of one-off or non-operational items and, given the Group's full distribution dividend policy, better reflects the normalised underlying cash earnings earned in the year under review to which the directors have regard in determining the amount of any dividend.

As these alternative performance measures ("APMs") are not defined by IFRS, they may not be directly comparable to other companies' APMs. They are not intended to be a substitute for, or superior to, IFRS measurements and the directors recommend that the IFRS measures should also be used when readers of this document assess the performance of the Group.

In exercising this judgment, the directors have taken appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the European Securities and Markets Authority on the reporting of non-adjusted results. Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and are analysed on the face of the Consolidated Income Statement on page 100.

	2019 £'000	2018 £'000
Administration costs – Amortisation of intangible assets and share based payments:		
a) <i>Amortisation of acquired intangible assets</i>	2,390	2,390
b) <i>Share-based payments</i>	1,082	1,791
Impact of above on operating profit	3,472	4,181

	2019 £'000	2018 £'000
Exceptional items comprise the following:		
c) <i>Property lease provisions</i>	2,812	1,973
d) <i>Impairment of freehold properties</i>	(246)	379
e) <i>Reorganisation and redundancy costs</i>	683	676
f) <i>Goodwill impairment</i>	913	—
Impact of exceptional items on operating profit.....	4,162	3,028
Total adjustments to operating profits and profit before tax	7,634	7,209
Tax effect of the above.....	(1,015)	(1,418)
Impact on profit after tax for the year	6,619	5,791

a) ***Amortisation of acquired intangible assets***

The Group recognised the value of customer relationships and acquired software amounting to £22.9m in total (note 12) as a result of the acquisition of FMG in 2015 and these assets are being amortised over 10 and 5 years respectively. Such amortisation is included in adjustment items as it relates to the acquisitions of businesses and does not involve ongoing cash expenditure in the normal operations of the Group. The charge for the year amounts to £2.4m (2018: £2.4m) (note 12), and the tax effect was a credit of £0.4m (2018: £0.9m).

b) ***Share-based payments***

The Group has a number of share incentive schemes. In accordance with IFRS 2 the calculated charge in respect of options issued and outstanding amounts to £1.1m for the year (2018: £1.8m). Such charges are included in adjustment items as they do not represent a cash cost of operations, have no effect on the net assets of the Group and given that unissued options are already included in the statutory diluted earnings per share calculations these costs are removed to avoid double counting in arriving at such diluted earnings per share.

c) ***Leasehold property provisions***

The Group has restructured its operations by the moving of its operations from three existing locations to two locations one of which involving new premises with greater capacity to accommodate anticipated growth. Provisions made include provisions for the Group's plans to mitigate against the holding costs between now and the end date of any liabilities for the resultant empty properties for those premises that will be no longer occupied by the Group. In addition the Group presently is subject to a number of onerous long term leases of certain properties vacated in prior years and no longer occupied by the Group. Provisions made reflect the net holding cost of all of these empty properties between now and the end date of the relevant obligations for those properties taking into account the Group's plans for mitigation of these costs and a pre-tax exceptional charge of £2.8m (2018: £2.0m) has been made in this respect. The tax effect was a credit of £0.5m (2018: £0.4m).

d) ***Profit on sale of freehold property (2018: Impairment)***

In connection with the restructuring of its operations mentioned above the Group made the decision to vacate a freehold property and move its operations to new larger leasehold premises. As a consequence the property vacated was sold in March 2019 at a profit of £0.2m. The impairment provision last year reflects the then anticipated change in the valuation from an 'in use' basis to one that reflected vacant possession and amounted to £0.4m.

e) ***Reorganisation and redundancy costs***

As stated above the Group has restructured its operations by moving its operations from three existing locations to two locations including one completely new premises. This restructuring has also, in the case of the closure of NewLaw's main Bristol office, given rise to redundancy costs in respect of those staff who were unable or unwilling to relocate to NewLaw's existing head office premises in Cardiff

or whose roles would be duplicated as a result of the merger of operations. In addition certain of the Group's other operations were also restructured during the year giving rise to redundancy and termination payments. These restructurings did not represent the normal operations of the Group. The total costs of this and other costs associated with the restructuring total £0.7m (2018: £0.7m) for the year and the tax effect was a credit of £0.1m (2018: £0.1m).

f) **Goodwill impairment**

As detailed in note 11, following the annual impairment review by the directors it has been determined that an impairment in the value of goodwill in relation to NewLaw is appropriate and the resultant non cash impairment charge of £0.9m has been included above in exceptional items for the current year.

5. Operating profit

	2019 £'000	2018 £'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
owned.....	1,805	1,437
leased.....	8,319	9,069
Profit on disposal (2018: impairment) of property.....	(246)	379
(Profit)/Loss on sale of property, plant and equipment.....	(311)	417
Operating lease rentals		
vehicles	21,270	15,641
property	2,931	2,672
other	16	16

Details of auditor's remuneration is provided below:

	2019 £'000	%	2018 £'000	%
Audit services				
Statutory audit of Group and company				
financial statements.....	84	28	79	29
Statutory audit of Group				
subsidiaries pursuant to legislation.....	168	57	138	52
	252	85	217	81
Other services				
Review of interim financial statements	43	15	41	15
Other regulatory reporting	—	—	11	4
Total auditor's remuneration	295	100	269	100

6. Staff costs

	2019 Employees	2019 FTE's	2018 Employees	2018 FTE's
The average number of employees (including executive directors) was:				
Operational	1,879	1,707	1,774	1,616
Office administration.....	410	399	396	381
Management	116	114	99	97
	2,405	2,220	2,269	2,094

	2019 £'000	2018 £'000
Their aggregate remuneration comprised:		
Wages and salaries	60,939	57,020
Social security costs	5,150	4,899
Other pension costs	1,393	1,053
	67,482	62,972
Share-based payments charge	1,082	1,791
	68,564	64,763

The number of employees and full time equivalent number of employees at the year end was 2,469 and 2,254 respectively (2018: 2,292 and 2,111 respectively). Key management personnel and their remuneration are discussed in the directors' emoluments table on page 26 and the share plan tables on page 27.

7. Finance income and finance costs

	2019 £'000	2018 £'000
<i>a) Finance income</i>		
Interest receivable	(37)	(112)
<i>b) Finance costs</i>		
Interest on obligations under finance leases	1,223	1,207
Loan arrangement costs amortisation and non-utilisation fees	232	245
Interest on obligations under working capital loan facility	61	—
Unwind of discount on provisions	31	33
	1,547	1,485
Reclassification of interest on finance lease obligations under fleet facilities to cost of sales	(1,222)	(1,203)
Total finance costs	325	282
Total net finance costs	288	170

8. Tax

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profit for the year	(7,917)	(7,401)
Adjustments in respect of prior years	(42)	33
Total current tax charge	(7,959)	(7,368)
Deferred tax		
Recognition of previously unrecognised fixed asset & other temporary differences	1,170	2,029
Origination and reversal of temporary differences	(79)	359
Adjustments in respect of prior years	(51)	—
Differences in tax rate on deferred tax movements	(229)	696
Tax charge on profit on ordinary activities	(7,148)	(4,284)

	2019 £'000	2018 £'000
Reconciliation of tax charge		
Profit for the year	34,506	34,528
Tax charge	7,148	4,284
Profit before tax	41,654	38,812
Tax at the weighted average UK corporation tax rate of 19.00% (2018: 19.00%)	(7,914)	(7,375)
Recognition of previously unrecognised fixed asset & other temporary differences.....	1,170	2,755
Adjustment in relation to prior periods.....	93	33
Difference in tax rate on deferred tax movements	(229)	696
Tax effect of non-deductible expenses.....	147	(318)
Employee share option charges on which no deferred tax is recognised.....	(415)	(75)
Tax charge for the year	(7,148)	(4,284)

The tax rate of 19.0% (2018: 19.0%) reflects the standard UK corporation tax rate effective from 1 April 2017. A reduction to 17.0% (effective from 1 April 2020) was enacted in the 2016 Finance Act. This will reduce the Group's future current tax charge accordingly whilst the deferred tax assets and liabilities at 30 June 2019 have been calculated based upon these enacted rates.

9. Dividends

	2019 £'000	2018 £'000
Final dividend for 2017 of 5.60p paid on 02 November 2017.....	—	17,021
Interim dividend for 2018 of 5.50p paid on 29 March 2018.....	—	16,719
Final dividend for 2018 of 6.15p paid on 08 November 2018.....	18,815	—
Interim dividend for 2019 of 5.50p paid on 28 March 2019.....	16,867	—
Total dividends paid in the year.....	35,682	33,740

10. Earnings per share

Basic earnings per share

The calculation of the basic earnings per share at 30 June 2019 is based on the profit attributable to ordinary shareholders of £34,506,000 (2018: £34,528,000) and a weighted average number of ordinary shares outstanding of 305,928,616 (2018: 303,882,212) calculated as follows:

Profit attributable to ordinary shareholders

	Year ended 30 June 2019 Adjusted* £'000	Adjustment items £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 Adjusted* £'000	Adjustment items* £'000	Year ended 30 June 2018 £'000
Profit for the year	41,125	(6,619)	34,506	40,319	(5,791)	34,528

* Adjusted profit excludes the impact of amortisation of acquired intangible assets, share based payments and those items described as exceptional. See note 4.

Weighted average number of ordinary shares

	2019 Number	2018 Number
In issue at 1 July	303,986,757	303,978,408
Effect of buy back and re-issue of treasury shares.....	–	(1,214,007)
Effect of shares issued for cash on exercise of executive share options.....	1,527,619	–
Effect of shares issued for cash on exercise of SAYE share options.....	414,240	1,117,811
Weighted average number of ordinary shares at 30 June.....	305,928,616	303,882,212

Diluted earnings per share

There is no difference between profit attributable to ordinary shareholders for basic and diluted earnings for share calculations. The calculation of the diluted earnings per share at 30 June 2019 is based on the profit attributable to ordinary shareholders of £34,506,000 (2018: £34,528,000) and a weighted average number of ordinary shares outstanding of 305,928,616 (2018: 303,882,212) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019 Number	2018 Number
Weighted average number of ordinary shares (basic)	305,928,616	303,882,212
Effect of 2016 executive share options scheme shares in issue	1,248,405	2,948,941
Effect of 2017 executive share options scheme shares in issue	1,077,217	1,101,551
Effect of 2018 executive share options scheme shares in issue	1,138,615	–
Effect of 2014 issues of SAYE share option scheme shares in issue.....	–	102,375
Effect of 2015 issues of SAYE share option scheme shares in issue.....	357,731	206,617
Effect of 2016 issues of SAYE share option scheme shares in issue.....	–	4,219
Effect of 2017 issues of SAYE share option scheme shares in issue.....	37,079	173,726
Effect of 2018 issues of SAYE share option scheme shares in issue.....	20,572	56,752
Effect of 2019 issues of SAYE share option scheme shares in issue.....	1,625,766	–
Weighted average number of ordinary shares (diluted) at 30 June	311,434,001	308,476,393

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

11. Goodwill

	£'000
Cost	
At 01 July 2017, 30 June 2018 and 30 June 2019	140,308
Accumulated impairment losses	
At 01 July 2017, 30 June 2018.....	(54,318)
Impairment charge for the year – NewLaw	(913)
At 30 June 2019	(55,231)
Net book value at 30 June 2019	85,077
Net book value at 30 June 2018.....	85,990

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business acquisition. The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired. The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount

rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

For the purposes of testing the value of goodwill of all CGUs for impairment the Group has prepared forecasts, for periods of 5 years which have looked at short to medium term factors relevant to the CGUs in the Group, including appropriate macro economic issues, anticipated industry growth forecasts, changes to selling prices and direct costs. Due to the economic and political factors affecting the industry in which the Group operates, the forecast has assumed a growth rate in cash from operating activities averaging 1.0% per annum over the forecast period.

The forecasts have been used as the basis for the value in use calculation since these forecasts are considered to be sufficiently detailed and represent the best available information. As required by IAS36, a terminal value has been added to the forecasts with a very conservative 0% growth assumed for the future years. The allocation of Goodwill to the Group's CGUs, pre-tax rates used to discount the forecasts, headroom values when compared to the carrying values of the CGUs (which exclude cash and borrowings) and headroom sensitivities to changes in discount rates, is shown in the table below:

2019	Auxillis	NewLaw	FMG
Allocation of Goodwill (£'000)	18,950	39,368	26,759
Pre-tax discount rate	11.4%	15.7%	11.1%
Headroom (£'m).....	286.0	0.0	85.8
Headroom increase if discount rate 0.5% lower.....	16.4	1.5	5.6
Headroom decrease if discount rate 0.5% higher.....	(15.1)	(1.4)	(5.1)
2018	Auxillis	NewLaw	FMG
Allocation of Goodwill (£'000)	18,950	40,281	26,759
Pre-tax discount rate	10.5%	12.3%	10.0%
Headroom (£'m).....	402.5	27.5	89.9

In undertaking the annual impairment review, the directors are required to perform certain calculations strictly in terms of the formulaic approach outlined in IAS36. In doing this they have considered both external and internal sources of information and any observable indications that may suggest that the carrying value of goodwill may be impaired.

In connection with the goodwill attributable to NewLaw it has been observed that there may be uncertainties, both positive and negative, with regard to the effects of the implementation of the Civil Liability Act (Act) which is presently scheduled to come into force on 1 April 2020. The main effects of the Act are to restrict the amount of damages payable for soft tissue injuries suffered by victims of (principally) road traffic accidents and the amount of fees recoverable from negligent third parties. As a consequence NewLaw, like the rest of the market, is in the process of adapting business models and processes in order to continue to handle such claims more efficiently so as to remain profitable albeit with lower levels of return than has been the case historically. At the same time as reducing cash generated from soft tissue injury cases these changes will require some investment in marketing and IT systems.

The recoverable amounts of NewLaw's goodwill has therefore, as required under IAS36, been determined based upon a value in use calculation. The value in use calculation is most sensitive to the key assumptions (prescribed in IAS36) in respect of cash flows, long term growth rate and discount rates. Discount rates are themselves the result of numerous judgemental inputs for which many differing views are held by separate independent experts.

These assumptions are subject to a considerable range of possible variations and judgments whilst being constrained by the requirement under IAS36 to have regard to general market comparators (rather than those specific to the Group) as well as certain stress scenarios in relation to the cash flows.

As a result of these changes and the resultant possible uncertainty over the levels of soft tissue injury claims that will be available in the market after 1 April 2020, IAS36 requires the Board to take a prudent view on

the future cash flows and discount rates applicable to NewLaw (notwithstanding its confidence in the future prospects for the business following its restructure of operations during last year) and this has resulted in the Board's decision to recognise a non-cash impairment of NewLaw's goodwill in the amount of £0.9m as an exceptional item as disclosed in note 6).

After review of the results of these tests, the directors consider that there has been no impairment to any of the other CGUs during the year (2018: £nil). Any increase in the discount rate to 47.8% (Auxillis) and 46.5% (FMG) respectively would create a potential impairment indicator, however such levels are not deemed to be appropriate or reasonable by management.

The timing and amount of future cash flows are estimates which depend upon the outcome of future events, especially so where cash inflows and outflows arise in different reporting periods or where there is assumed growth in the business, and may need to be revised as circumstances change. Judgment is required in calculating an appropriate CGU specific discount rate.

12. Intangible assets

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 01 July 2017. 30 June 2018 and 30 June 2019	21,900	1,000	22,900
Amortisation			
At 01 July 2018	(5,840)	(533)	(6,373)
Charge for year	(2,190)	(200)	(2,390)
At 30 June 2019	(8,030)	(733)	(8,763)
Net book value			
At 30 June 2019	13,870	267	14,137
At 30 June 2018	16,060	467	16,527

The value of customer relationships and acquired software that have been recognised will be amortised over 10 and 5 years respectively.

13. Property, plant and equipment (including vehicles)

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
Cost					
At 01 July 2017	2,725	812	57,942	10,149	71,628
Additions	–	18	31,507	2,198	33,723
Disposals	–	(10)	(39,803)	(437)	(40,250)
At 30 June 2018	2,725	820	49,646	11,910	65,101
Additions	–	61	34,436	2,481	36,978
Disposals	(2,287)	–	(36,381)	(439)	(39,107)
At 30 June 2019	438	881	47,701	13,952	62,972
Accumulated depreciation and impairment					
At 01 July 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
Charge for the year	(61)	(55)	(9,095)	(1,295)	(10,506)
Impairment charge for the year	(379)	–	–	–	(379)
Disposals	–	10	10,128	355	10,493
At 30 June 2018	(616)	(572)	(7,780)	(7,537)	(16,505)
Depreciation charge for the year	(44)	(55)	(8,463)	(1,562)	(10,124)
Disposals	554	–	8,711	414	9,679
At 30 June 2019	(106)	(627)	(7,532)	(8,685)	(16,950)
Carrying amounts					
At 30 June 2019	332	254	40,169	5,267	46,022
At 30 June 2018	2,109	248	41,866	4,373	48,596
Leased assets included above:					
At 30 June 2019	–	–	39,542	–	39,542
At 30 June 2018	–	–	41,706	22	41,728

The Group operates a large fleet of hire vehicles. Depreciation on these vehicles is intended to reduce the carrying value of the vehicles to their expected residual value at disposal. However, the residual value attributable is dependent on conditions present in the future and is subject to movements in the market for nearly-new vehicles. The cost of the land element of freehold property is not separable from the cost of the freehold buildings.

14. Interests in associates

The Group's interest in associates comprises of minority participations in five (2018: 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 does not control.

The accounting period ends of the associated companies consolidated in these financial statements range from 30 November to 31 December. The accounting period end dates of the associates are different from the Group as they are more aligned to the accounting reference dates of the majority partners. The below information has been obtained from management accounts of the entities concerned for the period ending 30 June 2019. Further information on transactions with associates are in note 26.

The Group has one associate that is material to the Group, "Your Law LLP", which is incorporated in the UK. The Group equity accounts for the results of Your Law LLP 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.

	Your Law LLP £'000	Immaterial associates £'000	Total £'000
Carrying amount of interests in associates at 1 July 2018	584	1,975	2,559
Group's share of:			
Profit from continuing operations.....	3,654	1,607	5,261
Other Comprehensive Income	—	—	—
Drawings from associate.....	(2,150)	(1,269)	(3,419)
Carrying amount of interests in associates at 30 June 2019	2,088	2,313	4,401
	Your Law LLP £'000	Immaterial associates £'000	Total £'000
Carrying amount of interests in associates at 1 July 2017	—	1,360	1,360
Group's share of:			
Profit from continuing operations.....	671	1,535	2,206
Other Comprehensive Income	—	—	—
Drawings from associate.....	(87)	(920)	(1,007)
Carrying amount of interests in associates at 30 June 2018	584	1,975	2,559

The following is summarised financial information for Your Law LLP for the period ended 30 June 2019.

	2019 £'000	2018 £'000
Current assets	8,134	3,312
Non-current assets	—	—
Current liabilities.....	(5,493)	(2,483)
Non-current liabilities	—	—
Net assets	2,641	829
Revenue	6,769	1,598
Profit for the year	4,491	803
Profit attributable to Redde Group.....	3,654	671

15. Receivables and contract assets

	2019 £'000	2018 £'000
Contract assets – claims due from insurance companies and self-insuring organisations	164,732	132,249
Trade receivables – amounts invoiced for services	18,844	16,092
Trade receivables and contract assets	183,576	148,341
Other receivables.....	430	175
Accrued income.....	3,026	3,208
Total receivables and contract assets for purposes of calculating debtor days	187,032	151,724
Disbursements recoverable in legal businesses	14,383	13,687
Amounts due from associates	50	50
Taxation recoverable	120	63
Prepayments	18,060	15,890
	219,645	181,414

On adoption of IFRS 15, the comparative disclosures have been restated to reclassify £132.2m of trade receivables to contract assets.

The Group's debtor days at 30 June 2019 were 116 days (2018: 105 days). This measure is based on net trade receivables and contract assets, other receivables and accrued income as a proportion of revenue multiplied by 365 days.

a) ***Claims due from insurance companies and self-insuring organisations***

Claims due from insurance companies and self-insuring organisations are stated at the expected net claim value, which is stated after allowance for an estimation of expected adjustments arising on settlement of such claims.

Where necessary the estimation of the expected adjustment arising on settlement of claims is revised, at each balance sheet date, to reflect the Group's most recent estimation of variable consideration amounts ultimately recoverable, which is constrained to exclude any revenue at significant risk of reversal. The estimation of any such expected adjustment represents a critical judgment made by the directors.

The Group's estimation of the expected adjustment arising on settlement of claims is calculated with reference to judgments made on a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the portfolio of cases. Settlement risk arises on claims due from insurance companies and self-insuring organisations due to their magnitude and the nature of the claims settlement process. The Group recovers its charges for vehicle hire and the cost of repair of customers' vehicles from the insurer of the at-fault party to the associated accident or, in a minority of claims, from the at-fault party direct where they are a self-insuring organisation. However, by their very nature, claims due from motor insurance companies can be subject to dispute which may result in subsequent adjustment to the Group's original estimate of the amount recoverable.

The Group manages this risk by ensuring that vehicles are only supplied and remain on hire and repairs to customers' vehicles are carried out after a validation process that ensures to the Group's satisfaction that liability for the accident rests with another party. In the normal course of its business the Group uses three principal methods to conclude claims: through the use of protocol agreements, by negotiation with the insurer of the at-fault party where the claim is not covered by a protocol agreement and where a claim fails to settle because negotiations have been fruitless, by litigation. The vast majority of these claims settle before or on the threat of litigation, but where they do not, formal proceedings are issued.

In view of the tripartite relationship between the Group, its customer and the at-fault party's insurer and the nature of the claims process, claims due from insurance companies and self-insuring organisations do not carry a contractual 'due date', nor does the expected adjustment arising on settlement represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS7 on provision for credit loss are not provided. Instead the directors review claims due from insurance companies and self-insuring organisations according to the age of the claim based upon the date that the claim was presented to the relevant insurer. The Group's strategy is that claims due should be collected by normal in house processes including collections made under protocol arrangements with insurers and only then transferred to the Group solicitor process or other external solicitors as appropriate in specific circumstances pertaining to a case.

An analysis of claims from insurance companies is given below.

	2019 £'000	%	2018 £'000	%
Pending claims	12,224	7	18,926	14
Between 1 and 120 days old	67,902	41	61,166	46
More than 120 days old.....	84,606	52	52,157	40
Total.....	164,732	100	132,249	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% (2018: 24%) of contract assets. The measurement of contract assets changes from period to period due to the estimation uncertainty discussed above. Please see the strategic report for a discussion of the significant events in the current year.

b) *Amounts invoiced for services*

No interest is charged on receivables. The Group has provided for expected irrecoverable amounts specifically based on past default experience. The Group assesses the credit worthiness for each customer prior to commencing to trade with them. The most significant five customers represented 32% (2018: 23%) of receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £3.5m (2018: £3.1m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The cash collection period for these balances is normal for the industry.

Ageing of past due but not impaired receivables.

	2019 £'000	2018 £'000
30-60 days	1,117	1,021
60-90 days	699	762
90-120 days	436	759
More than 120 days.....	1,297	589
Total.....	3,549	3,131

The movement in the loss allowance, which is equal to lifetime expected credit losses, was as follows:

	2019 £'000	2018 £'000
At beginning of year.....	1,425	1,667
(Released)/recognised.....	(88)	(242)
At end of year.....	1,337	1,425

The carrying amount of trade and other receivables is denominated in sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

16. Trade and other payables

	2019 £'000	2018 £'000
Trade payables.....	87,777	89,272
Other taxation and social security.....	9,781	8,413
Accruals and deferred income.....	57,032	50,633
Disbursements payable in legal businesses.....	10,398	9,994
Other creditors.....	2,431	2,236
Corporation tax payable	3,882	3,482
	171,301	164,030

Trade payables represent amounts payable for goods and services. The directors consider that the carrying amount of trade payables approximates to their fair value.

17. Obligations under finance leases

	2019 £'000	2018 £'000
Amounts payable under finance leases		
Within one year.....	16,432	24,763
In the second to fifth years inclusive.....	22,599	16,106
Less future finance charges.....	(1,466)	(1,664)
Present value of lease obligations	37,565	39,205
Present value of lease obligations		
Within one year.....	15,535	23,723
In the second to fifth years inclusive.....	22,030	15,482
Present value of lease obligations	37,565	39,205
Analysed as:		
Amounts due for settlement within 12 months.....	15,535	23,723
Amounts due for settlement after 12 months	22,030	15,482
Shown in current/non current liabilities.....	37,565	39,205

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.2 years (2018: 2.3 years). For the year ended 30 June 2019 the average effective borrowing rate was 2.79% (2018: 2.69%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's finance lease obligations approximates to their carrying value. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

18. Other borrowings

On 07 August 2019 the Group extended and amended its existing 5 year £35m unsecured revolving credit facility with HSBC expiring in December 2020 to a 5 year £50m facility maturing in August 2024. The Group also has an annual unsecured overdraft facility of £5m with the same bank. The related covenants for the previous £35m facility which was in place during the year under review surrounded a net debt to EBITDA ratio (< 3:1) and the ratio of qualifying trade and other receivables including contract assets to amounts drawn under the HSBC facility (> 1.5:1). Under the extended £50m facility the receivables cover covenant has been replaced by an adjusted EBITDA/to net finance charges ratio (>4:1). The margin charged on the £35m revolving credit facility was dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.25% over LIBOR to a maximum of 2.25% over LIBOR. Under the £50m facility rates

range from a minimum of 1.20% over LIBOR to a maximum of 2.20% over LIBOR. The margin on the overdraft is 1.25% over Bank of England Base Rate.

At the balance sheet date the Group had drawn £9.0m (2018: £nil) of its revolving credit facility all of which is repayable within one year. The weighted average interest rate charged during the year was 1.97% (2018: n/a). The directors consider that the fair value of the Group's borrowings is equal to their book value.

19. Provisions

	Onerous lease provisions £'000	Restructuring provisions £'000	Total £'000
At 1 July 2017.....	3,824	—	3,824
Provisions made in the year.....	1,973	218	2,191
Utilised during the year	(1,284)	—	(1,284)
At 30 June 2018.....	4,513	218	4,731
Provisions made in the year.....	3,064	—	3,064
Utilised during the year	(2,225)	(218)	(2,443)
At 30 June 2019	5,352	—	5,352
Included in current liabilities.....	3,401	—	3,401
Included in long term liabilities.....	1,951	—	1,951
	5,352	—	5,352

The Group presently is subject to a number of onerous long term leases of certain properties no longer occupied by the Group. The above provision reflects the directors' estimate of the net holding cost of these leases between now and the end date of those leases discounted to their present value at an appropriate risk free interest rate for the period, taking into account the Group's present intended plans for mitigation of these lease costs including refurbishment plans. Last year the Group has also restructured its operations by moving its operations from three existing locations to alternative locations including one completely new premises. This restructuring also gave rise to redundancy costs which has now been completed.

20. Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2019 and 30 June 2018 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) £'000	Asset £'000
At 1 July 2017	(4,991)	4,236
Credit to income	1,155	1,929
At 30 June 2018.....	(3,836)	6,165
Credit to income	36	775
At 30 June 2019.....	(3,800)	6,940

At the balance sheet date the Group has temporary differences, principally arising from capital allowances on fleet vehicles of £39.2m (2018: £41.9m) which will be available for offset against future trading profits. A deferred tax asset has been recognised in respect of £38.2m (2018: £32.6m) of this amount to reflect the forecast utilisation of capital allowances carried forward. No deferred tax was recognised on the remaining £1.0m (2018: £9.3m).

Deferred tax asset/(liability) not provided in full on temporary differences under the liability method using a tax rate of 17% (2018: 19%):

	Asset Tax losses carried forward £'000	Share incentives £'000	Asset Accelerated tax depreciation £'000	Asset Other temporary differences £'000
At 30 June 2019	—	161	17	(3)
At 30 June 2018	270	957	1,400	89

21. Share capital and share premium

a) *Share capital movements in year*

Ordinary Shares of 0.1p	Number	£'000
In issue at 30 June 2017.....	303,978,408	304
Exercise of SAYE share options.....	8,349	—
In issue at 30 June 2018.....	303,986,757	304
Exercise of SAYE share options.....	771,481	1
Exercise of executive share options.....	1,947,807	2
In issue at 30 June 2019 fully paid	306,706,045	307

The Company has one class of Ordinary Share which carries no right to fixed income. Changes in the share capital or share premium account during the year are summarised in the Consolidated Statement of Changes in Equity and reflect:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
16 August 2018	Exercise of SAYE Options	3,597	139.00p	5	—	5
28 September 2018	Exercise of SAYE Options	8,035	126.94p	10	—	10
22 October 2018.....	Exercise of SAYE Options	22,962	126.94p	29	—	29
08 November 2018.....	Exercise of SAYE Options	6,946	138.17p	10	—	10
03 December 2018	Exercise of SAYE Options	386,300	126.94p	491	1	490
13 December 2018	Exercise of SAYE Options	159,117	126.94p	202	—	202
03 January 2019	Exercise of SAYE Options	38,132	126.94p	48	—	48
24 January 2019	Exercise of SAYE Options	67,196	126.94p	86	—	86
14 February 2019	Exercise of SAYE Options	37,314	126.94p	47	—	47
22 February 2019	Exercise of SAYE Options	1,049	126.94p	1	—	1
06 March 2019	Exercise of SAYE Options	40,833	126.94p	52	—	52
	Total SAYE shares issued	771,481		981	1	980
13 September 2018	Exercise of Executive Share Options	1,285,722	0.1p	1	1	—
19 September 2018.....	Exercise of Executive Share Options	207,134	0.1p	—	—	—
24 September 2018	Exercise of Executive Share Options	410,699	0.1p	1	1	—
27 September 2018	Exercise of Executive Share Options	25,739	0.1p	—	—	—
28 February 2019	Exercise of Executive Share Options	18,513	0.1p	—	—	—
	Total Executive Option shares issued	1,947,807		2	2	—
	Total shares issued	2,719,288		983	3	980

The following issues of new shares took place during the previous financial year:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
12 July 2017	Exercise of SAYE Options	3,623	48.30p	2	–	2
11 December 2017	Exercise of SAYE Options	3,781	126.94p	5	–	5
03 January 2018	Exercise of SAYE Options	945	126.94p	1	–	1
Total SAYE shares issued		8,349		8	–	8

22. Operating lease arrangements

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 Vehicles £'000	2019 Properties £'000	2019 Total £'000	2018 Vehicles £'000	2018 Properties £'000	2018 Total £'000
Within one year	13,482	2,453	15,935	13,020	1,845	14,865
In the second to fifth years inclusive	2,650	16,059	18,709	4,162	7,828	11,990
After five years	–	1,236	1,236	–	2,996	2,996
	16,132	19,748	35,880	17,182	12,669	29,851

Operating lease payments represent rentals payable by the Group for certain of its motor vehicles, plant and equipment and properties. Leases have a weighted average term of 2.55 years (2018: 2.92 years). The lease payments subject to the onerous lease provision of £5.4m (2018: £4.5m) (note 19) have been included within the above amounts.

23. Share-based payments

Equity settled share option plans

The Group has granted options which remain outstanding in the form of mainstream options and options under the Sharesave schemes to certain directors and employees.

Mainstream options

2016 Performance Share Plan

On 26 February 2016 the Group adopted a new performance share plan (“2016 Performance Share Plan”) to incentivise key management to deliver the strategic goals of the business. Awards were made in relation to ordinary shares of 0.1p each in the Company under the 2016 Performance Share Plan. Grants under the 2016 Performance Share Plan are subject to vesting criteria relating to the achievement of earnings per share (“EPS”) and total shareholder return (“TSR”) targets over a three financial year performance period. TSR will be measured against the AIM 100 index. Grants are expected to be made annually and approved by the Company’s Remuneration Committee. These Awards will normally become exercisable as nominal cost options subject to continued employment and to the extent the TSR and EPS targets are achieved over the three financial year performance period.

Up to one half of the September 2016 Awards will vest in full if the Company achieves a basic adjusted EPS of 12.53p in the financial year ended 30 June 2019 with a straight-line reduction to NIL if basic adjusted EPS is below 11.00p.

Up to one half of the September 2017 Awards will vest in full if the Company achieves a basic adjusted EPS of 14.64p in the financial year ended 30 June 2020 with a straight-line reduction to NIL if basic adjusted EPS is below 12.95p.

Up to one half of all of the above Awards will vest in full if the Company's TSR performance over the 3 year periods ending on the above dates at least equals the upper quartile of the AIM 100 index with a straight line reduction to NIL if performance is below median performance.

100% of the September 2018 Awards will vest in full if the Company achieves a basic adjusted EPS of 17.25p in the financial year ended 30 June 2021 with a straight-line reduction to NIL if basic adjusted EPS is below 15.26p.

Once vested, the Awards shall ordinarily remain exercisable until the tenth anniversary of the grant of the Awards. Details of all mainstream options outstanding during the year are as follows:

Date of Grant	Outstanding at 01 July 2018 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	Options in issue at 30 June 2019 '000	Options vested at 30 June 2019 '000	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	1,958	–	(1,947)	–	11	11	0.1	See below	26/02/2026
30 June 2019	823	–	–	(6)	817	–	0.1	See below	02/09/2026
30 June 2020	1,102	–	–	(24)	1,078	–	0.1	See below	08/09/2027
30 June 2021	–	1,157	–	(18)	1,139	–	0.1	See below	26/09/2028
Total	3,883	1,157	(1,947)	(48)	3,045	11	0.1		

The options outstanding at 30 June 2019 had a weighted average exercise price of 0.10p (2018: 0.10p) and a weighted average remaining contractual life of 8.3 years (2018: 8.2 years). The options as at 30 June 2019 had an exercise price of 0.10p; the highest and lowest closing value of shares during the year were 199.60p and 82.30p respectively. The value of shares as at 30 June 2019 was 105.40p.

Sharesave schemes

Under the Sharesave schemes, which are HMRC approved, employees are granted options to acquire shares in the Company with funds deducted from their salaries on a monthly basis. Participation was open to all eligible employees employed at the date of commencement of the scheme. All participants agreed to save a fixed amount monthly into the scheme and in return received an option to purchase shares in the Company at a discounted price at the conclusion of the scheme. The discounted share price is calculated as the market price at the commencement of the scheme less 20%. The options vest after three years following the date of grant and must be exercised within 6 months of that date. The options generally lapse if the employee leaves within the three-year period.

Date of Grant	Outstanding at 01 July 2018 '000	Granted in the year '000	Exercised in the year '000	Forfeited or lapsed in the year '000	Outstanding at 30 June 2019 '000	Exercise price (pence)	Date from which Exercisable	Expiry date
06 November 2015	851	–	(764)	(73)	14	126.9	01/12/2018	01/12/2019
30 September 2016	196	–	(1)	(95)	100	163.5	01/11/2019	01/05/2020
27 March 2017	342	–	(1)	(211)	130	132.8	01/05/2020	01/11/2020
03 October 2017	616	–	(5)	(452)	159	139.0	01/11/2020	01/05/2021
28 March 2018	309	–	–	(220)	89	136.4	01/05/2021	01/11/2021
03 October 2018	–	513	–	(329)	184	147.2	01/11/2021	01/05/2022
09 April 2019	–	3,717	–	(138)	3,579	84.8	01/05/2022	01/11/2022
	2,314	4,230	(771)	(1,518)	4,255	93.6		

The SAYE options outstanding at 30 June 2019 had a weighted average exercise price of 93.6p (2018: 135.4p) and a weighted average remaining contractual life of 2.6 years (2018: 1.5 years). The Group recognised total expense of £1.1m related to all of the equity-settled share-based payment transactions in 2019 (2018: £1.8m).

Assumptions used in the valuation of share based payments

The Group has determined the fair value of the outstanding share based payments for the SAYE options granted using both third party experts and in house models. The assumptions used in the valuations were as follows:

	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme
Fair value of share option.....	45.3p	19.9p	33.6p	28.1p	34.5p	21.6p
Date of grant.....	30/09/16	27/03/17	03/10/17	28/03/18	03/10/18	09/04/19
Share price on date of grant	200.0p	148.5p	179.7p	169.0p	192.0p	119.4p
Exercise price	163.5p	132.8p	139.0p	136.4p	147.2p	84.8p
Share options originally granted....	461,407	430,824	714,669	316,383	512,900	3,716,916
Vesting period (years).....	3.1	3.1	3.1	3.1	3.1	3.1
Expected volatility	40%	32%	32%	31%	30%	34%
Expected life (years).....	3.6	3.6	3.6	3.6	3.6	3.6
Risk free rate of return	0.10%	0.31%	0.54%	0.89%	0.93%	0.72%
Fair value model used.....	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial

The Group has determined the fair value of the outstanding share based payments for the Performance Plan options granted using third party experts. The assumptions used in the valuations were as follows:

	Performance Plan	Performance Plan	Performance Plan
Fair value of share option.....	123.5p – 178.9p	83.1p – 144.6p	165.8p
Date of grant.....	02/09/16	07/09/17	26/09/18
Share price on date of grant	205.5p	170.5p	194.8p
Exercise price	0.1p	0.1p	0.1p
Share options originally granted	924,265	1,102,208	1,157,294
Vesting period (years).....	3.0	3.0	3.0
Expected volatility	40%	33%	25%
Expected life (years).....	3.0	3.0	3.0
Risk free rate of return	0.12%	0.15%	0.94%
Fair value model used	Binomial and Monte Carlo	Binomial and Monte Carlo	Binomial

24. Financial instruments**Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern 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 18, finance leases disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Categories of financial instruments

The gearing ratio, defined as net debt divided by total capital, was as follows:

	2019 £'000	2018 £'000
Net debt		
Total shareholders' equity.....	34,685	8,459
	161,084	160,195
Total capital	195,769	168,654
Gearing ratio	17.7%	5.0%

	2019 £'000	2018 £'000
Financial assets		
At amortised cost:		
Trade receivables	18,844	16,092
Claims due from insurance companies and self-insuring organisations	164,732	132,249
Disbursements recoverable in legal businesses	14,383	13,687
Cash and cash equivalents	11,880	30,746
Financial liabilities		
At amortised cost:		
Trade payables	87,777	89,272
Disbursements payable in legal businesses	10,398	9,994
Obligations under finance leases	37,565	39,205

Financial risk management objectives

The Group monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk. The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group does not have any significant foreign currency risk exposure.

Interest rate risk management

The Group is exposed to interest rate risk as entities in 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 where considered appropriate by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non- derivative financial instruments at the balance sheet date. For floating rate liabilities a 0.5% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2019 would have increased/decreased by £27k (2018: £77k). This is mainly attributable to the Group's exposure on variable rate borrowings and deposits.

Interest rate swap contracts

There were no outstanding interest rate swap contracts in existence at 30 June 2019 (2018: nil).

Credit risk management

The Group is exposed to credit risk in connection with the possible default by insurance companies. Following an assessment of the counterparties, the directors have concluded that there is no requirement for an impairment provision for credit loss against claims due from insurance companies and self-insuring organisations.

The provision for expected adjustments arising on settlement of claims does not represent an impairment provision under IFRS7. Nevertheless, for normal commercial reasons the Group ensures that vehicles are only placed on hire and repairs to vehicles are only carried out after the validation process has provided assurance that the liability for the accident rests with another party. As claims due from insurance companies and self-insuring organisations for credit hire and credit repair carry no contractual 'due date', the term 'past due' used in IFRS7 is not considered to be relevant to the Group's claims due from insurance companies or self-insuring organisations or the way in which the Group manages credit risk.

Trade receivables relating to amounts invoiced to customers for services provided are subject to credit risk in that a counterparty may default on its obligation to the Group. Customers represent primarily legal firms and the Group's policy is to deal with an approved panel of such firms. The carrying value of these financial assets, net of impairment provisions, represents the Group's maximum exposure to credit risk. Credit risk for cash placed on deposit is controlled by the use of appropriate financial institutions.

Liquidity risk management

Liquidity risk arises primarily from the nature of the claims settlement process, which can prolong the period of collection of claims due from insurance companies and self-insuring organisations. 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 management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

Fair value of financial instruments

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

Maturity of financial assets

As explained in note 15, claims due from insurance companies and self-insuring organisations do not carry a contractual due date. As in previous years, the majority of the Group's receivables relate to claims which are payable upon presentation and maturity should be expected within a month but settlement can be delayed following a period of negotiation with the relevant counter-party.

Maturity of financial liabilities

The following tables analyse the Group's remaining contractual maturity of its 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 can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2019							
Non-interest bearing	—	88,100	—	—	1,771	—	89,871
Variable rate instruments	1.97	9,007	—	—	—	—	9,007
Fixed interest rate instruments.....	2.79	1,198	3,629	11,606	22,599	—	39,032
		<u>98,305</u>	<u>3,629</u>	<u>11,606</u>	<u>24,370</u>	<u>—</u>	<u>137,910</u>
2018							
Non-interest bearing	—	89,602	—	—	1,373	—	90,975
Fixed interest rate instruments.....	2.69	1,653	5,715	17,155	15,863	—	40,386
		<u>91,255</u>	<u>5,715</u>	<u>17,155</u>	<u>17,236</u>	<u>—</u>	<u>131,361</u>

Finance lease facilities are also in existence with a wide variety of different funders and in general do not represent committed facilities, but rather are provided on a rolling basis.

Externally imposed capital requirements

The Group is not subject to any externally imposed capital requirements.

25. Cash flow information**a) Analysis and reconciliation of net debt**

	01 July 2018 £'000	Cash flow £'000	Non cash changes £'000	30 June 2019 £'000
Net cash and cash equivalents	30,746	(18,866)	—	11,880
Debt due within one year.....	—	(9,000)	—	(9,000)
Debt due after more than one year	—	—	—	—
	—	(9,000)	—	(9,000)
Finance leases	(39,205)	34,870	(33,230)	(37,565)
	(39,205)	25,870	(33,230)	(46,565)
Net debt	(8,459)	7,004	(33,230)	(34,685)
			2019 £'000	2018 £'000
Decrease in cash and cash equivalents in the year			(18,866)	(5,598)
Net drawdowns under bank working capital revolving credit facility			(9,000)	—
Finance lease principal repayments			34,870	37,504
Change in net debt resulting from cash flows			7,004	31,906
New finance leases			(33,230)	(30,649)
Movement in net debt in the year			(26,226)	1,257
Net debt at start of the year			(8,459)	(9,716)
Net debt at end of the year			(34,685)	(8,459)

26. Related party transactions

The Group has for many years disposed of some of its surplus vehicles in the normal course of business through British Car Auctions (“BCA”). The Group has also for many years repaired vehicles on behalf of BCA through its repair network. BCA has since 2 April 2015 been part of the BCA Marketplace plc group of companies (“BCAM”). BCAM is listed on the London Stock Exchange and, Avril Palmer-Baunack, who was the Group’s non-executive Chairman throughout the year under review and up to 31 July 2019 when she retired from the Board is also BCAM’s executive chairman. Accordingly BCAM is regarded as a related party for the year under review. Transactions with BCAM were as follows:

- Fees and commissions in the amount of £169,565 (2018: £210,921) were charged by BCA during the year ended 30 June 2019 in respect of the disposal of such vehicles as agent of which £362 (2018: £362) was outstanding at the year end.
- During the year costs of £141,292 (2018: £39,494) were charged by BCA in respect of vehicle repair, of which £8,253 (2018: £6,634) was outstanding at the year end.
- During the year costs of £29,352 (2018: £26,400) were charged by BCA in respect of building rent, of which £11,462 (2018: £7,920) was outstanding at the year end.
- During the year costs of £299,323 (2018: £210,512) were charged by BCA in respect of vehicle transport, of which £4,079 (2018: £5,551) was outstanding at the year end.
- In addition during the year the Group performed repairs to vehicles on behalf of BCA in the normal course of business and an amount of £955,621 (2018: £1,046,783) was charged to BCA of which £237,669 (2018: £233,867) was outstanding at the year end.

The Group also from time to time contract hires certain vehicles from specialist vehicles suppliers. During the year the Group paid rentals in respect of such hires to Local Car and Van Rental Limited (“LCVR”) of which John Davies is a non-executive director. During the year rentals of £4,342 (2018: £6,897) were charged by LCVR in respect of vehicle rentals, of which £nil (2018: £nil) was outstanding at the year end.

Details of the Group’s interests in associates, who are regarded as related parties, are provided in notes 14 and 31. During the year the Group made sales and recharges of expenses to these associates amounting to £10.6m (2018: £7.5m) and made purchases of £108,000 (2018: £165,000) from those associates. At the year end the Group was owed £2.1m (2018: £439,000) by these associates of which £2.0m (2018: £389,000) is included in trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2018: £50,000) is shown as amounts due from associates in note 15. In addition at the year end the Group owed £29,000 (2018: £17,000) to these associates and these amounts are included in trade payables in note 16.

SECTION B: HISTORICAL FINANCIAL INFORMATION OF REDDE FOR THE YEAR ENDED 30 JUNE 2018

Consolidated income statement

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 Adjusted* £'000	Year ended 30 June 2018 Adjustment Items* £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2017 Adjusted* £'000	Year ended 30 June 2017 Adjustment Items* £'000	Year ended 30 June 2017 £'000
Revenue	3	526,981	–	526,981	472,344	–	472,344
Cost of sales.....		(399,199)	–	(399,199)	(356,337)	–	(356,337)
Gross profit		127,782	–	127,782	116,007	–	116,007
Administrative expenses.....	4	(83,797)	(7,209)	(91,006)	(77,335)	(8,253)	(85,588)
Operating profit	5	43,985	(7,209)	36,776	38,672	(8,253)	30,419
Share of results of associates...	14	2,206	–	2,206	1,502	–	1,502
EBIT		46,191	(7,209)	38,982	40,174	(8,253)	31,921
Net finance costs	7	(170)	–	(170)	(150)	–	(150)
Profit before taxation		46,021	(7,209)	38,812	40,024	(8,253)	31,771
Tax (charge)/credit.....	8	(5,702)	1,418	(4,284)	(6,200)	1,240	(4,960)
Profit for the year		40,319	(5,791)	34,528	33,824	(7,013)	26,811
Profit for the year attributable to:							
Equity holders of the Company.....		40,319	(5,791)	34,528	33,824	(7,013)	26,811
Profit for the year		40,319	(5,791)	34,528	33,824	(7,013)	26,811
Earnings per share (p)							
Basic	10	13.27	(1.91)	11.36	11.26	(2.33)	8.93
Diluted	10	13.07	(1.88)	11.19	10.95	(2.27)	8.68

The profit for the year was derived from continuing operations for both financial years.

* Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') and are analysed and described in note 4.

Consolidated statement of comprehensive income*for the year ended 30 June 2018*

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit for the year	34,528	26,811
Other comprehensive income	—	—
Total comprehensive income for the year attributable to equity holders of the company	34,528	26,811

Consolidated statement of changes in equity*for the year ended 30 June 2018*

	Share Capital £'000	Share Premium Account £'000	Shares held in treasury £'000	Retained Earnings £'000	Total £'000
Balance at 01 July 2016	304	73,769	—	86,213	160,286
Profit for the year	—	—	—	26,811	26,811
Total comprehensive					
income for the year.....	—	—	—	26,811	26,811
Issue of Ordinary Shares	—	11	—	—	11
Dividends paid in the year	—	—	—	(30,158)	(30,158)
Share-Based Payments	—	—	—	2,004	2,004
Balance at 30 June 2017	304	73,780	—	84,870	158,954
Profit for the year	—	—	—	34,528	34,528
Total comprehensive					
income for the year	—	—	—	34,528	34,528
Issue of Ordinary Shares	—	8	—	—	8
Purchase of shares into treasury	—	—	(1)	(1,963)	(1,964)
Re-issue of shares from treasury for SAYE exercises.....	—	—	1	617	618
Dividends paid in the year	—	—	—	(33,740)	(33,740)
Share-Based Payments	—	—	—	1,791	1,791
Balance at 30 June 2018	304	73,788	—	86,103	160,195

Consolidated statement of financial position*as at 30 June 2018*

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	11	85,990	85,990
Intangible assets.....	12	16,527	18,917
Property, plant and equipment (including vehicles).....	13	48,596	55,515
Interests in associates.....	14	2,559	1,361
Deferred tax asset	20	6,165	4,236
		159,837	166,019
Current assets			
Trade and other receivables.....	15	181,414	142,852
Cash and cash equivalents		30,746	36,344
		212,160	179,196
Total assets		371,997	345,215
Current liabilities			
Trade and other payables	16	(164,030)	(131,386)
Obligations under finance leases	17	(23,723)	(20,683)
Provisions.....	19	(2,475)	(1,318)
		(190,228)	(153,387)
Net current assets		21,932	25,809
Non-current liabilities			
Obligations under finance leases	17	(15,482)	(25,377)
Deferred tax liability.....	20	(3,836)	(4,991)
Provisions.....	19	(2,256)	(2,506)
		(21,574)	(32,874)
Total liabilities		(211,802)	(186,261)
Net assets		160,195	158,954
Equity			
Share capital.....	21	304	304
Share premium account	21	73,788	73,780
Retained earnings.....		86,103	84,870
Equity attributable to owners of the Company		160,195	158,954

The notes on pages 140 to 166 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2018. They were signed on its behalf by:

Stephen Oakley

Chief Financial Officer

5 September 2018

Company Number 03120010

Consolidated statement of cash flows*for the year ended 30 June 2018*

	Note	£'000	2018 £'000	£'000	2017 £'000
Cash flows from operating activities					
Profit for the year		34,528		26,811	
Tax charge.....		4,284		4,960	
		38,812		31,771	
Income from associates		(2,206)		(1,502)	
Net finance costs.....	7	170		150	
Fleet finance lease interest	7	1,203		1,538	
Depreciation of tangible fixed assets	13	10,506		11,318	
Impairment of properties	13	379		—	
Property lease provisions.....	4	1,973		3,859	
Amortisation of intangible assets	4	2,390		2,390	
Losses on sale of property, plant and equipment		417		320	
Share-based payment charges.....	4	1,791		2,004	
EBITDA		55,435		51,848	
Increase in receivables.....		(38,633)		(12,845)	
Increase in payables.....		30,723		13,334	
Decrease in provisions.....		(1,066)		(1,277)	
Cash generated from operating activities			46,459		51,060
Bank interest received		112		109	
Fleet finance lease interest		(1,203)		(1,538)	
Interest element of non-fleet finance lease rentals.....		(4)		(15)	
			(1,095)		(1,444)
Taxation paid			(5,652)		(2,395)
Net cash from operating activities			39,712		47,221
Cash flows from investing activities					
Deposits held under escrow.....		—		(3,000)	
Distributions from associates		1,007		938	
Purchase of property, plant and equipment		(3,075)		(3,400)	
Proceeds from sale of plant and equipment		29,340		24,542	
Net cash inflow from investing activities			27,272		19,080

	Note	£'000	2018 £'000	£'000	2017 £'000
Cash flows from financing activities					
Proceeds from issue of share capital		8		11	
Purchase of shares into treasury		(1,964)		—	
Proceeds from re-issue of treasury shares		618		—	
Dividends paid		(33,740)		(30,158)	
Finance lease principal repayments		(37,504)		(34,457)	
Net cash used in financing activities			(72,582)		(64,604)
Net (decrease)/increase in cash and cash equivalents	25		(5,598)		1,697
Cash and cash equivalents at beginning of year			36,344		34,647
Cash and cash equivalents at end of year ...	25		30,746		36,344
Cash and cash equivalents consist of:					
Cash at bank and in hand			30,746		36,344

Notes to the consolidated financial statements

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation. The presentational currency is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

Adoption of new and revised standards

There are no newly adopted standards in force and applying to the year that have a material impact upon the accounts.

New and revised standards not yet adopted

The following standards have not been applied in preparing these consolidated Financial Statements:

- IFRS 9 – Financial Instruments. This is effective for the year ended 30 June 2019. The Group has reviewed the impact of IFRS 9 and it is not considered to have any material impact on the Group.
- IFRS 15 – Revenue from contracts with customers. This is effective for year ended 30 June 2019. The Group has reviewed the possible impact of IFRS 15 but it is not considered to have any material impact on the profit before taxation of the Group.
- IFRS 16 – Leases. This is effective for year ended 30 June 2020. The Group is assessing the impact of IFRS 16 which, based upon leases presently held by the Group, is likely to increase Group EBITDA and Group net interest charges by similar amounts with an immaterial effect on profit before taxation. The amounts to be included under the standard into fixed assets and net debt respectively will be more definitively assessed nearer the time and are dependent upon future fleet mix as well as property lease agreements that will be in existence at that point.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June each year.

The results of entities acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of controlled entities 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.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has adequate resources to continue in operational existence for the foreseeable future. Full details can be found in the Group Strategic Report on page 12.

Business combinations

The acquisition of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus (for acquisitions prior to the implementation of IFRS 3), any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated losses for impairment. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, each cash generating unit is allocated goodwill and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Revenue recognition

Revenue relating to car hire, repair and claims management services is measured at the fair value of the consideration receivable (after expected discounts), net of VAT and other sales taxes. Revenue is recognised when services are provided, including an appropriate proportion of any services that are in progress at the reporting date. It is recognised only when it can be estimated reliably. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services based on their relative fair values.

Credit hire revenue is recognised from the date a vehicle is placed on hire. Vehicles are only supplied and remain on hire after a validation process that assesses to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial tariffs for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment on a portfolio basis 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 and an estimation of the expected adjustment arising on the settlement of other claims.

Revenue recognised initially equates to the amount payable to the Group at the completion of the hire transaction. The Group also has an entitlement to late payment charges 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 have not been earned; rather they are recognised when they can be reliably determined, which is normally 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. Credit repair revenue is recognised based on an estimate of the stage of completion of the repair services at the reporting date. Credit repair revenue is reported net of an estimation of the expected adjustment arising on settlement of claims. The Group records credit repair revenue on a gross basis as this best reflects the economic benefits that are received or receivable by the Group on its own account. Managed repair revenue is recorded at the fair value of the consideration received or receivable, 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. Revenue is recognised when services are provided. 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 primary responsibility for providing the service and negotiating pricing, as well as the extent to which the Group is at risk for the gross payment. 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. 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. Accrued income in relation to legal services is valued at the lower of cost and net realisable value, after due regard to non-recoverable time. Net realisable value 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 outcome of the cases to justify the recognition of an asset.

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. As described above, the Group records revenue net of the expected adjustment arising on the settlement of claims, which reflects the Group's estimate of the amounts claimed from insurers that it does not expect to be ultimately recoverable.

The Group's estimation of the expected adjustments 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.

Other accident management related activities

Other accident management activities represent ancillary revenue streams, including hire of vehicles other than on a credit hire basis and the provision of out-sourced fleet accident management services. Revenue for other accident management activities is recorded at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

Trade receivables and claims in progress – credit hire and credit repair

Credit hire and credit repair trade receivables and claims in progress are stated at the expected net claim value, which is after allowance, on a portfolio basis, 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. The estimation of the expected adjustment arising on settlement of claims is revised, on a portfolio basis, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Any adjustments arising from such subsequent revision of the Group's expected adjustments on the settlement of claims are recorded in the income statement against revenue.

Trade receivables – amounts invoiced for services

Trade receivables – amounts invoiced for services are stated at invoiced amount less any provision for impairment.

Operating profit

Operating profit is stated after charging administrative costs and costs of vehicle financing but before non-vehicle finance costs, so that the costs of vehicles are recognised consistently in the income statement, regardless of whether they are owned, subject to finance lease or contract or other short-term hire.

Exceptional items and adjustment items

Exceptional items are items which due to their size, incidence or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and, in the opinion of the Board, to show more accurately the underlying results of the Group. Adjustment items include amortisation of intangibles, share based payments, property lease provisions, reorganisation costs and similar items as analysed and described in note 4 and are also summarised separately on the face of the consolidated income statement.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. A portion of the finance lease expense is apportioned to cost of sales as finance leased vehicles are considered to be directly attributable to the sales of the business and in order to enable comparability of holding costs between leased vehicles and those operated under contract hire operating lease arrangements. On disposal, the Group settles any remaining finance lease principal outstanding, and may elect to dispose of the asset in due course resulting in a cash inflow.

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

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred. Associated funding costs relevant to the Group's borrowings are recognised as part of the effective interest calculation over the life of the financial liability.

Retirement benefit costs

The Group contributes to the personal pension plans of employees at fixed percentages of basic earnings. The cost is charged to the income statement as the contributions fall due. The Group has no defined benefit arrangements.

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 period. 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 periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Non-hire fleet

Freehold buildings	2%
Leasehold improvements	over the term of the lease
Fixtures and equipment	15% to 33.33%
Hire fleet	see below

Non-hire fleet assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or over the term of the relevant lease.

Hire fleet

Fleet vehicles are depreciated to write down the cost of the vehicles to their estimated residual value over the expected holding period which is typically between 12 and 24 months. Residual value is based on current estimates of the net disposal value of the vehicle as if the vehicle were already of the age and in the condition expected at the date of disposal. Management reviews these estimates at each reporting date by reference to publicly available data on second-hand vehicle sales. The depreciation charge is adjusted prospectively to reflect movements in the residual value.

Impairment of tangible and intangible assets

At each balance sheet date the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 risk specific to the assets.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is

recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments – Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of financial assets is reduced by the impairment losses directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a doubtful debt or settlement provision.

Subsequent recoveries of amounts previously written off are credited against these provisions. Changes in the carrying amount of these provisions are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and any other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value determined at the date of grant, and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For options, fair value is measured by use of Binomial and Monte Carlo option pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For other long-term incentive schemes under which shares are awarded to directors and employees subject to performance conditions, the fair value is determined to be the market price of the shares at the date of grant. However, for awards that are subject to market-based performance conditions a Stochastic Model is used, which applies the performance condition to a large number of possible price movements and uses the average result to estimate the fair value of an award.

Key judgments and sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make judgments, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group believes that a key source of estimation uncertainty affecting the Group's financial statements relates to the expected adjustments arising on settlement of insurance claims. A number of judgments are made by the Group relating to these estimates and details are set out in note 15. In addition, a number of judgments are made in the assessment of goodwill impairment (note 11).

2. Segmental information

The activities of the Group are managed by the Executive Board, "the Board", which is deemed to be the Chief Operating Decision Maker, as a single operating platform. The entities within the Group contribute as part of the whole operation of the Group to provide services for the core business. The Board of Redde plc considers the performance of the business by reference to contributions from all activities of the Group as a whole, and reviews requirements of the total Group when determining allocations of resources. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance. The Group has identified operating segments within the main reportable segment, two of which would qualify for separate reporting under IFRS 8 based on their size.

The directors consider that these operating segments meet the aggregation criteria under IFRS 8 for aggregation into one reportable operating segment. The directors have considered a number of economic indicators in forming their assessment that the two operating segments share similar economic characteristics, including long-term average gross margins. A significant part of the business of both operating segments involves vehicle incident and accident management as well as associated rectification, and performance is influenced by the growth or reduction in the number of vehicles on UK roads, the associated accident and incident rates and the growth in vehicles insured or managed by the segments customers. Their activities carried out in generating revenue are not independent of each other, and their customer bases are similar in type.

3. Revenue

	2018 £'000	2017 £'000
Revenue	526,981	472,344

As described in note 15, the estimation of the expected adjustment arising on settlement of claims is revised, where necessary, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. 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 claims. Adjustments arising from subsequent revision of the Group's expected adjustment arising on settlement of claims, including amounts received by way of late payment charges, are recorded in revenue in the income statement.

4. Amortisation of intangibles, share based payments and exceptional items

Management is required to exercise its judgment in the classification of certain items such as exceptional and those other items considered to be outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustment requires judgment on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance.

Throughout the Annual Report and Accounts reference is therefore made to adjusted results and measures. The directors believe that the selected adjusted measures allow management and other stakeholders to better compare the performance of the Group between the current and prior year, without the effects of one-off or non-operational items and, given the Group's full distribution dividend policy, better reflects the normalised underlying cash earnings earned in the year under review to which the directors have regard in determining the amount of any dividend.

In exercising this judgment, the directors have taken appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the European Securities and Markets Authority on the reporting of non-adjusted results. Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and are also analysed on the face of the Consolidated Income Statement on page 135.

	2018 £'000	2017 £'000
Administration costs – Amortisation of intangible assets and share based payments:		
a) <i>Amortisation of acquired intangible assets</i>	2,390	2,390
b) <i>Share-based payments</i>	1,791	2,004
Impact of above on operating profit	4,181	4,394
Exceptional items comprise the following:		
c) <i>Property lease provisions</i>	1,973	3,859
d) <i>Impairment of freehold properties</i>	379	–
e) <i>Reorganisation and redundancy costs</i>	676	–
Impact of exceptional items on operating profit	3,028	3,859
Total adjustments to operating profits and profit before tax	7,209	8,253
Tax effect of the above	(1,418)	(1,240)
Impact on profit after tax for the year	5,791	7,013

a) ***Amortisation of acquired intangible assets***

The Group recognised the value of customer relationships and acquired software amounting to £22.9m in total (note 12) as a result of the acquisition of FMG in 2015 and these assets are being amortised over 10 and 5 years respectively. Such amortisation is included in adjustment items as it relates to the acquisitions of businesses and does not involve ongoing cash expenditure in the normal operations of the Group. The charge for the year amounts to £2.4m (2017: £2.4m) (note 12), and the tax effect was a credit of £0.9m (2017: £0.5m).

b) ***Share-based payments***

The Group has a number of share incentive schemes. In accordance with IFRS 2 the calculated charge in respect of options issued and outstanding amounts to £1.8m for the year (2017: £2.0m). Such charges are included in adjustment items as they do not represent a cash cost of operations, have no effect on the net assets of the Group and given that unissued options are already included in the statutory diluted earnings per share calculations these costs are removed to avoid double counting in arriving at such diluted earnings per share.

c) ***Property lease provisions***

The Group is restructuring its operations by the moving of its operations from three existing locations to two locations one of which involving new premises with greater capacity to accommodate anticipated growth. Provisions made include provisions for the Group's plans to mitigate against the holding costs between now and the end date of any liabilities for the resultant empty properties for those premises that will be no longer be occupied by the Group. In addition the Group presently is subject to a number of onerous long term leases of certain properties vacated in prior periods and no longer occupied by the Group. Provisions made reflect the net holding cost of all of these empty properties between now and the end date of the relevant obligations for those properties taking into account the Group's plans for mitigation of these costs and a pre-tax exceptional charge of £2.0m (2017: £3.9m) has been made in this respect. The tax effect was a credit of £0.4m (2017: £0.7m).

d) ***Impairment of freehold property***

In connection with the restructuring of its operations mentioned above the Group made the decision to vacate a freehold property and move its operations to new larger leasehold premises. As a consequence the empty property will be sold in due course. The impairment provision reflects an anticipated change in the valuation from an 'in use' basis to one that reflects vacant possession and amounts to £0.4m (2017: £nil).

e) ***Reorganisation and redundancy costs***

As stated above the Group is restructuring its operations by moving its operations from three existing locations to two locations including one completely new premises. This restructuring has also, in the case of the closure of NewLaw's main Bristol office, given rise to redundancy costs in respect of those staff who are unable or unwilling to relocate to existing head office premises in Cardiff or whose roles would be duplicated as a result of the merger of operations. The total costs of this and other costs associated with the restructuring total £0.7m (2017: £nil) for the year and the tax effect was a credit of £0.1m (2017: £nil).

5. Operating profit

	2018 £'000	2017 £'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
owned	1,437	1,289
leased	9,069	10,029
Impairment of property.....	379	—
Loss on sale of property, plant and equipment.....	417	320
Operating lease rentals		
vehicles	15,641	12,956
property.....	2,672	2,472
other	16	16

Details of auditor's remuneration is provided below:

	2018 £'000	%	2017 £'000	%
Audit services				
Statutory audit of Group and company				
financial statements	79	29	78	28
Statutory audit of Group subsidiaries				
pursuant to legislation	138	52	135	48
	217	81	213	76
Other services				
Review of interim financial statements	41	15	40	14
Other regulatory reporting	11	4	17	6
Cyber security review	—	—	11	4
Total auditor's remuneration	269	100	281	100

6. Staff costs

	2018 Employees	2018 FTE's	2017 Employees	2017 FTE's
The average number of employees (including executive directors) was:				
Operational	1,774	1,616	1,692	1,551
Office administration	396	381	362	346
Management	99	97	100	98
	2,269	2,094	2,154	1,995

	2018 £'000	2017 £'000
Their aggregate remuneration comprised:		
Wages and salaries.....	57,020	53,277
Social security costs	4,899	4,482
Other pension costs.....	1,053	939
	62,972	58,698
Share-based payments charge.....	1,791	2,004
	64,763	60,702

The number of employees and full time equivalent number of employees at the year end was 2,292 and 2,111 respectively (2017: 2,228 and 2,053 respectively). Key management personnel and their remuneration are discussed in the directors' emoluments table on page 23 and the share plan tables on page 24.

7. Finance income and finance costs

	2018 £'000	2017 £'000
<i>a) Finance income</i>		
Interest receivable	(112)	(109)
<i>b) Finance costs</i>		
Interest on obligations under finance leases	1,207	1,552
Loan issue costs charged in the year	245	245
Unwind of discount on provisions	33	—
	1,485	1,797
Reclassification of interest on finance lease obligations under fleet facilities to cost of sales	(1,203)	(1,538)
Total finance costs	282	259
Total net finance costs	170	150

8. Tax

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profit for the year	(7,401)	(3,861)
Adjustments in respect of prior years	33	58
Total current tax charge	(7,368)	(3,803)
Deferred tax		
Previously unrecognised tax losses and temporary differences	2,029	1,000
Origination and reversal of temporary differences	359	(2,160)
Adjustments in respect of prior years	—	(13)
Impact of change in tax rate	696	16
Tax charge on profit on ordinary activities	(4,284)	(4,960)
	2018 £'000	2017 £'000
Reconciliation of tax charge		
Profit for the year	34,528	26,811
Tax charge	4,284	4,960
Profit before tax	38,812	31,771
Tax at the weighted average UK corporation tax rate of 19.00% (2017: 19.75%)	(7,375)	(6,275)
Recognition of deferred tax asset	2,755	1,756
Adjustment in relation to prior periods	33	45
Impact of change in tax rate on recognised deferred tax	696	16
Tax effect of non-deductible expenses	(318)	(158)
Timing differences on the exercise of employee share options	(75)	(344)
Tax charge for the year	(4,284)	(4,960)

The tax rate of 19% (2017: 19.75%) reflects the reduction in the UK corporation tax rate from 20.0% to 19.0% effective from 1 April 2017. A further reduction to 17.0% (effective from 1 April 2020) was enacted in the 2016 Finance Act. This will reduce the Group's future current tax charge accordingly whilst the deferred tax assets and liabilities at 30 June 2018 have been calculated based upon these enacted rates.

9. Dividends

	2018 £'000	2017 £'000
Final dividend for 2016 of 5.15p paid on 03 November 2016	—	14,960
Interim dividend for 2017 of 5.00p paid on 30 March 2017	—	15,198
Final dividend for 2017 of 5.60p paid on 02 November 2017	17,021	—
Interim dividend for 2018 of 5.50p paid on 29 March 2018	16,719	—
Total dividends paid in the year	33,740	30,158

10. Earnings per share

Basic earnings per share

The calculation of the basic earnings per share at 30 June 2018 is based on the profit attributable to ordinary shareholders of £34,528,000 (2017: £26,811,000) and a weighted average number of ordinary shares outstanding of 303,882,212 (2017: 300,395,219) calculated as follows:

Profit attributable to ordinary shareholders

	Year ended 30 June 2018 Adjusted* £'000	Adjustment items £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2017 Adjusted* £'000	Adjustment items* £'000	Year ended 30 June 2017 £'000
Profit for the year	40,319	(5,791)	34,528	33,824	(7,013)	26,811

* Adjusted profit excludes the impact of amortisation of acquired intangible assets, share based payments and those items described as exceptional. See note 4.

Weighted average number of ordinary shares

	2018 Number	2017 Number
In issue at 1 July	303,978,408	293,536,715
Effect of conversion of B shares	—	6,845,530
Effect of buy back and re-issue of treasury shares.....	(1,214,007)	—
Effect of shares issued for cash on exercise of executive share options.....	—	4,151
Effect of shares issued for cash on exercise of SAYE share options.....	1,117,811	8,823
Weighted average number of ordinary shares at 30 June.....	303,882,212	300,395,219

Diluted earnings per share

There is no difference between profit attributable to ordinary shareholders for basic and diluted earnings for share calculations. The calculation of the diluted earnings per share at 30 June 2018 is based on the profit attributable to ordinary shareholders of £34,528,000 (2017: £26,811,000) and a weighted average number of ordinary shares outstanding of 303,882,212 (2017: 300,395,219) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018 Number	2017 Number
Weighted average number of ordinary shares (basic)	303,882,212	300,395,219
Effect of 2013 executive share options scheme shares in issue	—	14,554
Effect of 2016 executive share options scheme shares in issue	2,948,941	3,618,650
Effect of 2017 executive share options scheme shares in issue	1,101,551	—
Effect of B shares in issue	—	3,565,380
Effect of 2014 issues of SAYE share option scheme shares in issue.....	102,375	954,072
Effect of 2015 issues of SAYE share option scheme shares in issue.....	206,617	322,600
Effect of 2016 issues of SAYE share option scheme shares in issue.....	4,219	21,868
Effect of 2017 issues of SAYE share option scheme shares in issue.....	173,726	97,480
Effect of 2018 issues of SAYE share option scheme shares in issue.....	56,752	—
Weighted average number of ordinary shares (diluted) at 30 June	308,476,393	308,989,823

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

11. Goodwill

	£'000
Cost	
At 01 July 2016, 30 June 2017 and 30 June 2018	140,308
Accumulated impairment losses	
At 01 July 2016, 30 June 2017 and 30 June 2018	(54,318)
Net book value	
At 30 June 2018	85,990
At 30 June 2017	85,990

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business acquisition. The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

For the purposes of testing the value of goodwill of all CGUs for impairment the Group has prepared forecasts, for periods of 5 years which have looked at short to medium term factors relevant to the CGUs in the Group, including macro economic issues, anticipated industry growth forecasts, changes to selling prices and direct costs. Due to the economic and political factors affecting the industry in which the Group operates, the forecast has assumed a growth rate in cash from operating activities averaging 1.0% per annum over the forecast period.

The forecasts have been used as the basis for the value in use calculation since these forecasts are considered to be sufficiently detailed and represent the best available information. As required by IAS36, a terminal value has been added to the forecasts with 0% growth assumed for the future years.

The allocation of Goodwill to the Group's CGUs, pre-tax rates used to discount the forecasts, headroom values when compared to the carrying values of the CGUs (which exclude cash and borrowings) and headroom sensitivities to changes in discount rates, is shown in the table below:

2018	Auxillis	NewLaw	FMG
Allocation of Goodwill (£'000)	18,950	40,281	26,759
Pre-tax discount rate	10.5%	12.3%	10.0%
Headroom (£'m).....	402.5	27.5	89.9
Headroom increase if discount rate 0.5% lower.....	24.7	3.7	6.9
Headroom decrease if discount rate 0.5% higher.....	22.5	3.4	6.2
2017	Auxillis	NewLaw	FMG
Allocation of Goodwill (£'000)	18,950	40,281	26,759
Pre-tax discount rate	9.2%	11.7%	10.4%
Headroom (£'m).....	334.0	21.9	75.3

After review of the results of these tests, the directors consider that there has been no impairment to any of the CGUs during the year (2017: £nil).

The timing and amount of future cash flows are estimates which depend upon the outcome of future events, especially so where cash inflows and outflows arise in different reporting periods or where there is assumed growth in the business, and may need to be revised as circumstances change. Judgment is required in calculating an appropriate CGU specific discount rate.

12. Intangible assets

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 01 July 2016, 30 June 2017 and 30 June 2018	21,900	1,000	22,900
Amortisation			
At 01 July 2017	(3,650)	(333)	(3,983)
Charge for year.....	(2,190)	(200)	(2,390)
At 30 June 2018	(5,840)	(533)	(6,373)
Net book value			
At 30 June 2018	16,060	467	16,527
At 30 June 2017	18,250	667	18,917

The value of customer relationships and acquired software that have been recognised will be amortised over 10 and 5 years respectively.

13. Property, plant and equipment (including vehicles)

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
Cost					
At 01 July 2016	2,725	784	49,488	12,097	65,094
Additions	–	34	41,393	2,663	44,090
Disposals	–	(6)	(32,939)	(4,611)	(37,556)
At 30 June 2017	2,725	812	57,942	10,149	71,628
Additions	–	18	31,507	2,198	33,723
Disposals	–	(10)	(39,803)	(437)	(40,250)
At 30 June 2018	2,725	820	49,646	11,910	65,101
Accumulated depreciation and impairment					
At 01 July 2016	(115)	(475)	(6,888)	(10,011)	(17,489)
Charge for the year	(61)	(55)	(10,077)	(1,125)	(11,318)
Disposals	–	3	8,152	4,539	12,694
At 30 June 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
Depreciation charge for the year	(61)	(55)	(9,095)	(1,295)	(10,506)
Impairment charge for the year	(379)	–	–	–	(379)
Disposals	–	10	10,128	355	10,493
At 30 June 2018	(616)	(572)	(7,780)	(7,537)	(16,505)
Carrying amounts					
At 30 June 2018	2,109	248	41,866	4,373	48,596
At 30 June 2017	2,549	285	49,129	3,552	55,515
Leased assets included above:					
At 30 June 2018	–	–	41,706	22	41,728
At 30 June 2017	–	–	48,239	47	48,286

The Group operates a large fleet of hire vehicles. Depreciation on these vehicles is intended to reduce the carrying value of the vehicles to their expected residual value at disposal. However, the residual value attributable is dependent on conditions present in the future and is subject to movements in the market for nearly-new vehicles. The cost of the land element of freehold property is not separable from the cost of the freehold buildings.

14. Interests in associates

The Group's interest in associates comprises of minority participations in five (2017: 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 does not control.

	2018 £'000	2017 £'000
Carrying amount of interests in associates	2,559	1,361
Group's share of:		
Profit from continuing operations	2,206	1,502
Other Comprehensive Income	–	–
Total share of profits	2,206	1,502

The accounting period ends of the associated companies consolidated in these financial statements range from 30 November to 31 December. The accounting period end dates of the associates are different from the Group as they are more aligned to the accounting reference dates of the majority partners. The above information has been obtained from management accounts of the entities concerned for the period ending 30 June 2018. Further information on transactions with associates are in note 26.

15. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables – claims due from insurance companies and self-insuring organisations	132,249	99,059
Trade receivables – amounts invoiced for services	16,092	15,578
Trade receivables.....	148,341	114,637
Other receivables.....	175	198
Accrued income.....	3,208	2,577
Total receivables for purposes of calculating debtor days.....	151,724	117,412
Disbursements recoverable in legal businesses	13,687	14,267
Amounts due from associates	50	50
Taxation recoverable	63	134
Prepayments	15,890	10,989
	181,414	142,852

The Group's debtor days at 30 June 2018 were 105 days (2017: 91 days). This measure is based on net trade receivables, other receivables and accrued income as a proportion of revenue multiplied by 365 days.

a) *Claims due from insurance companies*

Claims due from insurance companies 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 amounts ultimately recoverable. The estimation of the expected adjustment arising on settlement of claims represents a critical judgment made by the directors.

The Group's estimation of the expected adjustment arising on settlement of claims is calculated with reference to judgments made on a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the portfolio of cases. Settlement risk arises on claims due from insurance companies 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 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 do not carry a contractual 'due date', nor does the expected adjustment arising on settlement of trade receivables represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS7 on provision for credit loss are not provided. Instead the directors review claims due from insurance companies 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 trade receivables 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.

An analysis of claims from insurance companies is given below.

	2018 £'000	%	2017 £'000	%
Pending claims	18,926	14	11,625	12
Between 1 and 120 days old	61,166	46	49,434	50
More than 120 days old.....	52,157	40	38,000	38
Total	132,249	100	99,059	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 24% (2017: 26%) of receivables.

b) *Amounts invoiced for services*

No interest is charged on receivables. The Group has provided for expected irrecoverable amounts specifically based on past default experience. The Group assesses the credit worthiness for each customer prior to commencing to trade with them. The most significant five customers represented 23% (2017: 25%) of receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £3.1m (2017: £2.5m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The cash collection period for these balances is normal for the industry.

Ageing of past due but not impaired receivables.

	2018 £'000	2017 £'000
30-60 days	1,021	1,031
60-90 days	762	616
90-120 days	759	443
More than 120 days.....	589	402
Total	3,131	2,492

The movement in the allowance for doubtful debtors was as follows:

	2018 £'000	2017 £'000
At beginning of year.....	1,667	1,661
(Released)/recognised.....	(242)	6
At end of year.....	1,425	1,667

The carrying amount of trade and other receivables is denominated in sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

16. Trade and other payables

	2018 £'000	2017 £'000
Trade payables.....	89,272	69,100
Other taxation and social security.....	8,413	7,184
Accruals and deferred income.....	50,633	40,479
Disbursements payable in legal businesses.....	9,994	10,148
Other creditors.....	2,236	2,638
Corporation tax payable	3,482	1,837
	164,030	131,386

Trade payables represent amounts payable for goods and services. The directors consider that the carrying amount of trade payables approximates to their fair value.

17. Obligations under finance leases

	2018 £'000	2017 £'000
Amounts payable under finance leases		
Within one year.....	24,763	21,997
In the second to fifth years inclusive.....	16,106	26,167
Less future finance charges.....	(1,664)	(2,104)
Present value of lease obligations.....	39,205	46,060
Present value of lease obligations		
Within one year.....	23,723	20,683
In the second to fifth years inclusive.....	15,482	25,377
Present value of lease obligations.....	39,205	46,060
Analysed as:		
Amounts due for settlement within 12 months.....	23,723	20,683
Amounts due for settlement after 12 months	15,482	25,377
Shown in current/non current liabilities.....	39,205	46,060

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.3 years (2017: 2.2 years). For the year ended 30 June 2018 the average effective borrowing rate was 2.69% (2017: 3.39%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's finance lease obligations approximates to their carrying value. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

18. Other borrowings

The Group has a 5 year £35m unsecured revolving credit facility with HSBC expiring in December 2020 as well as an unsecured overdraft facility of £5m with the same bank. There have been no drawings under either facility since inception but the facility is available to fund growth in the business should the considerable cash balances currently held for this purpose be used for other corporate purposes such as further acquisitions. If and when drawn, related covenants surround a net debt to EBITDA ratio ($< 3:1$) and the ratio of trade receivables to amounts drawn under the HSBC facility ($> 1.5:1$).

The margin charged on the revolving credit facility is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.25% over LIBOR to a maximum of 2.25% over LIBOR. The margin on the overdraft is 1.25% over Bank of England Base Rate.

The directors consider that the fair value of the Group's borrowings is equal to their book value. All obligations under finance leases are disclosed in note 17.

19. Provisions

	Onerous lease provisions £'000	Restructuring provisions £'000	Total £'000
At 1 July 2016.....	1,242	—	1,242
Provisions made in the year.....	3,859	—	3,859
Utilised during the year	(1,277)	—	(1,277)
At 30 June 2017	3,824	—	3,824
Provisions made in the year.....	1,973	218	2,191
Utilised during the year	(1,284)	—	(1,284)
At 30 June 2018.....	4,513	218	4,731
Included in current liabilities.....	2,257	218	2,475
Included in long term liabilities.....	2,256	—	2,256
	4,513	218	4,731

The Group presently is subject to a number of onerous long term leases of certain properties no longer occupied by the Group. The above provision has been increased this year due to changes to previously held assumptions and further space vacated during the year. The provision reflects the directors' estimate of the net holding cost of these leases between now and the end date of those leases discounted to their present value at an appropriate risk free interest rate for the period, taking into account the Group's present intended plans for mitigation of these lease costs.

The Group is also restructuring its operations by moving its operations from three existing locations to alternative locations including one completely new premises. This restructuring has also given rise to redundancy costs. The provision also reflects the directors' estimate of those costs to which the Group is committed but have not yet been crystallised. These costs are expected to crystallise in full within the next 12 months.

20. Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2018 and 30 June 2017 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) Accelerated tax depreciation £'000	Asset Total £'000
At 1 July 2016	(5,469)	5,871
Credit/(charge) to income	478	(1,635)
At 30 June 2017	(4,991)	4,236
Credit to income	1,155	1,929
At 30 June 2018.....	(3,836)	6,165

At the balance sheet date the Group has temporary differences, principally arising from capital allowances on fleet vehicles, of £41.9m (2017: £47.1m) which will be available for offset against future trading profits. A deferred tax asset has been recognised in respect of £32.6m (2017: £22.8m) of this amount to reflect the foreseeable forecast utilisation of tax losses and capital allowances carried forward. No deferred tax asset has been recognised in respect of the remaining £9.3m (2017: £24.3m) due to the risks associated with the generation of the requisite future taxable profits and the timing of the unwind of the temporary difference.

Deferred tax asset not provided in full on temporary differences under the liability method is calculated at the tax rates that are expected to apply in the period when the asset is realised.

	Asset Tax losses carried forward £'000	Asset Accelerated tax depreciation £'000	Asset Other temporary differences £'000	Asset Total £'000
At 30 June 2018	270	1,400	89	1,759
At 30 June 2017	1,089	3,406	152	4,647

21. Share capital and share premium

a) Share capital movements in year

	Ordinary Shares of 0.1p		B Shares of 0.1p		Total
	Number	£'000	Number	£'000	£'000
In issue at 30 June 2016	293,536,715	294	10,410,910	10	304
Conversion of B shares.....	10,410,910	10	(10,410,910)	(10)	—
Exercise of SAYE share options.....	12,078	—	—	—	—
Exercise of executive share options ...	18,705	—	—	—	—
In issue at 30 June 2017	303,978,408	304	—	—	304
Exercise of SAYE share options.....	8,349	—	—	—	—
In issue at 30 June 2018 fully paid.....	303,986,757	304	—	—	304

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

Changes in the share capital or share premium account during the year are summarised in the Consolidated Statement of Changes in Equity and reflect:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
12 July 2017	Exercise of SAYE Options	3,623	48.30p	2	–	2
11 December 2017	Exercise of SAYE Options	3,781	126.94p	5	–	5
03 January 2018	Exercise of SAYE Options	945	126.94p	1	–	1
	Total SAYE shares issued	8,349		8	–	8

The following issues of new shares took place during the previous financial year:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
08 August 2016	Exercise of SAYE Options	2,380	48.30p	1	–	1
10 August 2016	Exercise of SAYE Options	275	126.94p	–	–	–
12 October 2016	Exercise of SAYE Options	3,354	48.30p	1	–	1
24 October 2016	Exercise of SAYE Options	2,992	126.94p	4	–	4
07 November 2016	Exercise of SAYE Options	3,077	53.92p	2	–	2
	Total SAYE shares issued	12,078		8	–	8
11 April 2017	Exercise of Executive Share Options	18,705	14.25p	3	–	3
	Total Executive Option shares issued	18,705		3	–	3
	Total shares issued	30,783		11	–	11

22. Operating lease arrangements

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non- cancellable operating leases, which fall due as follows:

	2018 Vehicles £'000	2018 Properties £'000	2018 Total £'000	2017 Vehicles £'000	2017 Properties £'000	2017 Total £'000
Within one year	13,020	1,845	14,865	8,861	1,992	10,853
In the second to fifth years inclusive	4,162	7,828	11,990	2,574	7,008	9,582
After five years	–	2,996	2,996	–	3,450	3,450
	17,182	12,669	29,851	11,435	12,450	23,885

Operating lease payments represent rentals payable by the Group for certain of its motor vehicles, plant and equipment and properties. Leases have a weighted average term of 2.92 years (2017: 3.63 years). The lease payments subject to the onerous lease provision of £4.5m (2017: £3.8m) (note 19) have been included within the above amounts.

23. Share-based payments

Equity settled share option plans

The Group has granted options which remain outstanding in the form of mainstream options and options under the Sharesave schemes to certain directors and employees.

Mainstream options

2016 Performance Share Plan

On 26 February 2016 the Group adopted a new performance share plan (“2016 Performance Share Plan”) to incentivise key management to deliver the strategic goals of the business. Awards were made in relation to ordinary shares of 0.1p each in the Company under the 2016 Performance Share Plan. Grants under the 2016 Performance Share Plan are subject to vesting criteria relating to the achievement of earnings per share (“EPS”) and total shareholder return (“TSR”) targets over a three financial year performance period. TSR will be measured against the AIM 100 index. Grants are expected to be made annually and approved by the Company’s Remuneration Committee. These Awards will normally become exercisable as nominal cost options subject to continued employment and to the extent the TSR and EPS targets are achieved over the three financial year performance period.

Up to one half of the 1st tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 10.92p in the financial year ended 30 June 2018 with a straight-line reduction to NIL if basic adjusted EPS is below 9.66p.

Up to one half of the 2nd tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 12.53p in the financial year ended 30 June 2019 with a straight-line reduction to NIL if basic adjusted EPS is below 11.00p.

Up to one half of the 3rd tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 14.64p in the financial year ended 30 June 2020 with a straight-line reduction to NIL if basic adjusted EPS is below 12.95p.

Up to one half of all of the above Awards will vest in full if the Company’s TSR performance over the 3 year periods ending on the above dates at least equals the upper quartile of the AIM 100 index with a straight line reduction to NIL if performance is below median performance.

Once vested, the Awards shall ordinarily remain exercisable until the tenth anniversary of the grant of the Awards.

Details of all mainstream options outstanding during the year are as follows:

	2018 Number of options 000s	2018 Weighted average exercise price (pence)	2017 Number of options 000s	2017 Weighted average exercise price (pence)
Outstanding at beginning of year	3,441	0.10	2,441	0.29
Granted during the year	1,169	0.10	1,199	0.10
Forfeited, surrendered or lapsed during the year	(727)	0.10	(180)	0.10
Exercised during the year	—	—	(19)	14.25
Outstanding at end of year.....	3,883	0.10	3,441	0.10
Exercisable at the end of the year	—	—	—	—

The options outstanding at 30 June 2018 had a weighted average exercise price of 0.10p (2017: 0.10p) and a weighted average remaining contractual life of 8.2 years (2017: 8.8 years). The options as at 30 June 2018 had an exercise price of 0.10p; the highest and lowest closing value of shares during the year were 186.00p and 144.25p respectively. The value of shares as at 30 June 2018 was 176.00p.

Sharesave schemes

Under the Sharesave schemes, which are HMRC approved, employees are granted options to acquire shares in the Company with funds deducted from their salaries on a monthly basis. Participation was open to all eligible employees employed at the date of commencement of the scheme. All participants agreed to save a fixed amount monthly into the scheme and in return received an option to purchase shares in the Company at a discounted price at the conclusion of the scheme. The discounted share price is calculated as the market price at the commencement of the scheme less 20%. The options vest after three years following the date of grant and must be exercised within 6 months of that date. The options generally lapse if the employee leaves within the three-year period.

	2018 Number of options 000s	2018 Weighted average exercise price (pence)	2017 Number of options 000s	2017 Weighted average exercise price (pence)
Outstanding at beginning of year	2,987	97.9	2,572	86.2
Granted during the year	1,031	138.2	888	148.7
Exercised during the year	(1,289)	48.3	(12)	71.0
Forfeited or lapsed during the year	(415)	141.7	(461)	130.9
Outstanding at end of year.....	2,314	135.4	2,987	97.9
Exercisable at the end of the year	—	—	—	—

Date of Grant	Outstanding at 01 July 2017 '000	Granted in the year '000	Exercised in the year '000	Forfeited or lapsed in the year '000	Outstanding at 30 June 2018 '000	Exercise price (pence)	Date from which Exercisable	Expiry date
26 June 2014.....	1,283	—	(1,283)	—	—	48.3	01/08/2017	01/02/2018
06 November 2015	959	—	(6)	(102)	851	126.9	01/12/2018	01/06/2019
30 September 2016	316	—	—	(120)	196	163.5	01/11/2019	01/05/2020
27 March 2017.....	429	—	—	(87)	342	132.8	01/05/2020	01/11/2020
03 October 2017	—	715	—	(99)	616	139.0	01/11/2020	01/05/2021
28 March 2018.....	—	316	—	(7)	309	136.4	01/05/2021	01/11/2021
	2,987	1,031	(1,289)	(415)	2,314	135.4		

The SAYE options outstanding at 30 June 2018 had a weighted average exercise price of 135.4p (2017: 97.9p) and a weighted average remaining contractual life of 1.5 years (2017: 1.2 years). The Group recognised total expense of £1.8m related to all of the equity-settled share-based payment transactions in 2018 (2017: £2.0m).

Assumptions used in the valuation of share based payments

The Group has determined the fair value of the outstanding share based payments for the SAYE options granted using both third party experts and in house models. The assumptions used in the valuations were as follows:

	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme
Fair value of share option	45.4p	45.3p	19.9p	33.6p	28.1p
Date of grant	06/11/15	30/09/16	27/03/17	03/10/17	28/03/18
Share price on date of grant.....	180.5p	200.0p	148.5p	179.7p	169.0p
Exercise price.....	126.9p	163.5p	132.8p	139.0p	136.4p
Share options originally granted.....	1,303,787	461,407	430,824	714,669	316,383
Vesting period (years).....	3.1	3.1	3.1	3.1	3.1
Expected volatility	35%	40%	32%	32%	31%
Expected life (years).....	3.6	3.6	3.6	3.6	3.6
Risk free rate of return.....	0.98%	0.10%	0.31%	0.54%	0.89%
Fair value model used.....	Binomial	Binomial	Binomial	Binomial	Binomial

The Group has determined the fair value of the outstanding share based payments for the Performance Plan options granted using third party experts. The assumptions used in the valuations were as follows:

	Performance Plan	Performance Plan	Performance Plan
Fair value of share option.....	153.5p – 172.3p	123.5p – 178.9p	83.1p – 144.6p
Date of grant.....	26/02/16	02/09/16	07/09/17
Share price on date of grant.....	193.25p	205.5p	170.5p
Exercise price.....	0.1p	0.1p	0.1p
Share options originally granted.....	2,241,297	924,265	1,102,208
Vesting period (years).....	3.0	3.0	3.0
Expected volatility.....	40%	40%	33%
Expected life (years).....	3.0	3.0	3.0
Risk free rate of return.....	0.43%	0.12%	0.152%
Fair value model used.....	Binomial and Monte Carlo	Binomial and Monte Carlo	Binomial and Monte Carlo

24. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern 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 18, finance leases disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Categories of financial instruments

The gearing ratio, defined as net debt divided by total capital, was as follows:

	2018 £'000	2017 £'000
Net debt.....	8,459	9,716
Total shareholders' equity.....	160,195	158,954
Total capital.....	168,654	168,670
Gearing ratio.....	5.0%	5.8%
	2018 £'000	2017 £'000

Financial assets

At amortised cost:

Trade receivables.....	148,341	114,637
Disbursements recoverable in legal businesses.....	13,687	14,267
Cash and cash equivalents.....	30,746	36,344

Financial liabilities

At amortised cost:

Trade payables.....	89,272	69,100
Disbursements payable in legal businesses.....	9,994	10,148
Obligations under finance leases.....	39,205	46,060

Financial risk management objectives

The Group monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk. The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group does not have any significant foreign currency risk exposure.

Interest rate risk management

The Group is exposed to interest rate risk as entities in 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 where considered appropriate by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non- derivative financial instruments at the balance sheet date. For floating rate liabilities a 0.5% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2018 would have increased/decreased by £0.1m (2017: £0.1m). This is mainly attributable to the Group's exposure on variable rate borrowings and deposits.

Interest rate swap contracts

There were no outstanding interest rate swap contracts in existence at 30 June 2018 (2017: nil).

Credit risk management

The Group is exposed to credit risk in connection with the possible default by insurance companies. Following an assessment of the counterparties, the directors have concluded that there is no requirement for an impairment provision for credit loss against trade receivables arising from claims against insurance companies.

The provision for expected adjustments arising on settlement of claims does not represent an impairment provision under IFRS7. Nevertheless, for normal commercial reasons the Group ensures that vehicles are only placed on hire and repairs to vehicles are only carried out after the validation process has provided assurance that the liability for the accident rests with another party. As trade receivables for credit hire and credit repair carry no contractual 'due date', the term 'past due' used in IFRS7 is not considered to be relevant to the Group's trade receivables or the way in which the Group manages credit risk.

Trade receivables relating to amounts invoiced to customers for services provided are subject to credit risk in that a counterparty may default on its obligation to the Group. Customers represent primarily legal firms and the Group's policy is to deal with an approved panel of such firms. The carrying value of these financial assets, net of impairment provisions, represents the Group's maximum exposure to credit risk. Credit risk for cash placed on deposit is controlled by the use of appropriate financial institutions.

Liquidity risk management

Liquidity risk arises primarily from the nature of the claims settlement process, which can prolong the period of collection of trade receivables. 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 management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

Fair value of financial instruments

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

Maturity of financial assets

As explained in note 15, trade receivables for claims on insurers do not carry a contractual due date. As in previous years, the majority of the Group's receivables relate to claims which are payable upon presentation and maturity should be expected within a month but settlement can be delayed following a period of negotiation with the relevant counter-party.

Maturity of financial liabilities

The following tables analyse the Group's remaining contractual maturity of its 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 can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2018							
Non-interest bearing	—	89,602	—	—	1,373	—	90,975
Fixed interest rate instruments.....	2.69	1,653	5,715	17,155	15,863	—	40,386
		<u>91,255</u>	<u>5,715</u>	<u>17,155</u>	<u>17,236</u>	<u>—</u>	<u>131,361</u>
2017							
Non-interest bearing	—	69,558	—	—	16	—	69,574
Fixed interest rate instruments.....	3.39	1,557	5,237	15,204	26,166	—	48,164
		<u>71,115</u>	<u>5,237</u>	<u>15,204</u>	<u>26,182</u>	<u>—</u>	<u>117,738</u>

Finance lease facilities are also in existence with a wide variety of different funders and in general do not represent committed facilities, but rather are provided on a rolling basis.

Externally imposed capital requirements

The Group is not subject to any externally imposed capital requirements.

25. Cash flow information**a) Analysis and reconciliation of net debt**

	01 July 2017 £'000	Cash flow £'000	Non cash changes £'000	30 June 2018 £'000
Net cash and cash equivalents	36,344	(5,598)	—	30,746
Debt due within one year.....	—	—	—	—
Debt due after more than one year	—	—	—	—
	—	—	—	—
Finance leases	(46,060)	37,504	(30,649)	(39,205)
	<u>(46,060)</u>	<u>37,504</u>	<u>(30,649)</u>	<u>(39,205)</u>
Net debt	<u>(9,716)</u>	<u>31,906</u>	<u>(30,649)</u>	<u>(8,459)</u>

	2018 £'000	2017 £'000
(Decrease)/Increase in cash and cash equivalents in the year.....	(5,598)	1,697
Cash inflow from decrease in borrowings and lease financing.....	37,504	34,457
Change in net debt resulting from cash flows.....	31,906	36,154
New finance leases	(30,649)	(40,644)
Movement in net debt in the year.....	1,257	(4,490)
Net debt at start of the year	(9,716)	(5,226)
Net debt at end of the year.....	(8,459)	(9,716)

26. Related party transactions

The Group has for many years disposed of some of its surplus vehicles in the normal course of business through British Car Auctions (“BCA”). The Group has also for many years repaired vehicles on behalf of BCA through its repair network. BCA has since 2 April 2015 been part of the BCA Marketplace plc group of companies (“BCAM”). BCAM is listed on the London Stock Exchange and the Group’s Chairman, Avril Palmer-Baunack, is also its executive chairman. Accordingly BCAM is regarded as a related party. Transactions with BCAM were as follows:

- Fees and commissions in the amount of £210,921 (2017: £72,312) were charged by BCA during the year ended 30 June 2018 in respect of the disposal of such vehicles as agent of which £362 (2017: £nil) was outstanding at the year end.
- During the year costs of £39,494 (2017: £24,341) were charged by BCA in respect of vehicle repair, of which £6,634 (2017: £606) was outstanding at the year end.
- During the year costs of £26,400 (2017: £27,628) were charged by BCA in respect of building rent, of which £7,920 (2017: £7,920) was outstanding at the year end.
- During the year costs of £210,512 (2017: £79,758) were charged by BCA in respect of vehicle transport, of which £5,551 (2017: £194) was outstanding at the year end.
- In addition during the year the Group performed repairs to vehicles on behalf of BCA in the normal course of business and an amount of £1,046,783 (2017: £817,890) was charged to BCA of which £233,867 (2017: £223,817) was outstanding at the year end.

The Group also from time to time contract hires certain vehicles from specialist vehicles suppliers. During the year the Group paid rentals in respect of such hires to Local Car and Van Rental Limited (“LCVR”) of which John Davies is a non-executive director. During the year rentals of £6,897 (2017: £10,338) were charged by LCVR in respect of vehicle rentals, of which £nil (2017: £nil) was outstanding at the year end.

Details of the Group’s interests in associates, who are regarded as related parties, are provided in notes 14 and 31. During the year the Group made sales and recharges of expenses to these associates amounting to £7.5m (2017: £8.3m) and made purchases of £165,000 (2017: £109,000) from those associates. At the year end the Group was owed £439,000 (2017: £191,000) by these associates of which £389,000 (2017: £141,000) is included in trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2017: £50,000) is shown as amounts due from associates in note 15. In addition at the year end the Group owed £17,000 (2017: £24,000) to these associates and these amounts are included in trade payables in note 16.

SECTION C: HISTORICAL FINANCIAL INFORMATION OF REDDE FOR THE YEAR ENDED 30 JUNE 2017

Consolidated income statement

for the year ended 30 June 2017

		Year ended 30 June 2017 Adjusted* £'000	Year ended 30 June 2017 Adjustment Items* £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Adjusted* £'000	Year ended 30 June 2016 Adjustment Items* £'000	Year ended 30 June 2016 £'000
	Note						
Revenue	3	472,344	–	472,344	379,244	–	379,244
Cost of sales		(356,337)	–	(356,337)	(280,968)	–	(280,968)
Gross profit		116,007	–	116,007	98,276	–	98,276
Administrative expenses.....	4	(77,335)	(8,253)	(85,588)	(65,057)	(3,239)	(68,296)
Group operating profit	5	38,672	(8,253)	30,419	33,219	(3,239)	29,980
Share of results of associates .	14	1,502	–	1,502	1,281	–	1,281
EBIT.....		40,174	(8,253)	31,921	34,500	(3,239)	31,261
Net finance (costs)/income.....	4,7	(150)	–	(150)	127	(83)	44
Profit before taxation		40,024	(8,253)	31,771	34,627	(3,322)	31,305
Tax (charge)/credit.....	8	(6,200)	1,240	(4,960)	(6,455)	460	(5,995)
Profit for the year		33,824	(7,013)	26,811	28,172	(2,862)	25,310
Profit for the year attributable to:							
Equity holders of the							
Company.....		33,824	(7,013)	26,811	28,056	(2,862)	25,194
Non controlling interests		–	–	–	116	–	116
Profit for the year		33,824	(7,013)	26,811	28,172	(2,862)	25,310
Earnings per share (p)							
Basic	10	11.26	(2.33)	8.93	9.64	(0.98)	8.66
Diluted	10	10.95	(2.27)	8.68	9.20	(0.94)	8.26

The profit for the year was derived from continuing operations for both financial years.

* Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') and are analysed and described in note 4.

Consolidated statement of comprehensive income*for the year ended 30 June 2017*

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Profit for the year	26,811	25,310
Other comprehensive income	—	—
Total comprehensive income for the year attributable to:		
Equity holders of the Company	26,811	25,194
Non controlling interests	—	116
Total comprehensive income for the year	26,811	25,310

Consolidated statement of changes in equity*for the year ended 30 June 2017*

	Share Capital £'000	Share Premium Account £'000	Shares to be issued £'000	Retained Earnings £'000	Total £'000	Non Controlling Interests £'000	Total £'000
Balance at 01 July 2015	296	65,103	3,439	88,615	157,453	(7)	157,446
Profit for the year	—	—	—	25,194	25,194	116	25,310
Total comprehensive income for the year	—	—	—	25,194	25,194	116	25,310
Issue of Ordinary Shares	8	8,666	(3,439)	—	5,235	—	5,235
Dividends paid in the year ..	—	—	—	(28,114)	(28,114)	—	(28,114)
Changes in non-controlling interest	—	—	—	(166)	(166)	(109)	(275)
Share-Based Payments	—	—	—	684	684	—	684
Balance at 30 June 2016 ...	304	73,769	—	86,213	160,286	—	160,286
Profit for the year	—	—	—	26,811	26,811	—	26,811
Total comprehensive income for the year	—	—	—	26,811	26,811	—	26,811
Issue of Ordinary Shares	—	11	—	—	11	—	11
Dividends paid in the year ..	—	—	—	(30,158)	(30,158)	—	(30,158)
Share-Based Payments	—	—	—	2,004	2,004	—	2,004
Balance at 30 June 2017 ...	304	73,780	—	84,870	158,954	—	158,954

Consolidated statement of financial position*as at 30 June 2017*

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	11	85,990	85,990
Intangible assets	12	18,917	21,307
Property, plant and equipment (including vehicles)	13	55,515	47,605
Interests in associates	14	1,361	796
Deferred tax asset	20	4,236	5,871
		166,019	161,569
Current assets			
Trade and other receivables	15	142,852	126,872
Cash and cash equivalents		36,344	34,647
		179,196	161,519
Total assets		345,215	323,088
Current liabilities			
Trade and other payables	16	(131,386)	(116,218)
Obligations under finance leases	17	(20,683)	(21,242)
Provisions	19	(1,318)	(1,242)
		(153,387)	(138,702)
Net current assets		25,809	22,817
Non-current liabilities			
Obligations under finance leases	17	(25,377)	(18,631)
Deferred tax liability	20	(4,991)	(5,469)
Provisions	19	(2,506)	–
		(32,874)	(24,100)
Total liabilities		(186,261)	(162,802)
Net assets		158,954	160,286
Equity			
Share capital	21	304	304
Share premium account	21	73,780	73,769
Retained earnings		84,870	86,213
Equity attributable to owners of the Company		158,954	160,286

The notes on pages 172 to 199 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 September 2017. They were signed on its behalf by:

Stephen Oakley

Chief Financial Officer

6 September 2017

Company Number 03120010

Consolidated statement of cash flows*for the year ended 30 June 2017*

	Note	£'000	2017 £'000	£'000	2016 £'000
Cash flows from operating activities					
Profit for the year		26,811		25,310	
Tax charge.....		4,960		5,995	
		31,771		31,305	
Income from associates		(1,502)		(1,281)	
Finance (expense)/income	7	150		(127)	
Fleet finance lease interest	7	1,538		1,474	
Depreciation of tangible fixed assets	13	11,318		8,650	
Property lease provisions.....	4	3,859		—	
Amortisation of intangible assets	4	2,390		1,593	
Losses on sale of property, plant and equipment		320		715	
Share-based payment charges.....	4	2,004		684	
EBITDA		51,848		43,013	
Increase in receivables.....		(12,845)		(31,539)	
Increase in payables.....		13,334		33,871	
Decrease in provisions.....		(1,277)		(1,265)	
Cash generated from operating activities			51,060		44,080
Bank interest received		109		275	
Fleet finance lease interest		(1,538)		(1,474)	
Interest element of non-fleet finance lease rentals.....		(15)		(12)	
			(1,444)		(1,211)
Taxation paid			(2,395)		(796)
Net cash from operating activities			47,221		42,073
Cash flows from investing activities					
Acquisitions of business combinations net of cash acquired		—		(13,383)	
Deposits held under escrow.....		(3,000)		—	
Distributions from associates		938		492	
Purchase of property, plant and equipment		(3,400)		(2,032)	
Proceeds from sale of plant and equipment		24,542		16,407	
Net cash inflow from investing activities			19,080		1,484

	Note	£'000	2017 £'000	£'000	2016 £'000
Cash flows from financing activities					
Proceeds from issue of share capital		11		236	
Dividends paid		(30,158)		(28,114)	
Repayment of borrowings		–		(23,505)	
Loan issue costs		–		(235)	
Finance lease principal repayments		(34,457)		(25,918)	
Net cash used in financing activities			(64,604)		(77,536)
Net increase/(decrease) in cash and cash equivalents	26		1,697		(33,979)
Cash and cash equivalents at beginning of year			34,647		68,626
Cash and cash equivalents at end of year	26		36,344		34,647
Cash and cash equivalents consist of:					
Cash at bank and in hand			36,344		34,647

Notes to the consolidated financial statements

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation.

Adoption of new and revised standards

There are no newly adopted standards in force and applying to the year that have a material impact upon the accounts.

New and revised standards not yet adopted

The following standards have not been applied in preparing these consolidated Financial Statements:

- IFRS 15 - Revenue from contracts with customers. This is effective for year ended 30 June 2019. The Group is continuing to review the impact of IFRS 15 but it is not currently expected to have any material impact on the Group.
- IFRS 16 - Leases. This is effective for year ended 30 June 2020. The Group is assessing the impact of IFRS 16 which, based upon leases presently held by the Group, is likely to increase Group EBITDA and Group net interest charges by similar amounts with an immaterial effect on profit before taxation. The amounts to be included under the standard into fixed assets and net debt respectively will be more definitively assessed nearer the time and are dependent upon lease agreements that will be in existence at that point.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June each year.

The results of entities acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of controlled entities 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.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has adequate resources to continue in operational existence for the foreseeable future. Full details can be found in the Group Strategic Report on page 12.

Business combinations

The acquisition of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus (for acquisitions prior to the implementation of IFRS 3), any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated losses for impairment. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, each cash generating unit is allocated goodwill and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition

Revenue relating to car hire, repair and claims management services is measured at the fair value of the consideration receivable (after expected discounts), net of VAT and other sales taxes. Revenue is recognised when services are provided, including an appropriate proportion of any services that are in progress at the reporting date. It is recognised only when it can be estimated reliably. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services based on their relative fair values.

Credit hire revenue is recognised from the date a vehicle is placed on hire. Vehicles are only supplied and remain on hire after a validation process that assesses to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial tariffs for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment on a portfolio basis 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 and an estimation of the expected adjustment arising on the settlement of other claims.

Revenue recognised initially equates to the amount payable to the Group at the completion of the hire transaction. The Group also has an entitlement to late payment charges 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 have not been earned; rather they are recognised when they can be reliably determined, which is normally 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. Credit repair revenue is recognised based on an estimate of the stage of completion of the repair services at the reporting date. Credit repair revenue is reported net of an estimation of the expected adjustment arising on settlement of claims. The Group records credit repair revenue on a gross basis as this best reflects the economic benefits that are received or receivable by the Group on its own account. Managed repair revenue is recorded at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

Revenue in respect of legal services represents amounts chargeable, net of VAT, in respect of legal services to customers. Turnover 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. Accrued income in relation

to legal services is valued at the lower of cost and net realisable value, after due regard to non-recoverable time. Net realisable value 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 outcome of the cases to justify the recognition of an asset.

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. As described above, the Group records revenue net of the expected adjustment arising on the settlement of claims, which reflects the Group's estimate of the amounts claimed from insurers that it does not expect to be ultimately recoverable.

The Group's estimation of the expected adjustments 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.

Insurance policy income

Insurance policy income represents commission received by the Group for broking the sale of general insurance policies to its customers. Insurance policy commission income is recognised on completion of the sale of the policy to the customer.

Other accident management related activities

Other accident management activities represent ancillary revenue streams, including hire of vehicles other than on a credit hire basis and the provision of out-sourced fleet accident management services. Revenue for other accident management activities is recorded at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

Trade receivables and claims in progress – credit hire and credit repair

Credit hire and credit repair trade receivables and claims in progress are stated at the expected net claim value, which is after allowance, on a portfolio basis, for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under protocol agreements or the terms of the ABI GTA and an estimation of the expected adjustments arising on the settlement of claims. The estimation of the expected adjustment arising on settlement of claims is revised, on a portfolio basis, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Any adjustments arising from such subsequent revision of the Group's expected adjustments on the settlement of claims are recorded in the income statement against revenue.

Trade receivables – amounts invoiced for services

Trade receivables – amounts invoiced for services are stated at invoiced amount less any provision for impairment.

Operating profit

Operating profit is stated after charging administrative costs and costs of vehicle financing but before non-vehicle finance costs, so that the costs of vehicles are recognised consistently in the income statement, regardless of whether they are owned, subject to finance lease or short-term hire.

Exceptional items and adjustment items

Exceptional items are items which due to their size, incidence or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and, in the opinion of the Board, to show more accurately the underlying results of the Group. Adjustment items include amortisation of intangibles, share based payments and similar items and as analysed and described in note 4 and are also summarised separately on the face of the consolidated income statement.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. A portion of the finance lease expense is apportioned to cost of sales as finance leased vehicles are considered to be directly attributable to the sales of the business and in order to enable comparability of holding costs between leased vehicles and those operated under contract hire operating lease arrangements.

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

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred. Associated funding costs relevant to the Group's borrowings are recognised as part of the effective interest calculation over the life of the financial liability.

Retirement benefit costs

The Group contributes to the personal pension plans of employees at a fixed percentage of basic earnings. The cost is charged to the income statement as the contributions fall due. The Group has no defined benefit arrangements.

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 period. 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 periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Non-hire fleet

Freehold buildings	2%
Leasehold improvements	over the term of the
lease Fixtures and equipment	15% to 33.33%
Hire fleet	see below

Non-hire fleet assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or over the term of the relevant lease.

Hire fleet

Fleet vehicles are depreciated to write down the cost of the vehicles to their estimated residual value over the expected holding period which is typically between 12 and 24 months. Residual value is based on current estimates of the net disposal value of the vehicle as if the vehicle were already of the age and in the condition expected at the date of disposal. Management review these estimates at each reporting date by reference to publicly available data on second-hand vehicle sales. The depreciation charge is adjusted prospectively to reflect movements in the residual value.

Impairment of tangible and intangible assets

At each balance sheet date the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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 risk specific to the assets.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed

the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments – Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of financial assets is reduced by the impairment losses directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a doubtful debt or settlement provision.

Subsequent recoveries of amounts previously written off are credited against these provisions. Changes in the carrying amount of these provisions are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and any other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risk where considered appropriate. Further details of derivative instruments are disclosed in note 24 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured at their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedging relationship.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value determined at the date of grant, and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For options, fair value is measured by use of the Black-Scholes option pricing model or another appropriate model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For other long-term incentive schemes under which shares are awarded to directors and employees subject to performance conditions, the fair value is determined to be the market price of the shares at the date of grant. However, for awards that are subject to market-based performance conditions a Stochastic Model is used, which applies the performance condition to a large number of possible price movements and uses the average result to estimate the fair value of an award.

Key sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make judgments, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments affecting the Group's financial statements are expected adjustments arising on settlement of insurance claims (note 15) and goodwill impairment (note 11).

2. Segmental information

The activities of the Group are managed by the Executive Board, "the Board", which is deemed to be the Chief Operating Decision Maker, as a single operating platform. The entities within the Group contribute as part of the whole operation of the Group to provide services for the core business. The Board of Redde plc considers the performance of the business by reference to contributions from all activities of the Group as a whole, and reviews requirements of the total Group when determining allocations of resources. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance. The Group has identified operating segments within the main reportable segment, two of which would qualify for separate reporting under IFRS8 based on their size. Due to growth in these two operating segments relative to the rest of the Group, the number of operating segments has reduced from three in the previous year. These operating segments are aggregated into one reportable segment as permitted under IFRS 8 for reporting purposes where they have similar economic characteristics and where the nature of services and their customer base is similar.

3. Revenue

	2017 £'000	2016 £'000
Revenue	472,344	379,244

As described in note 15, the estimation of the expected adjustment arising on settlement of claims is revised, where necessary, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. 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 claims. Adjustments arising from subsequent revision of the Group's expected adjustment arising on settlement of claims, including amounts received by way of late payment charges, are recorded in revenue in the income statement.

4. Amortisation of intangibles, share based payments and exceptional items

Management is required to exercise its judgment in the classification of certain items such as exceptional and those other items considered to be outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustments requires judgment on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance.

Throughout the Annual Report and Accounts reference is therefore made to adjusted results and measures. The directors believe that the selected adjusted measures allow management and other stakeholders to better compare the performance of the Group between the current and prior year, without the effects of one-off or non-operational items and, given the Group's full distribution dividend policy, better reflects the normalised underlying cash earnings earned in the year under review to which the directors have regard in determining the amount of any dividend.

In exercising this judgment, the directors have taken appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the European Securities and Markets Authority on the reporting of non-adjusted results. Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and are also analysed on the face of the Consolidated Income Statement on page 167.

	2017 £'000	2016 £'000
Administration costs – Amortisation of intangible assets and share based payments:		
a) <i>Amortisation of acquired intangible assets</i>	2,390	1,593
b) <i>Share-based payments</i>	2,004	684
Impact of above on operating profit	4,394	2,277
Exceptional items comprise the following:		
c) <i>Property lease provisions</i>	3,859	–
d) <i>Reorganisation and integration costs</i>	–	311
e) <i>Acquisition costs</i>	–	651
Impact of exceptional items on operating profit	3,859	962
f) <i>Finance costs – discount on provisions and deferred consideration</i>	–	83
Total exceptional items	3,859	1,045
Total adjustments to operating profits	8,253	3,239
Total adjustments to finance costs	–	83
Total adjustments to profit before tax	8,253	3,322
Tax effect of the above	(1,240)	(460)
Impact on profit after tax for the year	7,013	2,862

a) *Amortisation of acquired intangible assets*

Last year the Group recognised the value of customer relationships and acquired software amounting to £22.9m in total (note 12) as a result of the acquisition of FMG (note 25) and these assets are being amortised over 10 and 5 years respectively. Such amortisation is included in adjustment items as it is

related to the acquisitions of businesses and does not involve ongoing cash expenditure in the normal operations of the Group. The charge for the year amounts to £2.4m (2016: £1.6m) (note 12), and the tax effect was a credit of £0.5m (2016: £0.5m).

b) ***Share-based payments***

The Group has a number of share incentive schemes. In accordance with IFRS 2 the calculated charge in respect of options issued and outstanding amounts to £2.0m for the year (2016: £0.7m). Such charges are included in adjustment items as they do not represent a cash cost of operations, have no effect on the net assets of the Group and given that unissued options are already included in the statutory diluted earnings per share calculations these costs are removed to avoid double counting in arriving at such diluted earnings per share.

c) ***Property lease provisions***

The Group presently is subject to a number of onerous long term leases of certain properties no longer occupied by the Group. Additional space was also vacated during the year as part of a reorganisation. Provision has been made to reflect the net holding cost of these leases between now and the end date of those leases taking into account the Group's plans for mitigation of these lease costs and a pre-tax exceptional charge of £3.9m (2016: £nil) has been made in this respect. The tax effect was a credit of £0.7m (2016: £nil).

d) ***Reorganisation and integration costs***

Last year the Group integrated the operations of Total Accident Management Limited with that of the FMG group of companies. This restructuring gave rise to redundancy costs and other costs associated with the restructuring totalling £0.3m for that year.

e) ***Acquisition costs***

The charge for last year in accordance with the requirements of IFRS 3 represents acquisition costs, and relates to legal and professional fees incurred during the acquisition of the FMG group of companies, and amounted to £0.7m.

f) ***Finance costs***

The carrying amount of provisions against properties are included in the balance sheet net of the appropriate discount reflecting the cost of funding. The charge of £0.1m for last year represents the unwinding of this discount.

5. Operating profit

	2017 £'000	2016 £'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
owned	1,289	1,144
leased	10,029	7,506
Loss on sale of property, plant and equipment.....	320	715
Operating lease rentals		
vehicles	12,956	11,214
property.....	2,472	2,134
other	16	123

Details of auditor's remuneration is provided below:

	2017 £'000	%	2016 £'000	%
Audit services				
Statutory audit of Group and company financial statements.....	78	28	73	16
Statutory audit of Group subsidiaries pursuant to legislation.....	135	48	137	30
	<u>213</u>	<u>76</u>	<u>210</u>	<u>46</u>
Other services				
Interim review	40	14	37	8
Other regulatory reporting	17	6	10	2
Cyber security review	11	4	—	—
Accounting and tax due diligence on acquisitions	—	—	202	44
Total auditor's remuneration	<u>281</u>	<u>100</u>	<u>459</u>	<u>100</u>

6. Staff costs

	2017 Number	2016 Number
The average number of full time equivalent employees (including executive directors) was:		
Operational	1,551	1,318
Office administration	346	298
Management	98	98
	<u>1,995</u>	<u>1,714</u>
	2017 £'000	2016 £'000
Their aggregate remuneration comprised:		
Wages and salaries.....	53,277	46,866
Social security costs	4,482	3,848
Other pension costs.....	939	857
Share-based payments charge.....	58,698	51,571
	<u>2,004</u>	<u>684</u>
	<u>60,702</u>	<u>52,255</u>

The full time equivalent number of employees at the year end was 2,228 (2016: 1,819). Key management personnel and their remuneration are discussed in the directors' emoluments table on page 22 and the share plan tables on page 23.

7. Finance income and finance costs

	2017 £'000	2016 £'000
<i>a) Finance income</i>		
Interest receivable.....	(109)	(275)
<i>b) Finance costs</i>		
Interest on obligations under finance leases.....	1,552	1,487
Loan issue costs charged in the year.....	245	135
	1,797	1,622
Reclassification of interest on obligations under finance leases and fleet facilities to cost of sales	(1,538)	(1,474)
Finance costs payable before exceptional costs	259	148
Net finance costs/(income) before exceptional costs	150	(127)
<i>c) Exceptional finance costs</i>		
Unwind of discount on provisions and deferred consideration (note 4).....	—	83
Total net finance costs/(income).....	150	(44)

8. Tax

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profit for the year	(3,861)	(1,006)
Adjustments in respect of prior years.....	58	39
Total current tax charge	(3,803)	(967)
Deferred tax		
Previously unrecognised tax losses and temporary differences	1,000	208
Origination and reversal of temporary differences	(2,160)	(5,113)
Adjustments in respect of prior years.....	(13)	(27)
Impact of change in tax rate	16	(96)
Tax charge on profit on ordinary activities	(4,960)	(5,995)
	2017 £'000	2016 £'000
Reconciliation of tax charge		
Profit for the year	26,811	25,310
Tax charge.....	4,960	5,995
Profit before tax.....	31,771	31,305
Tax at the weighted average UK corporation tax rate of 19.75% (2016: 20.00%).....	(6,275)	(6,261)
Recognition/(reversal) of deferred tax asset.....	1,756	(90)
Adjustment in relation to prior periods	45	12
Impact of change in tax rate on recognised deferred tax	16	(96)
Tax effect of non-deductible expenses	(158)	(159)
Timing differences on the exercise of employee share options	(344)	599
Tax charge for the year.....	(4,960)	(5,995)

The weighted average tax rate of 19.75% (2016: 20.0%) reflects the reduction in the UK main corporation tax rate from 20.0% to 19.0% effective from 1 April 2017. A further reduction to 17.0% (effective from 1 April 2020) was enacted in the 2016 Finance Act. This will reduce the Group's future current tax charge accordingly whilst the deferred tax assets and liabilities at 30 June 2017 have been calculated based upon these enacted rates.

9. Dividends

	2017 £'000	2016 £'000
Special dividend in respect of Autofocus of 1.00p paid on 30 July 2015	—	2,854
Final dividend for 2015 of 4.25p paid on 5 November 2015	—	12,193
Interim dividend for 2016 of 4.50p paid on 24 March 2016	—	13,067
Final dividend for 2016 of 5.15p paid on 03 November 2016	14,960	—
Interim dividend for 2017 of 5.00p paid on 30 March 2017	15,198	—
Total dividends paid in the year	30,158	28,114

10. Earnings per share

Basic earnings per share

The calculation of the basic earnings per share at 30 June 2017 is based on the profit attributable to ordinary shareholders of £26,811,000 (2016: £25,194,000) and a weighted average number of ordinary shares outstanding of 300,395,219 (2016: 290,809,792) calculated as follows:

Profit attributable to ordinary shareholders

	Year ended 30 June 2017 Adjusted* £'000	Adjustment items £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Adjusted* £'000	Adjustment items* £'000	Year ended 30 June 2016 £'000
Profit for the year	33,824	(7,013)	26,811	28,056	(2,862)	25,194

* Adjusted profit excludes the impact of amortisation of acquired intangible assets, share based payments and those items described as exceptional. See note 4.

Weighted average number of ordinary shares

	2017 Number	2016 Number
In issue at 1 July	293,536,715	285,390,229
Effect of shares issued in respect of deferred consideration on acquisition of NewLaw	—	2,048,062
Effect of conversion of B shares	6,845,530	—
Effect of shares issued for cash on exercise of executive share options	4,151	1,299,899
Effect of shares issued for cash on exercise of SAYE share options	8,823	6,141
Effect of shares issued in respect of consideration on acquisition of FMG...	—	2,065,461
Weighted average number of ordinary shares at 30 June	300,395,219	290,809,792

Diluted earnings per share

There is no difference between profit attributable to ordinary shareholders for basic and diluted earnings for share calculations. The calculation of the diluted earnings per share at 30 June 2017 is based on the profit attributable to ordinary shareholders of £26,811,000 (2016: £25,194,000) and a weighted average number of ordinary shares outstanding of 300,395,219 (2016: 305,058,591) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017 Number	2016 Number
Weighted average number of ordinary shares (basic)	300,395,219	290,809,792
Effect of 2013 executive share options scheme shares in issue	14,554	28,946
Effect of 2016 executive share options scheme shares in issue	3,618,650	2,420,052
Effect of B shares in issue	3,565,380	10,410,910
Effect of 2014 SAYE share option scheme shares in issue	954,072	1,072,726
Effect of 2015 SAYE share option scheme shares in issue	322,600	316,165
Effect of 2016 SAYE share option scheme shares in issue	21,868	—
Effect of 2017 SAYE share option scheme shares in issue	97,480	—
Weighted average number of ordinary shares (diluted) at 30 June	308,989,823	305,058,591

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

11. Goodwill

	£'000
Cost	
At 01 July 2015	113,549
On acquisition (note 25)	26,759
At 30 June 2016 and 30 June 2017	140,308
Accumulated impairment losses	
At 01 July 2015, 30 June 2016 and 30 June 2017	(54,318)
Net book value	
At 30 June 2017	85,990
At 30 June 2016	85,990

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business acquisition. The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

For the purposes of testing the value of goodwill of all CGUs for impairment the Group has prepared forecasts, for periods of up to 5 years which have looked at short to medium term factors relevant to the CGUs in the Group, including macro economic issues, anticipated industry growth forecasts, changes to selling prices and direct costs. Due to the economic and political factors affecting the industry in which the Group operates, the forecast has assumed a growth rate in cash from operating activities averaging 1.0% per annum over the forecast period.

The forecasts have been used as the basis for the value in use calculation since these forecasts are considered to be sufficiently detailed and represent the best available information. As required by IAS36, a terminal value has been added to the forecasts with 0% growth assumed for the future years.

The allocation of Goodwill to the Group's CGUs, pre-tax rates used to discount the forecasts, headroom values when compared to the carrying values of the CGUs (which exclude cash and borrowings) and headroom sensitivities to changes in discount rates, is shown in the table below:

2017	Auxillis	NewLaw	FMG
Allocation of Goodwill (£'000)	18,950	40,281	26,759
Pre-tax discount rate	9.2%	11.7%	10.4%
Headroom (£'m).....	334.0	21.9	75.3
Headroom increase if discount rate 0.5% lower.....	23.6	3.4	5.6
Headroom decrease if discount rate 0.5% higher	21.2	3.1	5.1
2016	Auxillis	NewLaw	FMG
Allocation of Goodwill (£'000)	18,950	40,281	26,759
Pre-tax discount rate	10.0%	10.0%	10.0%
Headroom (£'m).....	216.7	13.0	75.1

After review of the results of these tests, the directors consider that there has been no impairment to any of the CGUs during the year (2016: £nil).

Decisions as to the impairment of goodwill are a key source of estimation uncertainty and a critical accounting judgment.

12. Intangible assets

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 01 July 2015	—	—	—
On acquisition (note 25)	21,900	1,000	22,900
At 30 June 2016 and 30 June 2017	21,900	1,000	22,900
Amortisation			
At 01 July 2016	(1,460)	(133)	(1,593)
Charge for year	(2,190)	(200)	(2,390)
At 30 June 2017	(3,650)	(333)	(3,983)
Net book value			
At 30 June 2017	18,250	667	18,917
At 30 June 2016	20,440	867	21,307

The value of customer relationships and acquired software that have been recognised will be amortised over 10 and 5 years respectively.

13. Property, plant and equipment (including vehicles)

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
Cost					
At 01 July 2015	438	780	35,803	14,095	51,116
Additions	–	46	37,494	1,229	38,769
Disposals	–	(42)	(23,809)	(3,865)	(27,716)
On acquisition (note 25)	2,287	–	–	638	2,925
At 30 June 2016	2,725	784	49,488	12,097	65,094
Additions	–	34	41,393	2,663	44,090
Disposals	–	(6)	(32,939)	(4,611)	(37,556)
At 30 June 2017	2,725	812	57,942	10,149	71,628
Accumulated depreciation and impairment					
At 01 July 2015	(71)	(445)	(5,963)	(12,955)	(19,434)
Charge for the year	(44)	(63)	(7,706)	(837)	(8,650)
Disposals	–	33	6,781	3,781	10,595
At 30 June 2016	(115)	(475)	(6,888)	(10,011)	(17,489)
Charge for the year	(61)	(55)	(10,077)	(1,125)	(11,318)
Disposals	–	3	8,152	4,539	12,694
At 30 June 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
Carrying amounts					
At 30 June 2017	2,549	285	49,129	3,552	55,515
At 30 June 2016	2,610	309	42,600	2,086	47,605
Leased assets included above:					
At 30 June 2017	–	–	48,239	551	48,790
At 30 June 2016	–	–	41,412	229	41,641

The Group operates a large fleet of hire vehicles. Depreciation on these vehicles is intended to reduce the carrying value of the vehicles to their expected residual value at disposal. However, the residual value attributable is dependent on conditions present in the future and is subject to movements in the market for nearly-new vehicles. The cost of the land element of freehold property is not separable from the cost of the freehold buildings.

14. Interests in associates

The Group's interest in associates comprises of minority participations in five (2016: four) active Limited Liability Partnerships ("LLP") registered and situated in the United Kingdom. All of the LLPs are engaged in the processing of legal claims and are regulated by the Solicitors Regulation Authority. The LLPs are businesses over which the Group is deemed to have significant influence but does not control.

	2017 £'000	2016 £'000
Carrying amount of interests in associates	1,361	796
Group's share of:		
Profit from continuing operations	1,502	1,281
Other Comprehensive Income	–	–
Total share of profits	1,502	1,281

The accounting period ends of the associated companies consolidated in these financial statements range from 30 November to 31 December. The accounting period end dates of the associates are different from the

Group as they are more aligned to the accounting reference dates of the majority partners. The above information has been obtained from management accounts of the entities concerned for the period ending 30 June 2017. Further information on transactions with associates are in note 27.

15. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables – claims due from insurance companies and self-insuring organisations	99,059	86,150
Trade receivables – amounts invoiced for services	15,578	16,754
Trade receivables.....	114,637	102,904
Other receivables.....	198	119
Accrued income.....	2,577	2,790
Total receivables for purposes of calculating debtor days.....	117,412	105,813
Disbursements recoverable in legal businesses	14,267	13,423
Amounts due from associates	50	21
Taxation recoverable	134	–
Prepayments	10,989	7,615
	142,852	126,872

The Group's debtor days at 30 June 2017 were 91 days (2016: 94 days). This measure is based on net trade receivables, other receivables and accrued income as a proportion of the related underlying revenue multiplied by 365 days.

a) *Claims due from insurance companies*

Claims due from insurance companies 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 amounts ultimately recoverable. The estimation of the expected adjustment arising on settlement of claims 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 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 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 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 do not carry a contractual

'due date', nor does the expected adjustment arising on settlement of trade receivables represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS7 on provision for credit loss are not provided. Instead the directors review claims due from insurance companies 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 trade receivables 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. An analysis of claims due from insurance companies is given below.

	2017 £'000	%	2016 £'000	%
Pending claims	11,625	12	11,466	13
Between 1 and 120 days old	49,434	50	41,696	49
More than 120 days old.....	38,000	38	32,988	38
Total.....	99,059	100	86,150	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 26% (2016: 37%) of receivables.

b) *Amounts invoiced for services*

No interest is charged on receivables. The Group has provided for expected irrecoverable amounts specifically based on past default experience. The Group assesses the credit worthiness for each customer prior to commencing to trade with them. The most significant five customers represented 25% (2016: 23%) of receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £2.5m (2016: £3.0m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The cash collection period for these balances is normal for the industry.

Ageing of past due but not impaired receivables.

	2017 £'000	2016 £'000
30-60 days	1,031	1,568
60-90 days	616	619
90-120 days	443	372
More than 120 days.....	402	392
Total.....	2,492	2,951

The movement in the allowance for doubtful debtors was as follows:

	2017 £'000	2016 £'000
At beginning of year.....	1,661	1,212
Provision at acquisition (note 25)	—	508
Recognised/(released).....	6	(59)
At end of year.....	1,667	1,661

The carrying amount of trade and other receivables is denominated in sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

16. Trade and other payables

	2017 £'000	2016 £'000
Trade payables.....	69,100	60,707
Other taxation and social security.....	7,184	7,023
Accruals and deferred income.....	40,479	35,210
Disbursements payable in legal businesses.....	10,148	9,685
Other creditors.....	2,638	3,297
Corporation tax payable	1,837	296
	131,386	116,218

Trade payables represent amounts payable for goods and services. The directors consider that the carrying amount of trade payables approximates to their fair value.

17. Obligations under finance leases

	2017 £'000	2016 £'000
Amounts payable under finance leases		
Within one year.....	21,997	22,470
In the second to fifth years inclusive.....	26,167	19,281
Less future finance charges.....	(2,104)	(1,878)
Present value of lease obligations	46,060	39,873
Present value of lease obligations		
Within one year.....	20,683	21,242
In the second to fifth years inclusive.....	25,377	18,631
Present value of lease obligations	46,060	39,873
Analysed as:		
Amounts due for settlement within 12 months.....	20,683	21,242
Amounts due for settlement after 12 months	25,377	18,631
Shown in current/non current liabilities.....	46,060	39,873

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.2 years (2016: 2.3 years). For the year ended 30 June 2017 the average effective borrowing rate was 3.39% (2016: 3.94%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's finance lease obligations approximates to their carrying value. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

18. Other borrowings

The Group has a 5 year £35m unsecured revolving credit facility with HSBC expiring in December 2020 as well as an unsecured overdraft facility of £5m with the same bank. There have been no drawings under either facility since inception but the facility is available to fund growth in the business should the considerable cash balances currently held for this purpose be used for other corporate purposes such as further acquisitions. If and when drawn, related covenants surround a net debt to EBITDA ratio (< 3:1) and the ratio of trade receivables to amounts drawn under the HSBC facility (> 1.5:1).

The margin charged on the revolving credit facility is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.25% over LIBOR to a maximum of 2.25% over LIBOR. The margin on the overdraft is 1.25% over Bank of England Base Rate.

The directors consider that the fair value of the Group's borrowings is equal to their book value. All obligations under finance leases are disclosed in note 17.

19. Provisions

	Onerous lease provision £'000
At 1 July 2015	2,508
Utilised during the year	(1,266)
At 30 June 2016	1,242
Provisions made in the year	3,859
Utilised during the year	(1,277)
At 30 June 2017	3,824
Included in current liabilities	1,318
Included in long term liabilities	2,506
	3,824

The Group presently is subject to a number of onerous long term leases of certain properties no longer occupied by the Group. The above provision has been increased this year due to changes to previously held assumptions and further space vacated during the year. The provision reflects the directors estimate of the net holding cost of these leases between now and the end date of those leases discounted to their present value at an appropriate risk free interest rate for the period, taking into account the Group's present intended plans for mitigation of these lease costs.

20. Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2017 and 30 June 2016 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) Accelerated tax depreciation £'000	Asset Total £'000
At 1 July 2015	(1,022)	10,850
On acquisition (note 25)	(4,580)	182
Credit/(charge) to income	133	(5,161)
At 30 June 2016	(5,469)	5,871
Credit/(charge) to income	478	(1,635)
At 30 June 2017	(4,991)	4,236

At the balance sheet date the Group has unused trading losses and other timing differences of £47.1m (2016: £63.2m) available for offset against future trading profits. A deferred tax asset has been recognised in respect of £22.8m (2016: £30.2m) of this amount to reflect the foreseeable forecast utilisation of tax losses and capital allowances carried forward. No deferred tax asset has been recognised in respect of the remaining £24.3m (2016: £33.0m) due to the risks associated with the generation of the requisite future taxable profits and the timing of the unwind of the temporary difference.

Deferred tax asset not provided in full on temporary differences under the liability method using a tax rate of 19% (2016: 20%):

	Asset Tax losses carried forward £'000	Asset Accelerated tax depreciation £'000	Asset Other temporary differences £'000	Asset Total £'000
At 30 June 2017	1,089	3,406	152	4,647
At 30 June 2016	1,238	5,298	154	6,690

21. Share capital and share premium

a) *Share capital movements in year*

	Ordinary Shares of 0.1p		B Shares of 0.1p		Total
	Number	£'000	Number	£'000	£'000
In issue at 1 July 2015	285,390,229	286	10,410,910	10	296
Issued for acquisitions	3,048,220	3	—	—	3
Issued in respect of deferred consideration	2,889,874	3	—	—	3
Exercise of SAYE share options.....	6,832	—	—	—	—
Exercise of executive share options ...	2,201,560	2	—	—	2
In issue at 30 June 2016	293,536,715	294	10,410,910	10	304
Conversion of B shares.....	10,410,910	10	(10,410,910)	(10)	—
Exercise of SAYE share options.....	12,078	—	—	—	—
Exercise of executive share options ...	18,705	—	—	—	—
In issue at 30 June 2017 fully paid	303,978,408	304	—	—	304

Following the payment of the final dividend of 5.15p per share for year ended 30 June 2016 on 3 November 2016 a cumulative total of 27.4p per share (adjusted for the share consolidation on 23 May 2014) has been paid in dividends since the original financial reconstruction of the Company in February 2013 thus achieving the B Share Hurdle as defined in the Company's Articles of Association. Consequently pursuant to the Company's Articles the entire issued number of B Shares automatically converted into Ordinary Shares on 3 November 2016.

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

Changes in the share capital or share premium account during the year are summarised in the Consolidated Statement of Changes in Equity and reflect:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
08 August 2016	Exercise of SAYE Options	2,380	48.30p	1	—	1
10 August 2016	Exercise of SAYE Options	275	126.94p	—	—	—
12 October 2016.....	Exercise of SAYE Options	3,354	48.30p	1	—	1
24 October 2016.....	Exercise of SAYE Options	2,992	126.94p	4	—	4
07 November 2016.....	Exercise of SAYE Options	3,077	53.92p	2	—	2
	Total SAYE	12,078		8	—	8
11 April 2017.....	Exercise of Executive Share Options	18,705	14.25p	3	—	3
	Total Executive Options	18,705		3	—	3
	Total shares issued	30,783		11	—	11

The following share issues took place during the previous financial year:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
31 July 2015.....	NewLaw deferred consideration	480,924	118.99p	572	–	572
6 September 2015.....	NewLaw deferred consideration	480,924	118.99p	573	1	572
30 September 2015.....	NewLaw deferred consideration	480,924	118.99p	572	–	572
31 October 2015.....	NewLaw deferred consideration	480,923	118.99p	573	1	572
30 November 2015.....	NewLaw deferred consideration	480,923	118.99p	572	–	572
31 December 2015	NewLaw deferred consideration	485,256	118.99p	577	1	576
Total deferred consideration		2,889,874		3,439	3	3,436
27 October 2015.....	Issued for acquisition of FMG	3,048,220	164.03p	5,000	3	4,997
04 August 2015	Exercise of Executive Share Options	63,656	15.74p	10	–	10
07 August 2015	Exercise of SAYE Options	6,832	48.30p	3	–	3
02 November 2015.....	Exercise of Executive Share Options	254,630	11.49p	29	–	29
06 November 2015.....	Exercise of Executive Share Options	567,998	11.34p	65	1	64
10 November 2015.....	Exercise of Executive Share Options	524,346	7.76p	42	1	41
16 November 2015.....	Exercise of Executive Share Options	95,489	11.49p	11	–	11
09 December 2015	Exercise of Executive Share Options	190,973	11.49p	22	–	22
17 December 2015	Exercise of Executive Share Options	124,917	11.16p	14	–	14
22 December 2015	Exercise of Executive Share Options	127,318	11.49p	15	–	15
01 March 2016	Exercise of Executive Share Options	124,917	11.16p	14	–	14
10 March 2016	Exercise of Executive Share Options	33,500	7.25p	2	–	2
26 April 2016	Exercise of Executive Share Options	61,986	9.28p	6	–	6
28 April 2016	Exercise of Executive Share Options	31,830	6.99p	2	–	2
Total shares issued for cash		2,208,392		235	2	233
Total shares issued		8,146,486		8,674	8	8,666

22. Operating lease arrangements

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 Vehicles £'000	2017 Properties £'000	2017 Total £'000	2016 Vehicles £'000	2016 Properties £'000	2016 Total £'000
Within one year	8,861	1,992	10,853	6,391	3,279	9,670
In the second to fifth years inclusive	2,574	7,008	9,582	1,989	9,624	11,613
After five years.....	–	3,450	3,450	74	5,798	5,872
	11,435	12,450	23,885	8,454	18,701	27,155

Operating lease payments represent rentals payable by the Group for certain of its motor vehicles, plant and equipment and properties. Leases have a weighted average term of 3.63 years (2016: 4.42 years). The lease payments subject to the onerous lease provision of £3.8m (2016: £1.2m) (note 19) have been included within the above amounts.

23. Share-based payments

Equity settled share option plans

The Group has granted options which remain outstanding in the form of mainstream options and options under the Sharesave schemes to certain directors and employees.

Mainstream options

2016 Performance Share Plan

On 26 February 2016 the Group adopted a new performance share plan (“2016 Performance Share Plan”) to incentivise key management to deliver the strategic goals of the business and which replaces the 2013 Executive Option scheme which is now closed. Awards were made in relation to ordinary shares of 0.1p each in the Company under the 2016 Performance Share Plan. Grants under the 2016 Performance Share Plan are subject to vesting criteria relating to the achievement of earnings per share (“EPS”) and total shareholder return (“TSR”) targets over a three financial year performance period. TSR will be measured against the AIM 100 index. Grants are expected to be made annually and approved by the Company’s Remuneration Committee. These Awards will normally become exercisable as nominal cost options subject to continued employment and to the extent the TSR and EPS targets are achieved over the three financial year performance period.

Up to one half of the 1st tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 10.92p in the financial year ended 30 June 2018 with a straight-line reduction to NIL if basic adjusted EPS is below 9.66p.

Up to one half of the 2nd tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 12.53p in the financial year ended 30 June 2019 with a straight-line reduction to NIL if basic adjusted EPS is below 11.00p.

Up to one half of all of the above Awards will vest in full if the Company’s TSR performance over the 3 year periods ending on the above dates at least equals the upper quartile of the AIM 100 index with a straight line reduction to NIL if performance is below median performance.

Once vested, the Awards shall ordinarily remain exercisable until the tenth anniversary of the grant of the Awards. Details of all mainstream options outstanding during the year are as follows:

	2017 Number of options 000s	2017 Weighted average exercise price (pence)	2016 Number of options 000s	2016 Weighted average exercise price (pence)
Outstanding at beginning of year	2,441	0.29	2,231	16.02
Granted during the year	1,199	0.10	2,421	0.10
Forfeited or surrendered during the year.....	(180)	0.10	(9)	0.10
Exercised during the year	(19)	14.25	(2,202)	10.46
Expired during the year	—	—	—	—
Outstanding at end of year.....	3,441	0.10	2,441	0.29
Exercisable at the end of the year	—	—	19	24.40

The options outstanding at 30 June 2017 had a weighted average exercise price of 0.10p (2016: 0.29p) and a weighted average remaining contractual life of 8.8 years (2016: 9.6 years). The options as at 30 June 2017 had an exercise price of 0.10p; the highest and lowest closing value of shares during the year were 206.50p and 147.80p respectively. The value of shares as at 30 June 2017 was 162.00p.

Sharesave schemes

Under the Sharesave schemes, which are HMRC approved, employees are granted options to acquire shares in the Company with funds deducted from their salaries on a monthly basis. Participation was open to all eligible employees employed at the date of commencement of the scheme. All participants agreed to save a fixed amount monthly into the scheme and in return received an option to purchase shares in the Company at a discounted price at the conclusion of the scheme. The discounted share price is calculated as the market price at the commencement of the scheme less 20%. The options vest after three years following the date of grant and must be exercised within 6 months of that date. The options generally lapse if the employee leaves within the three-year period.

	2017 Number of options 000s	2017 Weighted average exercise price (pence)	2016 Number of options 000s	2016 Weighted average exercise price (pence)
Outstanding at beginning of year	2,572	86.2	1,435	48.3
Granted during the year	888	148.7	1,304	126.9
Exercised during the year	(12)	71.0	(6)	48.3
Forfeited or lapsed during the year	(461)	130.9	(161)	80.3
Outstanding at end of year.....	2,987	97.9	2,572	86.2
Exercisable at the end of the year	—	—	—	—

Date of Grant	Outstanding at 01 July 2016 '000	Granted in the year '000	Exercised in the year '000	Forfeited or lapsed in the year '000	Outstanding at 30 June 2017 '000	Exercise price (pence)	Date from which Exercisable	Expiry date
26 June 2014.....	1,334	—	(9)	(42)	1,283	48.3	01/08/2017	01/02/2018
06 November 2015	1,238	—	(3)	(276)	959	126.9	01/12/2018	01/06/2019
30 September 2016.....	—	457	—	(141)	316	163.5	01/11/2019	01/05/2020
27 March 2017.....	—	431	—	(2)	429	132.8	01/05/2020	01/11/2020
	2,572	888	(12)	(461)	2,987	97.9		

The options outstanding at 30 June 2017 had a weighted average exercise price of 97.9p (2016: 86.2p) and a weighted average remaining contractual life of 1.2 years (2016: 1.7 years). The Group recognised total expense of £2.0m related to all of the equity-settled share-based payment transactions in 2017 (2016: £0.7m).

Assumptions used in the valuation of share based payments

The Group has determined the fair value of the outstanding share based payments for the options granted using both third party experts and in house models. The assumptions used in the valuations were as follows:

	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	Performance Plan	Performance Plan
Fair value of share option.....	19.0p	45.4p	45.3p	19.9p	153.5p - 172.3p	123.5p - 178.9p
Date of grant.....	26/06/14	06/11/15	30/09/16	27/03/17	26/02/16	02/09/16
Share price on date of grant	59.5p	180.5p	200.0p	148.5p	193.25p	205.5p
Exercise price	48.3p	126.9p	163.5p	132.8p	0.1p	0.1p
Share options originally granted....	1,513,947	1,303,787	461,407	430,824	2,241,297	924,265
Vesting period (years).....	3.1	3.1	3.1	3.1	3.0	3.0
Expected volatility	75%	35%	40%	32%	40%	40%
Expected life (years).....	3.6	3.6	3.6	3.6	3.0	3.0
Risk free rate of return	1.37%	0.98%	0.10%	0.31%	0.43%	0.12%
Fair value model used.....	Binomial	Binomial	Binomial	Binomial	Binomial and Monte Carlo	Binomial and Monte Carlo

24. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern 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 18, finance leases disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Categories of financial instruments

The gearing ratio, defined as net debt divided by total capital, was as follows:

	2017 £'000	2016 £'000
Net debt.....	9,716	5,226
Total shareholders' equity.....	158,954	160,286
Total capital	168,670	165,512
Gearing ratio	5.8%	3.2%
	2017 £'000	2016 £'000
Financial assets		
At amortised cost:		
Trade receivables.....	114,637	102,904
Disbursements recoverable in legal businesses	14,267	13,423
Cash and cash equivalents.....	36,344	34,647
Financial liabilities		
At amortised cost:		
Trade payables.....	69,100	60,707
Disbursements payable in legal businesses.....	10,148	9,685
Obligations under finance leases.....	46,060	39,873

Financial risk management objectives

The Group monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk. The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group does not have any significant foreign currency risk exposure.

Interest rate risk management

The Group is exposed to interest rate risk as entities in 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 where considered appropriate by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non- derivative financial instruments at the balance sheet date. For floating rate liabilities a 0.5% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2017 would have increased/decreased by £0.1m (2016: £0.2m). This is mainly attributable to the Group's exposure on variable rate borrowings and deposits.

Interest rate swap contracts

There were no outstanding interest rate swap contracts in existence at 30 June 2017 (2016: nil).

Credit risk management

The Group is exposed to credit risk in connection with the possible default by insurance companies. Following an assessment of the counterparties, the directors have concluded that there is no requirement for an impairment provision for credit loss against trade receivables arising from claims against insurance companies.

The provision for expected adjustments arising on settlement of claims does not represent an impairment provision under IFRS7. Nevertheless, for normal commercial reasons the Group ensures that vehicles are only placed on hire and repairs to vehicles are only carried out after the validation process has provided assurance that the liability for the accident rests with another party. As trade receivables for credit hire and credit repair carry no contractual 'due date', the term 'past due' used in IFRS7 is not considered to be relevant to the Group's trade receivables or the way in which the Group manages credit risk.

Trade receivables relating to amounts invoiced to customers for services provided are subject to credit risk in that a counterparty may default on its obligation to the Group. Customers represent primarily legal firms and the Group's policy is to deal with an approved panel of such firms. The carrying value of these financial assets, net of impairment provisions, represents the Group's maximum exposure to credit risk. Credit risk for cash placed on deposit is controlled by the use of appropriate financial institutions.

Liquidity risk management

Liquidity risk arises primarily from the nature of the claims settlement process, which can prolong the period of collection of trade receivables. 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 management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

Fair value of financial instruments

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

Maturity of financial assets

As explained in note 15, trade receivables for claims on insurers do not carry a contractual due date. As in previous years, the majority of our receivables relate to claims which are payable upon presentation and maturity should be expected within a month but settlement can be delayed following a period of negotiation with the relevant counter-party.

Maturity of financial liabilities

The following tables analyse the Group's remaining contractual maturity of its 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 can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2017							
Non-interest bearing	–	69,558	–	–	16	–	69,574
Variable interest rate instruments							
Finance lease liability	3.39	–	–	–	–	–	–
Fixed interest rate instruments.....	3.39	1,557	5,237	15,204	26,166	–	48,164
		<u>71,115</u>	<u>5,237</u>	<u>15,204</u>	<u>26,182</u>	<u>–</u>	<u>117,738</u>
2016							
Non-interest bearing	–	61,165	–	–	278	–	61,443
Variable interest rate instruments							
Finance lease liability	3.94	–	–	–	–	–	–
Fixed interest rate instruments.....	3.94	1,543	6,566	14,385	19,277	–	41,771
		<u>62,708</u>	<u>6,566</u>	<u>14,385</u>	<u>19,555</u>	<u>–</u>	<u>103,214</u>

Finance lease facilities are also in existence with a wide variety of different funders and in general do not represent committed facilities, but rather are provided on a rolling basis.

Externally imposed capital requirements

The Group is not subject to any externally imposed capital requirements.

25. Business combinations

The Group made a significant acquisition in the previous year:

FMG group of companies

FMG was acquired on 27 October 2015 for £22.5m in aggregate on a debt-free basis and assuming a normalised level of working capital. Loan notes of £23.5m were also settled at completion. The total consideration for the acquisition of all the shares and other vendor interests in FMG was therefore £46.0m and comprised a number of elements, satisfied by the payment at completion of approximately £41.0m in cash and also the issue of 3,048,220 new ordinary Redde shares with a total value of £5.0m in respect of the FMG shares and loan notes. Included in the above cash payment was a cash payment of £2.5m in respect of additional working capital balances on completion.

The aggregated provisional fair value of the identifiable assets and liabilities of FMG Group at the acquisition date are set out below:

	Fair Value £'000
Tangible fixed assets	2,925
Intangible assets – Customer relationships	21,900
Intangible assets – Software	1,000
Deferred tax asset	182
Trade and other receivables	9,818
Cash and cash equivalents	4,470
Trade and other payables	(16,385)
Loan notes	(23,505)
Finance leases	(129)
Deferred tax liabilities	(4,580)
Net assets acquired	(4,304)
Consideration:	
Cash paid on completion	17,455
Consideration paid in shares	5,000
Total consideration	22,455
Goodwill arising from the acquisition	26,759

The fair values of the assets and liabilities are stated as at 31 October 2015 being the nearest practical date to completion and are considered to be final. Goodwill has arisen on the acquisition due to the value of the assembled workforce, the value associated with any new software which is yet to be developed and the value associated with new customer contracts and relationships to be generated in the future that are not capable of being individually identified and/or separately recognised under the terms of IFRS 3(R). The value of customer relationships and acquired software that have been recognised will be amortised over 10 and 5 years respectively.

26. Cash flow information

a) Analysis and reconciliation of net cash

	01 July 2016 £'000	Cash flow £'000	Non cash changes £'000	30 June 2017 £'000
Net cash and cash equivalents	34,647	1,697	–	36,344
Debt due within one year	–	–	–	–
Debt due after more than one year	–	–	–	–
Finance leases	(39,873)	34,457	(40,644)	(46,060)
	(39,873)	34,457	(40,644)	(46,060)
Net debt	(5,226)	36,154	(40,644)	(9,716)

	2017 £'000	2016 £'000
Increase/(decrease) in cash and cash equivalents in the year	1,697	(33,979)
Cash inflow from decrease in borrowings and lease financing	34,457	49,423
Change in net debt resulting from cash flows	36,154	15,444
New finance leases	(40,644)	(36,711)
Net debt acquired on acquisitions	—	(23,634)
Movement in net debt in the year	(4,490)	(44,901)
Net (debt)/cash at start of the year	(5,226)	39,675
Net debt at end of the year	(9,716)	(5,226)

27. Related party transactions

The Group has for many years disposed of some of its surplus vehicles in the normal course of business through British Car Auctions (“BCA”). The Group has also for many years repaired vehicles on behalf of BCA through its repair network. BCA has since 2 April 2015 been part of the BCA Marketplace plc group of companies (“BCAM”), formerly Haversham Holdings plc. BCAM is listed on the London Stock Exchange and the Group’s Chairman, Avril Palmer-Baunack, is also its executive chairman. Accordingly BCAM is regarded as a related party. Transactions with BCAM were as follows:

- Fees and commissions in the amount of £72,312 (2016: £29,622) were charged by BCA during the year ended 30 June 2017 in respect of the disposal of such vehicles of which £nil (2016: £nil) was outstanding at the year end.
- During the year costs of £24,341 (2016: £18,616) were charged by BCA in respect of vehicle repair, of which £606 (2016: £427) was outstanding at the year end.
- During the year costs of £27,628 (2016: £19,800) were charged by BCA in respect of building rent, of which £7,920 (2016: £7,920) was outstanding at the year end.
- During the year costs of £79,758 (2016: £55,621) were charged by BCA in respect of vehicle transport, of which £194 (2016: £15,130) was outstanding at the year end.
- In addition during the year the Group performed repairs to vehicles on behalf of BCA in the normal course of business and an amount of £817,890 (2016: £641,776) was charged to BCA of which £223,817 (2016: £88,000) was outstanding at the year end.

Details of the Group’s interests in associates, who are regarded as related parties, are provided in notes 14 and 32. During the year the Group made sales and recharges of expenses to these associates amounting to £8.3m (2016: £8.7m) and made purchases of £109,000 (2016: £24,000) from those associates. At the year end the Group was owed £191,000 (2016: £37,000) by these associates of which £141,000 (2016: £15,000) is included in trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2016: £21,000) is shown as amounts due from associates in note 15. In addition at the year end the Group owed £24,000 (2016: £2,000) to these associates and these amounts are included in trade payables in note 16.

PART 19

UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE COMBINED GROUP AND ACCOUNTANTS REPORT

Section A: Unaudited Pro Forma Financial Information for the Combined Group

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the proposed Merger on the income statement of the Combined Group as if it had occurred on 1 May 2018 and the net assets of the Combined Group as if it had occurred on 30 April 2019. The unaudited pro forma income statement and the unaudited pro forma statement of net assets have been prepared on the basis of, and should be read in conjunction with, the notes set out below.

This pro forma financial information is unaudited and is produced for illustrative purposes only; by its nature it addresses a hypothetical situation and therefore does not represent the Combined Group's actual financial position or the results of the Merger nor is it indicative of the results that may, or may not, be expected to be achieved in the future. It has been prepared in accordance with IFRS accounting policies adopted in the Northgate Group's consolidated financial statements for the year ended 30 April 2019, on the basis of the notes below and in accordance with the requirements of sections 1 and 2 of Annex 20 to the Prospectus Regulation Rules.

The Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

Northgate Shareholders should read the whole of this document and not rely solely on the unaudited pro forma financial information in this Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*). PricewaterhouseCoopers' report on the unaudited consolidated pro forma financial information is set out in Section B of this Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*).

Pro forma consolidated income statement (unaudited)

	Northgate	Redde	Adjustment	Adjustment	Adjustment	Pro forma
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
			(£000)			
Revenue	745,470	589,724	—	—	—	1,335,194
Cost of sales	(592,598)	(452,034)	1,222	—	—	(1,043,410)
Gross profit	152,872	137,690	1,222	—	—	291,784
Administrative expenses (excluding exceptional items and certain intangible amortisation).....	(76,672)	(93,375)	—	(1,082)	—	(171,129)
Exceptional administrative expenses .	—	(5,244)	—	1,082	(24,300)	(28,462)
Certain intangible amortisation	(709)	(2,390)	—	—	—	(3,099)
Total administrative expenses	(77,381)	(101,009)	—	—	(24,300)	(202,690)
Operating profit.....	75,491	36,681	1,222	—	(24,300)	89,094
Share of associates	—	5,261	—	—	—	5,261
EBIT	75,491	41,942	1,222	—	(24,300)	94,355
Interest income	39	37	—	—	—	76
Finance costs	(15,124)	(325)	(1,222)	—	—	(16,671)
Profit before taxation	60,406	41,654	—	—	(24,300)	77,760
Taxation	(8,988)	(7,148)	—	—	—	(16,136)
Profit for the year	51,418	34,506	—	—	(24,300)	61,624

Notes:

- (1) The income statement of Northgate has been extracted without material adjustment from its audited financial statements for the year ended 30 April 2019.
- (2) The income statement of Redde has been extracted without material adjustment from its audited financial statements for the year ended 30 June 2019.
- (3) Interest costs related to finance lease expense on finance-leased vehicles included with cost of sales within the financial statements of Redde have been reclassified to interest costs, in line with the presentation of the equivalent costs within the financial statements of Northgate.
- (4) Share based payments expenses included as non-trading administrative expenses within the financial statements of Redde have been reclassified to underlying administrative expenses in line with the presentation of the equivalent costs within the financial statements of Northgate.
- (5) Adjustment represents the costs of the Merger. Such costs consist of advisor and other transaction fees and are wholly attributable to the acquisition and are non-recurring.
- (6) In preparing the unaudited pro forma income statement, no account has been taken of the trading activity or other transactions of the Northgate Group since 30 April 2019 or the Redde Group since 30 June 2019. Neither has any adjustment been made for any synergies, or related costs (which will be incurred post-transaction), which are anticipated to be achieved from the Merger. Further, no adjustment has been made to Northgate's interest costs in the event that Northgate is required to draw on the Backstop Facilities Agreement as set out in paragraph 14.1.3.2 (*Backstop facilities agreement*) of Part 21 (*Additional Information*).

Pro forma consolidated balance sheet (unaudited)

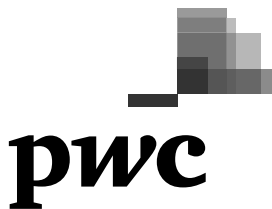
	Northgate	Redde	Adjustment	Adjustment	Adjustment	Pro forma
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
			(£000)			
Non-current assets						
Goodwill.....	3,589	85,077	204,780	—	—	293,446
Other intangible assets	11,495	14,137	(14,137)	—	—	11,495
Interest in associates.....	—	4,401	—	—	—	4,401
Property, plant and equipment:						
vehicles for hire.....	900,335	40,169	—	—	—	940,504
Other property, plant and equipment..	68,843	5,853	—	—	—	74,696
Total property, plant and equipment.....	969,178	46,022	—	—	—	1,015,200
Deferred tax assets	6,620	6,940	—	—	—	13,560
	990,882	156,577	190,643	—	—	1,338,102
Current assets						
Inventories.....	29,826	—	—	—	—	29,826
Trade and other receivables.....	71,802	219,645	—	—	—	291,447
Current tax assets	116	—	—	—	—	116
Cash and bank balances	35,742	11,880	—	(24,300)	—	23,322
	137,486	231,525	—	(24,300)	—	344,711
Total assets	1,128,368	388,102	190,643	(24,300)	—	1,682,813
Current Liabilities						
Trade and other payables	72,487	171,301	—	—	—	243,788
Derivative financial instruments	77	—	—	—	—	77
Current tax liabilities.....	13,425	—	—	—	—	13,425
Short term borrowings.....	44,190	24,535	—	—	(9,000)	59,725
Provisions	—	3,401	—	—	—	3,401
	130,179	199,237	—	—	(9,000)	320,416
Net current assets	7,307	32,288	—	(24,300)	9,000	24,295
Non-current liabilities						
Derivative financial instrument liabilities	914	—	—	—	—	914
Long term borrowings.....	428,409	22,030	—	—	9,000	459,439
Deferred tax liabilities.....	5,250	3,800	—	—	—	9,050
Provisions	—	1,951	—	—	—	1,951
	434,573	27,781	—	—	9,000	471,354
Total liabilities.....	564,752	227,018	—	—	—	791,770
Net assets	563,616	161,084	190,643	(24,300)	—	891,043

Notes:

- (1) The net assets of Northgate have been extracted without material adjustment from its audited financial statements for the year ended 30 April 2019.
- (2) The net assets of Redde have been extracted without material adjustment from its audited financial statements for the year ended 30 June 2019.
- (3) (i) The adjustment in Note 3 represents the goodwill that will be recognised in Northgate's consolidated financial statements upon completion of the acquisition, with the acquisition being accounted for as a business combination in accordance with IFRS 3

	(£'000)
Acquisition adjustments	
Equity consideration (a)(b)	351,727
Less: net assets acquired of Redde plc (c)	(61,870)
Goodwill	289,857
Less: goodwill already included within Redde (c)	(85,077)
Pro forma adjustment required	204,780

- (ii) The consideration is due to be settled as follows:
- The consideration of £352 million has been calculated as the issue of 114.8 million shares at a share price of 307p being the closing price per Northgate ordinary share on 6 December 2019 and based on the exchange ratio for the Merger of 0.3669 of New Northgate Shares in exchange for each Redde ordinary share.
 - The consideration payable at completion will be different to the consideration included in this pro forma financial information as the number of shares to be issued and the share price will be calculated at the completion date.
 - The net assets acquired of £62 million comprise the consolidated net assets of Redde as at 30 June 2019 of £161 million net of the elimination of goodwill and intangible assets of £99 million included in the Redde balance sheet as at 30 June 2019.
- (iii) Under IFRS acquisition accounting (IFRS 3), it is necessary to fair value the consideration paid and all the assets and liabilities of the acquired business. The excess of consideration over the book value acquired has been reflected in this pro forma financial information as goodwill. A fair value exercise to allocate the purchase price will be completed following the completion of the Merger; therefore, no account has been taken in the pro forma of any fair value adjustments that may arise on the acquisition, or for the value of customer-related or other intangibles to be recognised at the date of acquisition. Similarly, no pro forma amortisation has been applied. The allocation of the purchase price and fair value adjustments, when finalised post completion of the Merger, may be material.
- Adjustment represents the estimated costs of the acquisition, which have been charged to the income statement. Such estimated costs consist of advisor and other transaction fees, which are wholly attributable to the acquisition and are non-recurring.
 - Borrowings in Redde of £9 million are drawn under Redde's revolving credit facilities, which are repayable upon change of control. In such an event, this adjustment reflects that the repayment will be funded out of the undrawn borrowing facilities of Northgate.
 - In preparing the unaudited pro forma net assets statement, no account has been taken of the trading activity or other transactions, including dividend payments which have been made between the respective year end dates and the date of the Merger Announcement, of the Northgate Group since 30 April 2019 or the Redde Group since 30 June 2019. Further, no adjustment has been made to Northgate's borrowings in the event that Northgate is required to draw on the Backstop Facilities Agreement as set out in paragraph 14.1.3.2 (*Backstop facilities agreement*) of Part 21 (*Additional Information*).



Section B: Accountants' report on the Unaudited Pro Forma Financial Information for the Combined Group

The Northgate Directors and the Proposed Directors (together the “**Directors**”)

Northgate plc (the “**Company**”)

Northgate Centre

Lingfield Way

Darlington

DL1 4PZ

Goldman Sachs International (the “**Sponsor**”)

Plumtree Court

25 Shoe Lane

London

EC4A 4AU

12 December 2019

Dear Ladies and Gentlemen

Northgate plc (the “**Company**”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in section A of Part 19 of the Company’s prospectus dated 12 December 2019 (the “**Prospectus**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 30 April 2019. This report is required by item 18.4.1 of Annex 1 and section 3 of Annex 20 to the PR Regulation and is given for the purpose of complying with that PR Regulation and for no other purpose.

Responsibilities

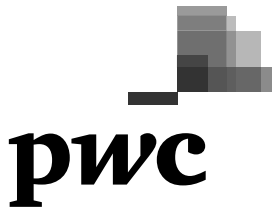
It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 18.4.1 of Annex 1 and Annex 20 of the PR Regulation.

It is our responsibility to form an opinion, as required by item 18.4.1 of Annex 1 and section 3 of Annex 20 to the PR Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this report as part of the Prospectus and we declare that to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 and item 1.2 of Annex 11 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 20

TAXATION

UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK law and what is understood to be the current published practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Northgate Shareholders who are resident and, in the case of individuals domiciled deemed domiciled, for tax purposes in (and only in) the UK, who hold their Shares as an investment (other than in an individual savings account (“ISA”), pension arrangement, or other exempt arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Northgate Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their Shares in connection with employment, dealers in securities, insurance companies, collective investment schemes, charities, exempt pension funds, temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

(a) *Taxation of dividends*

(i) *Withholding tax*

Northgate is not required to withhold tax when paying a dividend.

(ii) *UK resident individual Northgate Shareholders*

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax for the first £2,000 of non-exempt dividend income in any tax year (the “nil rate band”) and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes “dividend income” includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual Shareholder who is resident for tax purposes in the UK and who receives a dividend from Northgate will not be liable to UK tax on the dividend to the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other non-exempt dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax for 2019/2020. To the extent that (taking account of other non-exempt dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band for 2019/2020. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder’s income. In addition, dividends within the nil rate band which would otherwise have fallen within the basic or higher rate bands will use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

(iii) *UK resident corporate Northgate Shareholders*

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a “small company” for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are “ordinary shares” (that is shares that do not carry any present or future preferential right to dividends or to the Company’s assets on its winding up) and which are not “redeemable”, and dividends paid to a person holding less than 10% of the issued share capital of the payer (or, where the payer has more than one class of share, the same class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

(b) *Taxation of disposals*

A disposal or deemed disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

(i) *UK resident individual Shareholders*

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. Subject to any available relief, the rate of capital gains tax on disposal of shares is 10 per cent. (2019-2020) for individuals who are subject to income tax at the basic rate and 20 per cent. (2019-2020) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise, in aggregate, an annual exempt amount of gains (currently £12,000) for the year from 6 April 2019 to 5 April 2020 without being liable to UK capital gains tax.

(ii) *UK resident corporate Shareholders*

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent) or an allowable loss for the purposes of UK corporation tax.

(c) *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*(i) *The Merger*

The issue of Shares direct to persons acquiring Shares pursuant to the terms of the Merger will not generally give rise to stamp duty or SDRT.

(ii) *Subsequent transfers*

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5.00) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. Since the Shares are listed on the Main Market, the exemption for AIM listed shares will not apply. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent of the amount or value of the consideration payable). However, if within six years of the date of the agreement being made, or, in the case of a conditional agreement, the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is duly paid on that instrument (unless the

instrument is otherwise exempt from stamp duty), any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty (and, indirectly, SDRT) is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

Paperless transfers of Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. The exemption for transfers where the consideration is less than £1,000 is not generally available in respect of paperless transfers.

In cases where Shares are transferred to a connected company (or its nominee), stamp duty or SDRT may be chargeable on the higher of (i) the amount or value of the consideration and (ii) the market value of the Shares.

(iii) *Shares held through Clearance Systems or Depositary Receipt Arrangements*

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts or a person providing a clearance service. SDRT or stamp duty may be charged at the higher of 1.5 per cent. on such issue or transfer (with subsequent transfers within the clearance service or transfers of depositary receipts then being free from stamp duty or SDRT), unless they are within a clearance service, which has made and maintained an election under section 97A of the Finance Act 1986. HMRC accept that this charge is in breach of EU law so far as it applies to new issues of shares or transfers that are an integral part of a capital raising, and it was confirmed in the Autumn 2017 Budget that the Government intend to continue this approach following Brexit. HMRC's published view is that the 1.5 per cent SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement, although this has been disputed. Further litigation indicates that certain transfers of legal title to clearance services in connection with listing, but not integral to a new issue, are also not chargeable. **In view of the continuing uncertainty, specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.**

The statements under the heading "Stamp Duty and Stamp Duty Reserve Tax ("SDRT")" in this paragraph (c) relating to stamp duty and SDRT apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.

(d) *Inheritance Tax*

The Shares will be assets situated in the UK for the purposes of UK inheritance tax and (unlike AIM listed shares) will be "quoted shares" for the purpose of Business Property Relief (and therefore will qualify for that relief only in limited circumstances). A gift of such assets, by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold shares, bringing them within the charge to inheritance tax. Northgate Shareholders should consult an appropriate tax

adviser if they make a gift or transfer at less than market value or intend to hold any Shares through trust arrangements.

Certain US Federal Income Tax Considerations

The following discussion is a general summary based on present law of certain US federal income tax considerations relevant to the ownership and disposition of Shares. This discussion is not a complete description of all tax considerations that may be relevant. It addresses only US Holders (as defined below) to whom Shares are issued pursuant to the Merger, who will hold Shares as capital assets and use the US dollar as their functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect to mark-to-market, tax-exempt entities, persons owning directly, indirectly or constructively 10 per cent. or more of Northgate's share capital, US expatriates, persons liable for alternative minimum tax, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with a permanent establishment or fixed base outside the United States. It also does not address US federal taxes other than income tax (*e.g.*, estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, "US Holder" means a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships that hold Shares should consult their own tax advisors regarding the specific US federal income tax consequences to their partners of the partnership's ownership and disposition of Shares.

Northgate believes, and the following discussion assumes, that Northgate has not been a passive foreign investment company ("PFIC") for US federal income tax purposes in any prior taxable year and, based on the composition of Northgate's current gross assets and income (including the income and assets of the Northgate Group) and the manner in which Northgate expects the Northgate Group and, if the Merger becomes effective, the Combined Group to operate its business in future years, Northgate believes that it should not be classified as a PFIC for US federal income tax purposes for Northgate's current taxable year or in the foreseeable future. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets, changes in its operations and changes in the market value of its stock. Accordingly, no assurance can be provided by Northgate that it will not become a PFIC in any future year.

Dividends

Distributions on the Shares, to the extent paid out of Northgate's current or accumulated earnings and profits ("E&P") (as determined for US federal tax purposes), should be included in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt. Distributions in excess of Northgate's current and accumulated E&P will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the Shares and thereafter as capital gain. However, Northgate does not maintain calculations of its E&P in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distributions by Northgate with respect to other Shares will constitute ordinary dividend income.

Dividends will not be eligible for the dividends-received deduction generally available to US corporations. Dividends on the Shares will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements provided that Northgate qualifies for benefits under the United States-United Kingdom tax

treaty (the “Treaty”), which Northgate believe that it does, and is not a PFIC in the year of distribution or in the preceding year.

Dividends paid in pounds sterling will be includable in income in a US dollar amount based on the spot exchange rate in effect on the date of receipt whether or not the pounds sterling are converted into US dollars or otherwise disposed of at that time. A US Holder’s tax basis in the pounds sterling will equal the US dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of pounds sterling received for a different US dollar amount generally will be US source ordinary income or loss. If dividends paid in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Sale or Other Dispositions

A US Holder generally will recognise capital gain or loss on the sale or other disposition of Shares in an amount equal to the difference between the US Holder’s adjusted tax basis in such holder’s Shares and the amount realised from the sale or other disposition, each determined in US dollars.

Any gain or loss generally will be treated as arising from US sources and will be long-term capital gain or loss if the US Holder’s holding period exceeds one year. Deductions for capital loss are subject to limitations. A loss may nonetheless be a long-term capital loss regardless of a US Holder’s actual holding period to the extent the US Holder has received qualified dividends eligible for reduced rates of tax prior to a sale or other disposition of its Shares that exceeded 10 per cent. of such US Holder’s basis in those Shares.

A US Holder that receives pounds sterling on the sale or other disposition of Shares will realise an amount equal to the US dollar value of the pounds sterling received at the spot exchange rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot exchange rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the pounds sterling received equal to the US dollar value of the pounds sterling received at the spot exchange rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the pounds sterling received for a different US dollar amount generally will be US source ordinary income or loss.

Tax on Net Investment Income

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their “net investment income” (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of Redde Scheme Shares pursuant to the Scheme or of Shares). Non-corporate US Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Shares.

Reporting and Backup Withholding

Dividends on the Shares and proceeds from the sale or other disposition of Shares may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder’s US federal income tax liability or refunded to the extent it exceeds the holder’s liability, provided the required information is timely furnished to the IRS.

Certain US Holders are required to report information with respect to Shares not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Shares.

US Holders may be required to file IRS Form 926 reporting the payment of the offer price for a Share to the Company. Substantial penalties may be imposed upon a US Holder that fails to comply. Each US Holder should consult its own tax advisor as to the possible obligation to file IRS Form 926.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR SHAREHOLDER. EACH SHAREHOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF OWNERSHIP AND DISPOSITION OF SHARES IN LIGHT OF SUCH SHAREHOLDER'S OWN CIRCUMSTANCES.

PART 21

ADDITIONAL INFORMATION

1. Responsibility

Northgate, the Northgate Directors and the Proposed Directors, whose names appear in Part 3 (*Directors, Secretary, Registered and Head Office and Advisors*), accept responsibility for the information contained in this document. To the best of the knowledge of Northgate, the Northgate Directors and the Proposed Directors, the information contained in this document is in accordance with the facts and does not omit anything likely to affect its import.

2. Incorporation and share capital

- 2.1 Northgate was incorporated on 2 July 1897 as a public limited company with the name of Goode Durrant & Murray Group Public Limited Company. Northgate subsequently changed its name on 14 January 1987 to Goode Durrant PLC. On 16 September 1999 Northgate changed its name to Northgate plc. It was incorporated with limited liability in England and Wales, and operates as a public limited company under the Act, with registered number 00053171. Northgate is a resident of the UK for UK tax purposes.
- 2.2 Northgate's registered office and principal place of business is at Northgate Centre, Lingfield Way, Darlington, England, DL1 4PZ, its telephone number is +44 (0)1325 467558, its LEI number is 213800B3ZUTDOZYVJB41 and its website is <https://www.northgateplc.com>. The contents of Northgate's website do not form part of this Prospectus.
- 2.3 The principal laws and legislation under which Northgate operates and the ordinary shares have been created are the Act and regulations made thereunder.
- 2.4 A history of the share capital of the Company for the period covered by the historical financial information set out in this Prospectus is set out below.
- 2.5 As at 1 May 2016, being the first date in the period covered by the Northgate historical financial information set out in this Prospectus, Northgate's share capital was £66,616,259 comprising 133,232,518 Shares of 50 pence each (all of which were fully paid).
 - 2.5.1 Northgate did not issue any Northgate Shares Between 1 May 2016 and 30 April 2019.
 - 2.5.2 As at 6 December 2019 (being the Latest Practicable Date) Northgate's share capital was £66,616,259 comprising 133,232,518 Shares of 50 pence each (all of which were fully paid)
- 2.6 On 23 September 2019, the Northgate Shareholders resolved at Northgate's Annual General Meeting that:
 - 2.6.1 the Northgate Board be generally and unconditionally authorised pursuant to section 551 of the Act to exercise all powers of Northgate to allot shares in Northgate and to grant rights to subscribe for or to convert any security into shares in Northgate up to an aggregate nominal amount of £22,000,000 (representing approximately 33% of the issued share capital) provided that this authority shall expire on the date of the next Annual General Meeting of Northgate save that Northgate may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Northgate Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority had not expired;

2.6.2 the Northgate Board be authorised to allot equity securities (as defined in the Act) for cash and/or to sell ordinary shares held by Northgate as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited:

2.6.2.1 to the allotment of equity securities in favour of Northgate shareholders where the equity securities respectively attributable to the interests of all Northgate Shareholders are proportionate (as nearly as may be) to the respective numbers of Northgate Shares held by them; and

2.6.2.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 2.6.2.1) up to a nominal amount of £3,330,000 (representing approximately 5% of the issued share capital), such authority to expire at the end of the next Annual General Meeting of Northgate (or, if earlier, at the close of business on 23 December 2020) but, in each case, prior to its expiry Northgate may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Northgate Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired; and

2.6.3 the Northgate Board be authorised in addition to any authority granted to allot equity securities (as defined in the Act) for cash under the authority given and/or to sell ordinary shares held by Northgate as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:

2.6.3.1 limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,330,000 (representing approximately 5% of the issued share capital); and

2.6.3.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Northgate Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of the 23 September 2019 Annual General Meeting of Northgate,

such authority to expire at the end of the next Annual General Meeting of Northgate (or, if earlier, at the close of business on 23 December 2020) but, in each case, prior to its expiry Northgate may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Northgate Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

2.7 On 15 January 2020, Northgate will seek the approval of Northgate Shareholders at a Northgate General Meeting to the following resolutions required to approve, implement and effect the Merger and to authorise the creation and allotment of New Northgate Shares:

2.7.1 the proposed acquisition by Northgate of the entire issued and to be issued ordinary share capital of Redde, to be effected pursuant to the Scheme (or by way of an Offer in the circumstances set out in the co-operation agreement entered into between Northgate and Redde dated 29 November 2019) substantially on the terms and subject to the conditions as described in:

2.7.1.1 the Circular; and

2.7.1.2 this Prospectus,

be and is hereby approved and the Northgate Directors (or a duly authorised committee thereof) be and are hereby authorised to do or procure to be done all such acts and things as they consider necessary, expedient or appropriate in connection with the Merger and this resolution and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Merger (provided that such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Merger for the purposes of the FCA's

Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as the Northgate Directors (or a duly authorised committee thereof) may in their absolute discretion think fit; and

2.7.2 subject to and conditional upon;

2.7.2.1 the conditions for the Scheme to become effective being satisfied, except for the conditions relating to:

- (a) the FCA having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the New Northgate Shares to be issued pursuant to the Scheme (or, as the case may be, the Offer) to listing on the premium listing segment of the Official List maintained by the FCA has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the “listing conditions”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied; and
- (b) London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Northgate Shares will be admitted to trading on the main market of the London Stock Exchange; or, as the case may be,

2.7.2.2 an Offer becoming or being declared wholly unconditional (except for Admission),

the Northgate Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Act (in addition, to the extent unutilised, to the authority granted to the Northgate Directors at the annual general meeting of the Company held on 23 September 2019, which remains in full force and effect and without prejudice to the continuing authority of the Northgate Directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made) to exercise all the powers of the Company to allot the New Northgate Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £57,377,982.5, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit, subject always to the terms of the Merger and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Merger, and which authority shall expire at the close of business on 30 April 2020 (unless previously revoked, renewed or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or enter into an agreement that would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Northgate Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

2.7.3 The authority to allot the New Northgate Shares represents approximately 86 per cent. of the total issued ordinary share capital of Northgate as at the Latest Practicable Date (as at the Latest Practicable Date, Northgate did not hold any shares in treasury). The passing of the Northgate Shareholder Resolution requires more than 50 per cent. of the votes cast in respect of the Northgate Shareholder Resolution to be in favour of it. If the Northgate Shareholder Resolution is passed, this authority will expire on 30 April 2020 (unless previously revoked, renewed, varied or extended).

2.7.4 The full text of the Northgate Shareholder Resolution and other matters is set out in the Notice of the Northgate General Meeting attached to the Circular. If the Northgate Shareholder Resolution is not passed, the Scheme will not proceed.

2.8 Save as disclosed above and in paragraphs 9 (*Employee share plans*):

- 2.8.1 no share or loan capital of Northgate has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
- 2.8.2 no commissions, discounts, brokerages or other special terms have been granted by Northgate in connection with the issue or sale of any share or loan capital of any such company; and
- 2.8.3 no share or loan capital of Northgate is under option or agreed conditionally or unconditionally to be put under option.

Northgate will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of Northgate except to the extent such provisions are disapplied as referred to above.

- 2.9 Immediately following the Merger, the issued share capital of Northgate is expected to be £123,994,241.5 comprising 247,988,483 Shares of 50 pence each (all of which will be fully paid or credited as fully paid).
- 2.10 The Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3. Articles of Association

The Northgate Articles were adopted from 18 September 2014 by special resolution. They include provisions to the following effect:

3.1 *Objects*

The Articles do not set out specific details concerning Northgate's objects. Northgate's objects are not restricted by its Articles. Accordingly, pursuant to section 31 of the Act, Northgate's objects are unrestricted.

3.2 *Share rights*

The Articles provide that the profits of Northgate available for dividend and resolved to be distributed among the shareholders should be distributed in the following order and priority:

- (a) first to the holders of the 5 per cent. cumulative preference shares of a fixed cumulative preferential dividend at the rate of 5 per cent. per annum on the amount paid up (payable half yearly);
- (b) the remainder of the profits (subject to any rights or restrictions attached to any particular shares) are to be distributed among the holders of the ordinary shares rateably in proportion to the amounts paid up on the shares.

On a winding up the surplus assets of Northgate remaining after payment of its liabilities shall be distributed as follows:

- (a) first to pay the holders of the 5 per cent. cumulative preference shares the capital paid up together with a sum equal to any arrears or deficiency of the fixed cumulative preferential

dividend on such shares calculated down to the date of the commencement of the winding up, and payable irrespective of whether the dividend has been declared or earned or not;

- (b) the remainder of assets (subject to any rights or restrictions attached to any particular shares) are to be distributed among the holders of the ordinary shares rateably in proportion to the amounts paid up on the shares.

The holders of the 5 per cent. cumulative preference shares will have the right to attend and vote at and to receive notice of general meetings of Northgate only in one of the following events:

- (a) if any resolution for winding up is proposed, and then only on that resolution; or
- (b) if any resolution for reducing Northgate's capital is proposed, and then only on that resolution; or
- (c) if at the date of the notice convening the meeting the said cumulative preferential dividend is in arrear for more than three months; or
- (d) if any resolution amending or abrogating any of the special rights attached to the 5 per cent. cumulative preference shares is proposed, and then only on that resolution.

3.3 *Voting rights*

In accordance with the Articles, voting in the general meeting of Northgate will generally be carried out by way of show of hands. Pursuant to the Articles, a poll can be requested by (i) the chairman of the meeting, (ii) a majority of the directors present at the meeting, (iii) not less than five members present in person or represented by a proxy and entitled to vote, (iv) members present in person or represented by a proxy and jointly representing not less than 10 per cent. of the total voting rights (excluding the rights attaching to any shares held as treasury shares) or (v) members present in person or represented by a proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than 10 per cent. of the share capital (excluding any such shares held as treasury shares).

At a general meeting, subject to any special rights or restrictions attached to any class of shares:

- (a) on a show of hands, every member present in person and every duly appointed proxy present shall have one vote;
- (b) every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote, except that if the proxy has been duly appointed by more than one member entitled to vote on the resolution and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he has one vote for and one vote against the resolution; and
- (c) every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to.

A member, proxy or corporate representative entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

3.4 *Dividends and other distributions*

- (a) Northgate may, by ordinary resolution, declare final dividends to be paid to its shareholders. However, no dividend shall be declared unless it has been recommended by the directors and does not exceed the amount recommended by the directors.
- (b) The Articles provide that the Northgate Directors may pay interim dividends if it appears to them that they are justified by the profits of Northgate available for distribution. If the share

capital is divided into different classes, the directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. If the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

- (c) Unless the share rights otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (d) A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the directors may settle the same as they think fit and in particular (but without limitation) may issue fractional certificates or other fractional entitlements (or ignore fractions) and fix the value for distribution of any assets, and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members, and may vest any assets in trustees.
- (e) Any dividends, interest or other sum payable and unclaimed for 12 months after becoming payable may be invested or otherwise applied for the benefit of Northgate until they are claimed. Any dividend unclaimed for 12 years from the date on which it became due for payment shall be forfeited and shall revert to Northgate.
- (f) The Northgate Directors may, if authorised by ordinary resolution, offer to ordinary shareholders the right to elect to receive, in lieu of a dividend, an allotment of new ordinary shares credited as fully paid.

3.5 ***Variation of rights***

Whenever the share capital of Northgate is divided into different classes of shares, the special rights attached to any class may be varied

- (i) In such a manner (if any) as may be provided by those rights; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class,

but not otherwise.

To every such separate meeting the provisions of the Articles relating to general meetings shall apply, except that the necessary quorum shall be (i) at any such meeting other than an adjourned meeting, two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares), and (ii) at an adjourned meeting, one person holding shares of the class in question (other than treasury shares) or his proxy.

These provisions also apply to the variation of the special rights conferred to some only of the shares of each class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied.

The special rights attached to any class of shares will not, unless otherwise expressly provided by the terms of issue, be deemed to be varied by (i) the creation or issue of further shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for the dividend) with or

subsequent to those already issued or (ii) the purchase or redemption by Northgate of any of its own shares.

3.6 *Lien and forfeiture*

If a shareholder fails to pay in full any sum which is due in respect of a share on or before the due date for payment, then, following notice by the directors requiring payment of the unpaid amount with any accrued interest and any expenses incurred by Northgate by reason of such non-payment, such share may be forfeited by a resolution of the directors to that effect (including all dividends declared in respect of the forfeited share and not actually paid before the forfeiture).

If the notice is not complied with, then any shares in respect of which it was given may, before the payment required by the notice, be forfeited by a resolution of the directors and the forfeiture shall include all dividends and other amounts payable in respect of the forfeited shares and not paid before the forfeiture. The Northgate Directors may accept a surrender of any share liable to be forfeited.

A shareholder whose shares have been forfeited will cease to be a member in respect of the shares, but will remain liable to pay the Company all monies which at the date of forfeiture were presently payable, together with interest. The directors may in their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal, or waive payment in whole or part. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against Northgate in respect of the share and all other rights and liabilities incidental to the share as between the holder whose share is forfeited and Northgate, except only such of those rights and liabilities which are expressly saved by the Articles, or as are by the Act given or imposed in the case of past members.

Northgate shall have a lien on every share (not being a fully paid-up share) that is not fully paid for all monies called or payable at a fixed time in respect of such share. The Northgate Directors may declare any share to be wholly or in part exempt from the provisions of the Articles. Northgate's lien over a share takes priority over the rights of any third party and extends to any dividends or other sums payable by Northgate in respect of that share.

A share forfeited or surrendered shall become the property of Northgate and may be sold, re-allotted or otherwise disposed of to any person (including the person who was, before such forfeiture or surrender, the holder of that share or entitled to it) on such terms and in such manner as the directors think fit.

3.7 *Transfer of shares*

The instrument of transfer of a share in certificated form may be in any usual form or in any other form which the directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee.

Transfers of uncertificated shares may be effected by means of a relevant system.

The Northgate Directors may, in their absolute discretion, refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List of the UK Listing Authority such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

The directors may decline to register any transfer of a certificated share, unless (i) the instrument of transfer is in respect of only one class of share, (ii) the instrument of transfer is lodged at the transfer office, duly stamped if required and accompanied by the relevant share certificate(s) or other evidence reasonably required by the directors to show the transferor's right to make the transfer or (iii) is in favour of not more than four transferees.

3.8 *Alteration of share capital*

Northgate may by ordinary resolution

- (a) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (b) subdivide its shares, or any of them, into shares of smaller amount than its existing shares, and
- (c) determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others,

and where any difficulty arises in regard to any consolidation or division, the Northgate Directors may settle such difficulty as they see fit. In particular, without limitation, the directors may sell to any person (including Northgate) the shares representing the fractions for the best price reasonably obtainable and distribute the net proceeds of sale in due proportion among those members or retain such net proceeds for the benefit of Northgate and

- (i) in the case of shares in certificated form, the directors may authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser, and
- (ii) in the case of shares in uncertificated form, the directors may require the Operator of a relevant system to convert the share into certificated form, and after such conversion, authorise any person to execute an instrument of transfer and/or take such other steps (including the giving of directions to or on behalf of the holder, who shall be bound by them) as they think fit to effect the transfer.

The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

3.9 *Purchase of own shares*

The Articles do not set out specific details concerning Northgate's purchase of own shares. Accordingly, pursuant to section 659 of the Act, Northgate may only acquire its own shares in accordance with Part 18 of the Act.

3.10 *General meetings*

3.10.1 *Annual general meetings*

Annual general meetings shall be held at such time and place as the Northgate Directors may determine

3.10.2 *Convening of general meetings*

The Northgate Directors may call general meetings. If there are not within the United Kingdom sufficient directors to convene a general meeting, any Northgate Director, or any member of Northgate, may call a general meeting.

3.10.3 *Notice of general meetings*

An annual general meeting and all other general meetings of Northgate shall be called by at least such minimum period of notice as is prescribed or permitted under the Act. The statutory notice period for convening an annual general meeting of Northgate is 21 days. The notice shall specify the place, the day and the time of meeting and the general nature of the business to be transacted, and in the case of an annual general meeting shall specify the meeting as such. Where Northgate has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting. Subject to the provisions of these articles and to any rights or restrictions attached to any

shares, notices shall be given to all members, to all persons entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law and to the directors and auditors of Northgate.

The accidental omission to give notice of a meeting to, or the failure to give notice due to circumstances beyond Northgate's control to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

3.10.4 *Quorum*

No business shall be transacted at any meeting unless a quorum is present. Three persons entitled to vote upon the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member (including for this purpose two persons who are proxies or corporate representatives of the same member), shall be a quorum.

3.10.5 *Conditions of admission*

The Northgate Directors or chairman may put in place such arrangements or restrictions as they think fit to ensure the safety and security of the attendees at a general meeting and the orderly conduct of the meeting, including requiring evidence of identity to be produced by those attending the meeting, requiring attendees to submit to searches and restricting items that may be taken into the meeting place. Any decision of the chairman of the meeting on matters of procedure or matters arising incidentally from the business of the meeting, and any determination by the chairman of the meeting as to whether a matter is of such a nature, shall be final.

In the case of any general meeting, the Northgate Directors may, notwithstanding the specification in the notice convening the general meeting of the place at which the chairman of the meeting shall preside (the "Principal Place"), make arrangements for simultaneous attendance and participation by electronic means allowing persons not present together at the same place to attend, speak and vote at the meeting (including the use of satellite meeting places) The arrangements for simultaneous attendance and participation at any place at which persons are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all members and proxies wishing to attend the meeting are able to attend at one or other of the venues.

3.11 ***Company Secretary***

Subject to the provisions of the Act, the Northgate Directors shall appoint a secretary or joint secretaries and shall have power to appoint one or more persons to be an assistant or deputy secretary at such remuneration and on such terms and conditions as they think fit and shall have power to remove any such person.

3.12 ***Directors***

3.12.1 *Appointment of Directors*

Each Northgate Director (other than an alternate director) may, by notice in writing delivered to the secretary at the office, or in any other manner approved by the directors, appoint any other director or any person approved for that purpose by the directors and willing to act and permitted by law to do so, to be his alternate.

The appointment will not be effective until his consent to act as a director in the form prescribed by the Acts has been received at the office.

An alternate director does not need to hold a share qualification and shall not be counted in reckoning any maximum number of directors allowed by the articles.

3.12.2 *No share qualification*

A Northgate Director shall not be required to hold any shares of Northgate.

3.12.3 *Annual retirement of Directors*

At each annual general meeting all of the Northgate Directors shall retire from office except any director appointed by the board after the notice of that annual general meeting has been given and before that annual general meeting has been held.

3.12.4 *Remuneration of Directors*

The Northgate Directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors such sum as the directors may from time to time determine (not exceeding £700,000 per annum or such other sum as Northgate in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of Northgate by which it is voted) shall be divided among the directors in such proportions and in such manner as the directors may determine or, in default of such determination, equally (except that in such event any director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this article shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to any other provisions of the Articles and shall accrue from day to day.

3.12.5 *Permitted interests and voting of Directors*

Subject to the provisions of the articles, a director shall not vote at a meeting of the Northgate Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, Northgate), unless his interest arises only because the case falls within one or more of the following exceptions:

- (a) the resolution relates to the giving to him of a guarantee, security, or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of, Northgate or any of its subsidiary undertakings;
- (b) the resolution relates to the giving to a third party of a guarantee, security, or indemnity in respect of an obligation of Northgate or any of its subsidiary undertakings for which the director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) the resolution relates to the giving to him of any other indemnity which is on substantially the same terms as indemnities given or to be given to all of the other directors and/or to the funding by Northgate of his expenditure on defending proceedings or the doing by Northgate of anything to enable him to avoid incurring such expenditure where all other Northgate Directors have been given or are to be given substantially the same arrangements;
- (d) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares in or debentures or other securities of Northgate for subscription, purchase or exchange;
- (e) the resolution relates to an arrangement for the benefit of the employees and directors and/or former employees and former directors of Northgate or any of its subsidiary undertakings, and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons, including but without being limited to a retirement benefits scheme and an employees' share scheme, which does not accord to any director any privilege or advantage not generally accorded to the employees and/or former employees to whom the arrangement relates;

- (f) the resolution relates to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in one per cent or more of any class of the equity share capital of that company (or of any other company through which his interest is derived) and not entitled to exercise one per cent or more of the voting rights available to members of the relevant company (and for the purpose of calculating the said percentage there shall be disregarded (i) any shares held by the director as a bare or custodian trustee and in which he has no beneficial interest; (ii) any shares comprised in any authorised unit trust scheme in which the director is interested only as a unit holder; and (iii) any shares of that class held as treasury shares); and
- (g) the resolution relates to the purchase or maintenance for any director or directors of insurance against any liability.

3.12.6 *Indemnity of officers*

Subject to the provisions of the Acts or any other provision of law, Northgate may:

- (a) indemnify any person who is or was a director, directly or indirectly (including by funding any expenditure incurred or to be incurred by him), against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to Northgate or any associated company; and/or
- (b) purchase and maintain insurance for any person who is or was a director against any loss or liability or any expenditure he may incur, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust by him or otherwise, in relation to Northgate or any associated company.

4. **Mandatory bids and compulsory acquisition rules relating to ordinary shares**

- 4.1 Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules relating to Northgate.

4.2 ***Mandatory bids***

- 4.2.1 The City Code applies to Northgate. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in Northgate, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in Northgate at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in Northgate if the effect of such acquisition were to increase that person's percentage of the total voting rights in Northgate.

4.3 ***Squeeze-out***

- 4.3.1 Under the Act, if an offeror were to make an offer to acquire all of the shares in Northgate not already owned by it and were to acquire 90 per cent. of the shares to which such offer related it could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to Northgate which would execute the transfer on behalf of the relevant members, and pay to consideration to Northgate which would hold the consideration in trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

4.4 **Sell-out**

4.4.1 The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in Northgate and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

4.5 No takeover offer (within the meaning of Part 28 of the Act) was or has been made for any Northgate Shares during the year ended 30 April 2019 or to date during its current fiscal year ended 30 April 2020.

5. **Northgate Directors, Proposed Directors and Senior Managers**

The Northgate Directors, Proposed Directors and Senior Managers and their respective positions within Northgate are set out in Part 10 (*Directors, Proposed Directors, Senior Managers and Corporate Governance*), along with brief biographies.

6. **Northgate Directors', Proposed Directors' and Senior Managers' interests in Northgate**

6.1 As at 6 December 2019 (being the Latest Practicable Date) the interests (all of which are beneficial unless otherwise stated) of the Northgate Directors, Proposed Directors, Senior Managers, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 252 of the Act) with the Northgate Directors, Proposed Directors or Senior Managers in the issued ordinary share capital of Northgate, including (a) those arising pursuant to transactions notified to Northgate pursuant to Article 19 of the Market Abuse Regulation ("MAR"), or (b) those of persons connected with the Northgate Directors, Proposed Directors or Senior Managers, which would, if such connected person were a Northgate Director, Proposed Director or Senior Manager, be required to be disclosed under (a) above, together with the interests which are expected to subsist immediately following the Merger becoming effective, are set out in the following table:

Director/ Proposed Director	As at 6 December 2019 (the Latest Practicable Date)		Interests immediately following the Merger becoming effective ⁽¹⁾	
	Number of Northgate Shares	Percentage of issued share capital	Number of Northgate Shares	Percentage of issued share capital
Avril Palmer-Baunack.....	—	—	—	—
John Pattullo OBE	10,000	0.008	10,000	0.004
Philip Vincent	15,870	0.012	15,870	0.006
Bill Spencer	8,000	0.006	8,000	0.003
Claire Miles	5,000	0.004	5,000	0.002
Mark Butcher.....	—	—	14,676	0.006
Fernando Cogollos.....	26,153	0.020	26,153	0.011
Martin Ward ⁽²⁾	—	—	1,469,366	0.593
Stephen Oakley ⁽²⁾	—	—	745,724	0.301
Mark Chessman	—	—	33,018	0.013
Mark McCafferty	—	—	11,007	0.004

Notes:

(1) Figures are calculated assuming that (i) the interest of the Northgate Directors, the Proposed Directors, Senior Managers as at the close of business on 6 December 2019 (being the Latest Practicable Date) do not change before the Merger

becomes effective, (ii) each Redde Shareholder will receive 0.3669 New Northgate Shares per Redde Share pursuant to the Merger and (iii) no New Northgate Shares are issued between 6 December 2019 (being the Latest Practicable Date) and Admission.

(2) including close relatives.

- 6.2 Details of option or awards made under Executive Performance Share Plan held by the Northgate Directors and Senior Managers as at 6 December 2019 (being the Latest Practicable Date) are set out below:

Director/Senior Manager	Plan	Number of Northgate Shares over which options or awards are granted	Exercise Price	Vesting date
Philip Vincent	Executive Performance Share Plan	95,360	Nil	27 June 2021
	Executive Performance Share Plan	157,781	Nil	24 September 2022

The Executive Performance Share Plan is subject to the following performance targets:

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS ⁽¹⁾ (33.3% of award)	42p ⁽⁴⁾ 43p ⁽⁵⁾	49p ⁽⁴⁾ 50p ⁽⁵⁾	Final year of the performance period
ROCE ⁽²⁾ (33.3% of award)	7.5% ⁽⁴⁾ 7.7% ⁽⁵⁾	11.5% ⁽⁴⁾ 11.5% ⁽⁵⁾	Final year of the performance period
TSR ⁽³⁾ (33.3% of award): relative to FTSE 250 excl. investment trusts	Median ⁽⁴⁾⁽⁵⁾	Upper quartile ⁽⁴⁾⁽⁵⁾	Over the performance period

Notes:

- (1) Earnings per share.
- (2) Return on capital employed.
- (3) Total shareholder return.
- (4) Target for EPSP shares vesting on 27 June 2021.
- (5) Target for EPSP shares vesting on 24 September 2022.
- 6.3 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of Northgate or any of its subsidiary undertakings and which were effected by Northgate or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 6.4 There are no outstanding loans or guarantees granted or provided by any member of Northgate to or for the benefit of any of the Directors.
- 6.5 There are no family relationships between any of the Directors and/or the Senior Managers.

7. Northgate Directors' terms of employment

7.1 The Directors and their functions are set out in Part 10 (*Directors, Proposed Directors, Senior Managers and Corporate Governance*).

7.2 *Northgate Executive Directors*

7.2.1 Philip Vincent receives a salary of £336,600 as Chief Financial Officer. His salary is normally reviewed annually, with changes being effective from 1 May. At the Annual General Meeting of Northgate on 23 September 2019 Northgate Shareholders approved the Northgate Group's Directors' remuneration policy. The salary for the Chief Financial Officer remains unchanged in the 30 April 2020 financial year end. In line with the approved remuneration policy, the Northgate Executive Directors receive a contribution to a Northgate Group personal pension plan or provision of a cash allowance in lieu at the request of the individual director, of up to 18 per cent. of base salary. They also receive car benefits, healthcare benefits and relocation fees. Each Northgate Executive Director is entitled to 30 working days' paid holiday per annum in addition to bank and public holidays.

7.2.2 Each Northgate Executive Director may receive an annual bonus. Their entitlement to, and the extent of, any annual bonus is assessed by the remuneration committee by reference to financial annual bonus targets that are set at the start of the performance period by the remuneration committee. In determining the final level of bonus payable, the remuneration committee also considers the wider performance of the Northgate Group. In line with the approved remuneration policy, half of any bonus earned up to 100 per cent. of salary and all of any bonus earned in excess of 100 per cent 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 purchased shares are subject to recovery provisions. For unvested deferred share awards granted under the Northgate Group's previous remuneration policy the remuneration 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.

7.2.3 The Northgate Executive Directors may also receive annual rewards of performance shares (or nil cost options) (the "Executive Performance Share Plan" or "EPSP"). Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years. The remuneration committee selects the performance measures for awards that it considers best support Northgate's medium to long term objectives. If the remuneration committee considers that the changes it is making in selecting alternative measures or weightings for a new award are substantive it will consult Northgate's major shareholders prior to making any changes. Awards vest, subject to performance, on the third anniversary of grant and are 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). Recovery and withholding provisions apply to all participants in the event of a restatement of Northgate's accounts, error in assessing performance criteria, poor risk management, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the remuneration committee determines.

7.2.4 Each of the Northgate Executive Directors' service agreement is terminable on not less than six months' notice by the employer or the relevant Northgate Executive Director. Northgate is entitled to terminate the relevant Northgate Executive Director's employment by making a payment in lieu of notice, equal to base salary subject to mitigation and paid on a phased basis for the notice period. A Northgate Executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing company terminates the employment of an executive Director in other circumstances, compensation is limited to salary due for any unexpired notice period and any

amount assessed by the remuneration committee as representing the value of other contractual benefits (including pension) which would have been received during the period.

- 7.2.5 Each of the Northgate Executive Directors is subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-dealing restrictive covenants for a period of six months after the termination of their respective employments arrangements. Each Northgate Executive Director has the benefit of a qualifying third-party indemnity from Northgate (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.

7.3 *Northgate Non-Executive Directors*

- 7.3.1 The appointments of each of the non-executive directors of Northgate (the "Northgate Non-Executive Directors") are for an initial period of three years, subject to annual reappointment at the Northgate Annual General Meeting. In line with the Governance Code, all Directors submit themselves for re-election by shareholders every year at Northgate's Annual General Meeting. The Northgate Non-Executive Directors do not have service contracts, but each has a letter of appointment with Northgate. The letters of appointment are available for shareholders to view at Northgate's registered office.
- 7.3.2 Avril Palmer-Baunack, who was appointed Non-Executive Chairman of Northgate with effect from 13 August 2019, receives a fee of £200,000 per annum, which is reviewed annually. She does not receive any benefits.
- 7.3.3 In the 2019 financial year, each Northgate Non-Executive Director other than the Northgate Chairman was entitled to receive an annual fee of £55,000. In addition to this, the Senior Independent Director was entitled to an annual fee of £10,000, each of the Chairs of the Audit, Nomination and remuneration committees was entitled to an annual fee of £10,000 and the designated Non-Executive Director is entitled to an annual fee of £10,000. The maximum aggregate remuneration for Northgate Non-Executive Directors is £700,000 as provided for in the Northgate Articles. Northgate Non-Executive Director fees are periodically reviewed by the remuneration committee and the CEO for the Chairman and by the Chairman and the Northgate Executive Directors for the Non-Executive Directors. Northgate reimburses the Northgate Non-Executive Directors for reasonable expenses incurred in performing their duties and may settle any tax incurred in relation to these. Northgate Non-Executive Directors are not paid a pension and do not participate in any of the Northgate's variable incentive schemes.
- 7.3.4 Northgate Non-Executive Directors' appointments can be terminated by either party with notice and they have no entitlement to compensation on termination (except that they shall be entitled to accrued fees or expenses up to the date of termination). The Northgate Non-Executive Directors are subject to confidentiality undertakings without limitation in time. Each Northgate Non-Executive Director has the benefit of a qualifying third-party indemnity from Northgate (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.

7.4 *Northgate Proposed Directors*

- 7.4.1 It is proposed that Martin Ward will be appointed as the Chief Executive Officer and as a director on completion of the Merger. It is anticipated that a new service agreement will be put in place between Martin Ward and Northgate. No discussions have taken place in respect of the terms of Martin Ward's new service agreement. However, it is intended that the terms will be appropriate for a CEO of a group of the size and nature of the Combined Group, which will take into account appropriate and recognised benchmarking. Martin Ward will be eligible to participate in the proposed Value Creation Plan and further information on that plan and his participation is set out in paragraph 9.3 (*Northgate Value Creation Plan*) of this Part 21 (*Additional Information*).

7.4.2 It is intended that John Davies, Mark McCafferty and Stephen Oakley, as non-executive directors of the Combined Group, will have letters of appointment with the Combined Group on substantially the same terms as Northgate's existing non-executive directors.

7.5 Save as set out in paragraphs 7.2 (*Northgate Executive Directors*), 7.3 (*Northgate Non-Executive Directors*) and 7.4 (*Northgate Proposed Directors*) above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of Northgate.

7.6 *Northgate Directors' and Senior Managers' Remuneration*

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 30 April 2019, the aggregate remuneration and benefits to the Directors and Senior Managers who served Northgate during the financial year ended 30 April 2019, consisting of 8 individuals, was £1,951,000 million.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 30 April 2019, the Directors were remunerated as set out below:

Name	Position	Salary Paid for the Year ended 30 April 2019 (£)	Annual Salary for the Year ended 30 April 2020 (£)	Date of Joining the Northgate Group/Board
Avril Palmer-Baunack...	Non-Executive Chairman	–	200,000	August 2019
John Pattullo OBE	Senior Independent Director	18,000	65,000	January 2019
Philip Vincent	Chief Financial Officer	262,000	336,600	July 2018
William Spencer	Non-Executive Director	84,000	65,000	June 2016
Claire Miles	Non-Executive Director	55,000	65,000	November 2015
Mark Butcher	Non-Executive Director	–	65,000	September 2019
Fernando Cogollos	Non-Executive Director	–	55,000	September 2019

7.7 In addition to the options and rights disclosed in paragraph 6 (*Northgate Directors', Proposed Directors' and Senior Managers' interests in Northgate*) and paragraph 9 (*Northgate employee share plans*) in this Part 21, the aggregate remuneration and benefits in kind paid or granted to the Senior Managers by Northgate and its subsidiaries during the financial year ended 30 April 2019 for services in all capacities was (a) salary: £262,000 and (b) benefits (including bonuses) £248,000. These figures exclude remuneration paid to members of Northgate's senior management who are no longer employed by Northgate and excludes current senior managers who were not employed by Northgate during the financial year ended 30 April 2019 and, for Senior Managers promoted after 30 April 2019, includes their salaries and benefits as at 30 April 2019. Northgate is not required to, and does not otherwise, disclose publicly remuneration for Senior Managers on an individual basis.

7.8 There is no arrangement under which any Northgate Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

7.9 ***Northgate Directors', Proposed Directors' and Senior Managers' current and past directorships and partnerships***

Set out below are the directorships and partnerships held by the Directors, Proposed Directors and Senior Managers (other than, where applicable, directorships held in Northgate and its subsidiaries and the subsidiaries of the companies listed below), in the five years prior to the date of this Prospectus:

Name	Current directorships/partnerships	Past directorships/partnerships
Avril Palmer-Baunack.....	BBD Bidco Limited BCA Central Limited BCA Europe Limited BCA Group Europe Limited BCA Holdings Limited BCA Limited BCA Marketplace Limited BCA Osprey Finance Limited BCA Osprey I Limited BCA Osprey II Limited BCA Remarketing Group Limited BCA Trading Limited Carland.Com Limited Expert Remarketing Limited Longastre Investments and Consulting Limited Pennine Metals B Limited Safe Harbour Holdings Smart Prepared Systems Limited The British Car Auction Group Limited We Buy Any Car Limited	BCA Auctions Limited BCA Europe Limited BCA Finance Limited BCA Fleet Solutions Limited BCA Logistics Limited BCA Osprey Finance Limited BCA Outsource Solutions Limited BCA Remarketing Solutions Limited BCA Smart Prepared Limited BCA Smart Repairs Limited BCA Trading Limited BCA Vehicle Finance Limited BCA Vehicle Services Limited Blackbushe Airport Limited British Car Auction Services Limited British Car Auctions Limited Expedier Catering Limited Life On Show Limited Magna Motors Limited Mpac Group Plc NKL Automotive Limited NKL Limited Omega Finance Company Limited Omega Insurance Company Limited Paragon Automotive 2009 Limited Paragon Automotive Limited Paragon Automotive Logistics Ltd Paragon Automotive Services Limited Paragon Fleet Solutions Limited Paragon Remarketing Services Limited Paragon Vehicle Services Limited Quartix Holdings Plc Redde Plc Suresell Limited Tfl Limited Tradeouts Limited United Fleet Distribution Limited Vam UK Acquisition Corporation Limited
John Pattullo OBE	AI Mistral Topco Limited	Electrocomponents Public Limited Company GWI UK Acquisition Company Limited IKDI In Kind Direct Maze 1 Limited Maze 2 Limited Maze 3 Limited

Name	Current directorships/partnerships	Past directorships/partnerships
Martin Ward	Redde PLC F M G Support (HO) Limited FMG Finance Limited FMG Support Group Limited FMG Support Ltd FMG Support (RRRM) Ltd FMG Support (FIM) Ltd FMG Group Holdings Limited Rose Bidco Limited NewLaw Legal Limited Principia Law Limited Cab Aid Limited Total Accident Management Limited Auxillis Limited HAS Accident Management Solutions Limited HHFS Limited Helphire EBT Trustee Limited RunMyCar Limited Angel Assistance Limited Auxillis Services Limited	03299525 Limited 02628149 Limited CIQ Limited Group Legal Limited The Fleet Management Company Limited FMG Support (Property) Limited NetRentaCar Limited 03401359 Limited NLS Trustees Ltd NewLaw Trustees Limited Helphire Finance Limited E-Claim Limited QSIT Limited Lawyer.com Limited Medirep Marketing Limited Quartz Reporting Ltd Helphire Shelf 1 Limited
Philip Vincent.....	–	China Resources Snow Breweries – Hong Kong SABMiller Asia – Hong Kong SABMiller Brands Korea SABMiller Holdings Inc – Delaware
William Spencer...	Amadora Asset Management Limited Ricardo plc	Exova 2014 Limited UK Mail Group Limited
Claire Miles.....	154 Heath Road Moonfruit Limited Owl Finance Limited Sitemaker Software Limited Yell Bondco plc Yell Limited Yell Mediaworks Limited Yell Sales Limited Yell Studio Limited YH Limited	British Gas Finance Limited British Gas New Heating Limited British Gas Solar Limited British Gas Trading Limited Centrica Hive Limited Energy For Tomorrow Flowgem Limited Green Running Limited National Home Improvement Council Solar Technologies Group Limited Spike's Tales Ltd
Mark Butcher	14-16 Fernlea Road Management Limited AssetCo plc Coldharbour Technology Limited East Balkan Properties plc National Milk Records plc	Coldharbour Marine Limited IHOD Limited Milk Pension Fund Trustees Limited Stockdale Securities Limited
Fernando Cogollos	–	–
John Davies.....	Redde PLC Local Car and Van Rental Limited MPAC Group PLC Warlies Park Farm Limited	Lloyds UDT Rentals Limited Vehicle Remarketing Association Limited Keeresources Ltd

Name	Current directorships/partnerships	Past directorships/partnerships
Mark McCafferty	Redde PLC Colligo14 Ltd Premiership Rugby Foundation Wooden Spoon Society CGA Sandown Limited Premier Rugby Partnership Ventures Limited Premier Rugby Partnership Limited	Premier Rugby Travel Limited Premiership Rugby Limited
Stephen Oakley	Redde PLC FMG Support (RRRM) Ltd FMG Support (FIM) Ltd F M G Support (HO) Limited FMG Support Ltd FMG Support Group Limited FMG Finance Limited FMG Group Holdings Limited Rose Bidco Limited NewLaw Legal Limited Principia Law Limited Auxillis Limited Cab Aid Limited Helphire EBT Trustee Limited Auxillis Services Limited Total Accident Management Limited HHFS Limited HAS Accident Management Solutions Limited Angel Assistance Limited RunMyCar Limited Eleuthera Limited Laumarc Securities Limited	03299525 Limited 02628149 Limited CIQ Limited Group Legal Limited The Fleet Management Company Limited FMG Support (Property) Limited NetRentaCar Limited 03401359 Limited NLS Trustees Ltd NewLaw Trustees Limited Helphire Finance Limited E-Claim Limited QSIT Limited Lawyer.com Limited Medirep Marketing Limited Quartz Reporting Ltd Helphire Shelf 1 Limited

7.10 Within the period of five years preceding the date of this Prospectus, none of the Directors:

- (a) has had any convictions in relation to fraudulent offences;
- (b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership, liquidation or entry into administration of such company; or
- (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

8. Principal Shareholders

- 8.1 In so far as is known to the Directors, the following are the interests (within the meaning of Part 22 of the Act) (other than interests held by the Directors, Proposed Directors and Senior Managers) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of Northgate immediately following the Merger:

Shareholders	As at 6 December 2019 (the Latest Practicable Date)		Immediately following the Merger becoming effective ⁽¹⁾	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
Aberforth Partners LLP.....	14,555,426	10.92	14,555,426	5.87
Schroder Investment Management Limited	14,267,451	10.71	16,751,360	6.75
JO Hambro Capital Management Limited	12,539,545	9.41	12,539,545	5.06
Fidelity International.....	8,214,217	6.17	8,214,217	3.31
Crystal Amber Asset Management (Guernsey)	7,928,491	5.95	7,928,491	3.20
Dimensional Fund Advisors LP.....	7,341,631	5.51	7,747,113	3.12
Legal & General Investment Management Limited	7,239,645	5.43	7,476,086	3.01
Artemis Investment Management LLP.....	6,684,920	5.02	6,684,920	2.70
Blackrock Inc.	5,701,992	4.28	8,490,562	3.42
Norges Bank Investment Management	5,436,352	4.08	6,413,671	2.59
Janus Henderson Investors.....	4,449,099	3.34	8,240,020	3.32
Vanguard Group Inc.	4,268,393	3.20	4,344,980	1.75
Invesco Ltd.....	—	—	21,133,361	8.52
Link	—	—	13,175,725	5.31
Lombard Intl Assurance.....	—	—	11,197,970	4.52
Richard Griffiths	—	—	11,040,230	4.45

Notes:

- (1) Figures are calculated assuming that (i) interests of the Principal Shareholders as at close of business on 6 December 2019 do not change and no other Northgate Shares are issued until Admission and (ii) the maximum number of New Northgate Shares are issued in connection with the Merger.
- 8.2 Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Completion, directly or indirectly, interested in 3% or more of the issued share capital of Northgate, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over Northgate. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of Northgate. None of Northgate's major Shareholders have or will have different voting rights attached to the shares they hold in Northgate.

9. Northgate employee share plans

9.1 Share Incentive Plan (SIP)

General

The SIP complies with and is operated within the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 (*Schedule 2*) so that the SIP qualifies as a Schedule 2 share incentive plan under the legislation.

Administration

The SIP is constituted by a trust deed and rules, the trustee of which (the “Trustee”) is an independent trustee. The SIP is administered by the Trustee in accordance with the trust deed and its rules. The Board operates the SIP. The Board may appoint and remove the Trustee. The SIP is operated over new issue, treasury or market purchase Shares.

Eligible employees

All United Kingdom resident employees of participating group companies who have been employed for a minimum period (not exceeding the period specified from time to time by HMRC) are eligible to participate in the SIP.

Awards

All eligible employees are entitled to participate in the SIP on similar terms. The Board can operate the SIP in a number of ways. It can:

- (a) make an award of Free Shares; and/or
- (b) give eligible employees the opportunity to invest in Partnership Shares; and/or
- (c) make an award of Matching Shares to those eligible employees who have invested in Partnership Shares; and/or
- (d) require or allow eligible employees to re-invest dividends paid on their Free Shares, Partnership Shares and/or Matching Shares.

Participation

Employees are able to participate only if they enter into a contract with the Company and, when the SIP is to operate over Partnership Shares with or without Matching Shares, if they agree to the acquisition of Shares with contributions from their gross salary by the Trustee on their behalf.

(a) Free Shares

Eligible employees may be awarded Free Shares worth up to the maximum statutory limit which is currently £3,600 in each tax year. If the Company wishes, the award of Free Shares can be based on the achievement of individual, team, divisional or corporate performance measures which must be fair and objective. Otherwise Free Shares must be awarded to eligible employees on the same terms, although awards can vary by reference to remuneration, length of service or hours worked. Free Shares must be held by the Trustee for a holding period of up to five years. Free Shares may be forfeited in certain circumstances within a period to be determined by the Board of not more than three years if a participant ceases to be employed by the Group within a period to be determined by the Board of not more than three years.

(b) Partnership Shares

Eligible employees may purchase Partnership Shares worth up to the maximum statutory limit which is currently £1,800 in any tax year using money deducted from their gross salary in one or more lump sums not exceeding 10 per cent. of salary in any year. Partnership Shares may be withdrawn from the SIP at any time and will not be subject to forfeiture. The Board may permit eligible employees to instruct the SIP Trustee to buy on their behalf:

- Partnership Shares out of deductions from their gross salary accumulated for up to a 12 month period (accumulation period); or
- Partnership Shares monthly (or at other intervals) out of their gross salary.

(c) Matching Shares

The Board may permit the Trustee to award up to two Matching Shares for each Partnership Share purchased. Matching Shares must be held by the Trustee for a holding period of up to five years, to be determined by the Board. Matching Shares may be forfeited in certain circumstances if a participant ceases to be employed by the Group or the participant chooses to withdraw his or her Partnership Shares from the SIP within a period to be determined by the Board of not more than three years.

(d) Dividend Shares

The Board may permit dividends received on Shares held in the SIP to be reinvested in additional Shares (Dividend Shares). The Dividend Shares will not be subject to forfeiture and must be held for a minimum of three years before they can be sold.

Tax benefits

If participants keep their Free, Partnership and Matching Shares in the SIP for five years (three years for Dividend Shares), there will be no income tax or National Insurance contributions to pay. If participants cease to be employed because of injury, disability, redundancy, if the business in which or the company by which they are employed is sold out of the Group or if there is a change in control of the Company which falls within the relevant legislation, there will be no income tax or National Insurance contributions to pay. In other circumstances, participants will be liable to pay income tax and National Insurance contributions. The amount on which a participant will pay tax will depend on how long their Free, Partnership and Matching Shares have been held and the terms of the SIP. If Dividend Shares are withdrawn from the SIP before the third anniversary of their acquisition, the participant may be liable to income tax in respect of the cash value of the original dividend.

No capital gains tax will be payable while the Shares are held in the SIP.

Operation

In each year that the Board decides to operate the SIP over Free or Matching Shares, participating group companies will provide the Trustee with funds to enable the Trustee to buy Shares in the market or to buy new issue or treasury shares from the Company by subscription to be appropriated as Free Shares and/or Matching Shares to eligible employees who agree to participate in the SIP. The funds made available, and the amount available for each individual employee, may be determined by reference to any objective performance criteria adopted by the Board. If the SIP is operated in any year, funds will be allocated to the Trustee, and Free Shares and/or Matching Shares will be appropriated to eligible employees, subject to the limits referred to below.

Individual limits

The maximum value of Shares which may be received by an employee under the SIP under Schedule 2 is:

- (a) Free Shares: currently £3,600 per tax year;
- (b) Partnership Shares: currently £1,800 per annum (and a maximum of 10% of salary);
- (c) Matching Shares: two shares for each Partnership Share.

There is no limit under Schedule 2 on the number of Dividend Shares which may be purchased on behalf of participants.

Limits

No option may be granted under the SIP if it would cause the number of Shares issued or issuable pursuant to options and rights granted in the preceding 10 years under the Company's employee share schemes (including the SIP), or which have been issued in the preceding 10 years under any such schemes, to exceed 10 per cent. of the Company's issued share capital at the proposed date of grant.

Treasury Shares will be treated for this purpose as if they were issued Shares and will count towards the above limits for as long as institutional shareholder guidance recommends such treatment. Awards may be granted under the SIP over existing Shares, and the percentage limits stated above will not apply to existing Shares, except (for so long as institutional shareholder guidelines so recommend) to the extent that they are treasury shares.

Dividends and voting rights

Participants are the beneficial owners of the Shares held by the Trustee on their behalf. All dividends and other distributions received in respect of the Shares will be passed on to participants by the Trustee as soon as practicable after receipt unless the Board decides to permit their reinvestment in Dividend Shares. The Trustee votes in accordance with the wishes of the participants if participants have given the Trustee prior voting directions in writing.

Takeovers and variations of the Company's share capital

If a general offer is made to shareholders of the Company or there is a scheme of arrangement or a rights or capitalisation issue or other variation of the Company's share capital, participants will be able to instruct the Trustee how to act or vote on their behalf.

Amendments to the SIP

The Board and the Trustee may amend the SIP at any time in any respect except that no amendment may be made which would affect the status of the SIP as a Schedule 2 share incentive plan. The provisions of the trust deed and rules of the SIP relating to eligibility, limits on the overall number of Shares available under the SIP, the basis for determining an eligible employee's participation and adjustments for a variation of the Company's share capital and amendment of the SIP may not, however, be amended to the advantage of existing or future participants without the prior approval of the Company in general meeting except that the Board and the Trustee may:

- (a) make any amendments necessary to secure and maintain the status of the SIP as a Schedule 2 share incentive plan or to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company, any of its subsidiaries or any participant; or
- (b) make minor amendments to benefit or facilitate the administration of the SIP.

No amendment may be made to the SIP which would affect the beneficial interests of participants in Shares held by the Trustee on their behalf.

Benefits not pensionable

Benefits under the SIP are pensionable.

9.2 ***Executive Performance Share Plan (EPSP)***

Eligibility

The EPSP is a discretionary benefit offered by the Company for the benefit of its employees (including executive directors of the Company). Participation in the EPSP is at the discretion of the remuneration committee.

Grant of awards

Awards can be granted:

- (a) within the period of six weeks commencing on any of the following:
 - (i) the date on which the EPSP is re-approved by the shareholders of the Company; or
 - (ii) the dealing day after the date on which the Company announces its results for any period; or

- (b) at any other time when the remuneration committee considers that circumstances are sufficiently exceptional to justify its grant.

No awards may be granted under the EPSP more than ten years after the date on which the EPSP is re-approved by the shareholders of the Company.

Form of awards

Awards can be granted as options or in the form of a conditional award which grants the right to acquire or receive Shares at no or nominal cost. If the remuneration committee does not specify the type of award on or before the grant date then an award shall be a conditional right to acquire the Shares granted under the EPSP.

Value of awards

An award may not be granted to an individual if such grant would cause the aggregate total market value of the maximum number of shares that may be acquired on realisation of the individual's EPSP awards in relation to the same financial year to exceed 150 per cent. (250 per cent. in exceptional circumstances) of the individual's base salary at the date of grant.

Performance conditions

The vesting of awards granted will normally (and in the case of executive directors of the Company, will always) be dependent upon the satisfaction of stretching performance conditions that are appropriate to the strategic objectives of the Group (measured over a period of three years). The remuneration committee may vary the performance conditions applying to existing awards if the remuneration committee reasonably considers the occurrence of an event or circumstances mean that it would be appropriate to do so provided that, in the reasonable opinion of the remuneration committee, the new conditions are not materially less difficult to satisfy than the original conditions would have been but for the event or circumstances in question.

Holding period

The executive directors of the Company have agreed to a further two year holding period in respect of the post tax number of shares that vests following the end of the performance period.

Malus and clawback

The board of directors may reduce the number of shares under an award, impose further conditions on the vesting of an award, or forfeit shares following an award vesting if certain events occur, including a misstatement of the Company's financial accounts, a failure of risk management, an error in calculation of any awards based on false or misleading information, reputational damage, gross misconduct by the relevant participant or corporate failure.

Dividend enhancement

The number of shares in respect of an award may be increased to account for dividends paid on any vesting shares in the period between grant and vesting. Alternatively, participants may receive a cash sum equal to the value of dividends paid on any vesting shares in the period between grant and vesting.

Cessation of employment

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

Awards for good leavers will vest on the date of cessation or, at the discretion of the remuneration committee, the normal vesting date, to the extent that the performance conditions are met (if

applicable), but will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation relative to the period of three years.

Change of control

Awards may vest in connection with a change of control of the Company to the extent that the performance conditions are met by that date.

The Remuneration Committee will in normal circumstances scale down the vesting level of an award having regard to the time that has elapsed between the grant of the award and the date of change of control, but will retain discretion to modify pro-rating in any particular case if it considers it appropriate.

Cash Alternative

Subject to certain exclusions and limitations, the remuneration committee has discretion to determine that a share award may be satisfied by payment of a cash sum.

Adjustment of awards

If there is a variation in the share capital of the Company a demerger, payment of a special dividend or other similar event which may impact the market value of a share, the award may be adjusted to reflect that variation.

Rights attaching to shares

A participant will not have any voting or dividend rights prior to the realisation of the award. All shares allotted under the EPSP will carry the same rights as any other issued ordinary shares in the Company and application will be made for the shares to be listed by the UK Financial Conduct Authority and traded on the London Stock Exchange.

Benefits received under the EPSP are not pensionable and may not be assigned or transferred except on a participant's death.

Alterations to the EPSP

In addition to the remuneration committee's powers to vary performance measures described above, it will have authority to amend the rules of the EPSP, provided that no amendments to the advantage of the participants or eligible employees may be made to provisions relating to the key features of the EPSP without the prior approval of shareholders in general meeting unless the amendment is minor and made to benefit the administration of the EPSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group. Key features are: who can be a participant, the limits on the number of shares which can be issued under the EPSP, the basis for determining a participant's entitlement to shares and the terms on which they can be acquired, and the provisions relating to adjustments in the event of a variation in the Company's share capital.

Satisfaction of awards

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

Limits on the issue of shares

In any 10 year period, the Company may not grant awards under the EPSP if such grant would cause the number of shares that could be issued under the EPSP or any other share plan adopted by the Company or any other company under the Company's control to exceed 10% of the Company's issued ordinary share capital at the proposed date of grant.

In addition in any 10 year period, the Company may not grant awards under the EPSP if such grant would cause the number of ordinary shares that could be issued under the EPSP or any discretionary

share plans adopted by the Company or any other company under the Company's control to exceed 5% of the Company's issued ordinary share capital at the proposed date of grant. The satisfaction of awards with treasury shares will be treated as an issue of ordinary shares for the purposes of the above limits for so long as institutional shareholder guidelines recommend this. If awards are satisfied by a transfer of existing ordinary shares, the percentage limits stated above will not apply.

9.3 *Northgate Value Creation Plan*

The Board of Northgate has proposed to introduce a new long-term incentive plan (the "Value Creation Plan") for a small number of senior employees in the Combined Group, including the CEO, to support in the delivery of the integration of Northgate and Redde and in the delivery of the anticipated strategic benefits of the Merger.

Purpose and link to strategy

The Value Creation Plan provides a clear link between the remuneration of the participants and the creation of value for shareholders by rewarding the delivery of significant, sustainable absolute returns to shareholders over the long-term. The award has no value on grant but gives the participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle over a performance period of at least three and a half years.

Operation

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

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

Performance assessment

The value that can be delivered by the Value Creation Plan is linked to the shareholder value created over the relevant performance period. A minimum CAGR in total shareholder return of 5 per cent. must be achieved above an initial share price following announcement of the Merger.

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

A total cap of 2.0 per cent. of the issued share capital of the company will apply on vesting of all awards under the VCP. There is a cap of 0.9 per cent. for the CEO and a proportionate cap for other Executive Directors and participants. Northgate's remuneration committee may set a lower cap for any participant by reference to a fixed monetary amount or a fixed number of shares.

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

Cessation of employment

Awards to Executive Directors or eligible employees who leave at any time prior to vesting will lapse unless they leave by reason of death, retirement, ill health, injury or disability, redundancy, on the sale

out of the Group of the participant's employing company or business or in other circumstances at the discretion of the remuneration committee ("good leavers").

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

Change of control

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

Adjustment of awards

If there is a variation in the share capital of the Company a demerger, payment of a special dividend or other similar event which may impact the value of the VCP, the award may be adjusted to reflect that variation.

Rights attaching to shares

A participant will not have any voting or dividend rights prior to the realisation of the award. All shares allotted under the Value Creation Plan will carry the same rights as any other issued ordinary shares in the Company and application will be made for the shares to be listed by the UK Financial Conduct Authority and traded on the London Stock Exchange.

Benefits received under the Value Creation Plan are not pensionable and may not be assigned or transferred except on a participant's death.

Alteration to the VCP

The remuneration committee will have authority to amend the rules of the Value Creation Plan, provided that no amendments to the advantage of the participants or eligible employees may be made to provisions relating to the key features of the Value Creation Plan without the prior approval of shareholders in a general meeting unless the amendment is minor and made to benefit the administration of the Value Creation Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group. Key features are: who can be a participant, the limits on the number of shares which can be issued under the Value Creation Plan, the basis for determining a participant's entitlement to shares and the terms on which shares can be acquired, and the provisions relating to adjustments in the event of a variation of the Company's share capital.

Satisfaction of awards

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

Limits on the issue of shares

In any 10 year period, the Company may not grant awards under the Value Creation Plan if such grant would cause the number of shares that could be issued under the Value Creation Plan or any other share plan adopted by the Company or any other company under the Company's control to exceed 10 per cent. of the Company's issued ordinary share capital at the proposed date of grant.

In addition to any 10 year period, the Company may not grant awards under the Value Creation Plan if such grant would cause the number of ordinary shares that could be issued under the Value Creation Plan or any discretionary share plans adopted by the Company or any other company under the Company's control to exceed 5 per cent. of the Company's issued ordinary share capital at the proposed date of grant. The satisfaction of awards with treasury shares will be treated as an issue of ordinary shares for the purposes of the above limits for so long as institutional shareholder guidelines

recommend this. If awards are satisfied by a transfer of existing ordinary shares, the percentage limits stated above will not apply.

Northgate requires shareholder approval to introduce the Value Creation Plan.

Other senior employees of the Combined Group will receive share awards under the existing Northgate EPSP consistent with Northgate's existing practice.

10. Redde employee share plans

10.1 *Performance Share Plan (PSP)*

Eligibility

The PSP is a discretionary benefit offered by Redde for the benefit of its employees (including executive directors of Redde). Participation in the PSP is at the discretion of Redde, a subsidiary or the trustees for the time being of any employee benefit trust.

Grant of awards

Awards can be granted with the period of 42 days commencing on:

- (a) the day on which the PSP is adopted by the Redde Board;
- (b) the dealing day after the day on which Redde makes an announcement of its results for any period (or, where applicable, the dealing day after the end of a market value averaging period commencing on the date of such results);
- (c) any day on which any change to any relevant legislation, regulation or government directive affecting employee share plans is proposed or made;
- (d) in respect of an eligible employee, the date on which that eligible employee first becomes employed by Redde or a Redde subsidiary; or
- (e) any day on which the remuneration committee of Redde resolves that exceptional circumstances exist which justify the grant of awards.

No awards may be granted under the PSP more than ten years after the date on which the PSP is re-approved by the shareholders of Redde.

Form of awards

Awards can be granted as options or in the form of a conditional award which grants the right to acquire or receive Shares at no or nominal cost. The grantor has the discretion to award such other form which has a substantially similar purpose or effect.

Value of awards

An award may not be granted to an individual if such grant would cause the aggregate total market value of the maximum number of shares that may be acquired on realisation of the individual's PSP awards and any other subsisting awards in relation to the same financial year to exceed (i) in the case of the first award made under the PSP, 300 per cent. of the individual's base salary, and (ii) in the case of each subsequent award 100 per cent. of the individual's base salary.

Performance conditions

The vesting or exercise (if applicable) of awards granted may be dependent upon the satisfaction of conditions relating to performance (measured over a period of three years). The remuneration committee may amend or substitute the performance target or any other condition provided that any amendment is in accordance with the terms of the performance target or an event or transaction occurs which causes the remuneration committee of Redde, acting fairly and reasonably, to consider that a

substituted or amended performance target or other condition would be appropriate and that new conditions are not materially less or more difficult to satisfy than the original conditions would have been but for the event or circumstances in question.

Malus and clawback

The remuneration committee of Redde may reduce the number of shares under an award in whole or in part or impose further conditions on the vesting of an award if certain events occur, including a material misstatement of Redde's financial accounts, an assessment of any performance target was based on error or inaccurate or misleading information, an error in calculation of any awards based on false or misleading information, reputational damage, fraud or gross misconduct by the relevant participant.

Cessation of employment

Awards to participants who leave at any time prior to vesting will lapse unless they leave by reason of death, retirement, ill health, injury or disability, redundancy, on the sale out of the Redde Group of the participant's employing company or business or in other circumstances at the discretion of the remuneration committee ("good leavers").

Awards for good leavers will vest on the date of cessation or, at the discretion of the remuneration committee, the normal vesting date, to the extent that the performance target is met (if applicable), but will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation as a proportion of the original vesting period unless the remuneration committee of Redde, in its absolute discretion determines that a higher number of shares shall vest.

Change of control

Awards may vest in connection with a change of control of Redde to the extent that the performance conditions are met by that date.

The remuneration committee of Redde will in normal circumstances scale down the vesting level of an award having regard to the time that has elapsed between the grant of the award and the date of change of control, but will retain discretion to modify pro-rating in any particular case if it considers it appropriate.

Cash Alternative

Subject to certain exclusions and limitations, the remuneration committee has discretion to determine that a share award may be satisfied by payment of a cash sum.

Adjustment of awards

If there is a capitalisation issue, demerger, any offer or invitation made by way of rights issue, subdivision, consolidation, reduction, other variation in share capital of Redde or any other exceptional event which may impact the market value of a share, the award may be adjusted to reflect that variation.

Rights attaching to shares

A participant will not have any voting or dividend rights prior to the realisation of the award. All shares allotted under the PSP will carry the same rights as any other issued ordinary shares in Redde.

Benefits received under the PSP are not pensionable and may not be assigned or transferred except on a participant's death.

Alterations to the PSP

In addition to the remuneration committee of Redde's powers to vary performance measures described above, it will have authority to amend the rules of the PSP, provided that no alteration, deletion or addition shall be made if it would prevent the PSP from being an employees' share scheme

under section 1166 of the Companies Act 2006. The Redde Board may, in respect of Awards granted to participants who are or who may become subject to taxation outside the United Kingdom, amend or add to the provisions of the PSP and the terms of awards as it considers necessary or desirable to take account of or to mitigate or to comply with relevant overseas taxation, securities or exchange control laws provided that the terms of awards granted to eligible employees are not overall more favourable than the terms of awards granted to other eligible employees.

Satisfaction of awards

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

Limits on the issue of shares

In any 10 year period, Redde may not grant awards under the PSP if such grant would cause the number of shares that could be issued under the PSP or any other share plan adopted by Redde or any other company under Redde's control to exceed 10% of Redde's issued ordinary share capital at the proposed date of grant.

10.2 *Save as you earn scheme (SAYE)*

The SAYE Scheme was adopted as amended on 31 August 2016. The SAYE Scheme is a UK "all employee" share option plan, which is intended to satisfy the requirements of Schedule 3 of the UK Income Tax (Earnings and Pensions) Act 2003. This enables options to acquire Redde Shares granted under the SAYE Scheme potentially to benefit from favourable UK tax treatment.

Eligibility

Any employee or Executive Director of Redde and any participating company in the Redde Group is eligible to participate.

Savings contracts and options

An eligible employee who applies for an option under the SAYE Scheme must enter into a savings-related contract approved by HMRC for a specified period of three or five years. Under this contract, the employee agrees to make monthly savings contributions of a fixed amount which may not exceed the statutory maximum (currently £500 per month). Redde Shares may only be acquired under the SAYE Scheme on the exercise of the option using the monies repaid under this contract. Repayment is taken as including the bonus payable under the savings contract, unless otherwise decided by the Redde Board at grant. Options may be granted at a discount of up to 20 per cent. to the market value of Redde Shares at the time of grant. Invitations to apply for options may normally only be issued during the period of 42 days following the announcement of results for any period, although invitations can be issued at other times in exceptional circumstances.

Options granted under the SAYE Scheme are personal to the optionholder and, except on the death of the optionholder, may not be transferred.

Limit

A limit applies to the issue of Redde Shares under the SAYE Scheme. The number of Redde Shares which may be issued on the exercise of options granted under all employees' share schemes adopted by Redde (or issued otherwise than on exercise of options) in any ten year period may not exceed such number of Redde Shares as represents ten per cent. of the Redde Shares in issue on the date of grant of the options. Market purchased Redde Shares do not count towards this limit.

Exercise of options

An option may not normally be exercised until the optionholder has completed his or her savings contract (such exercise will usually be three or five years from the date of commencement of the savings contract) and then not more than six months thereafter. Special provisions allow early exercise

in the case of death, injury, disability, redundancy, retirement or because the company or business which employs the optionholder is transferred out of the Redde Group. If an optionholder ceases employment for any other reason within three years of the grant of the option, his or her option will cease to be exercisable. Special provisions also allow early exercise in the event of a change of control, reconstruction or winding-up of Redde.

Variation of capital

In the event of any variation of share capital, the Redde Board may make such adjustments as it considers appropriate to the number of Redde Shares under option and the price at which they may be acquired. Adjustments to the terms of options must be approved by HMRC.

Amendments

The Redde Board may at any time amend or add to all or any of the provisions of the SAYE Scheme in any respect, provided that no amendment may be made without the prior approval of HMRC. In addition, the prior approval of Redde in general meeting is required for an amendment to the advantage of optionholders to the provisions relating to eligibility, the limit on the number of shares that may be issued under the SAYE Scheme, leavers, rights attaching to options and Redde Shares, the determination of the option price and variations of capital. Minor amendments to benefit the administration of the SAYE Scheme to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for an optionholder or any member of the Redde Group do not require the approval of Redde in a general meeting.

11. Pensions

Northgate

Northgate operates a defined contribution pension plan, membership of which is open to all employees.

The executive directors of Northgate receive contributions to a Group personal pension plan or provision of cash allowance in lieu at the request of the individual.

Redde

Redde operates a defined contribution pension plan in the United Kingdom, membership of which is open to all UK employees.

The executive directors of Redde receive a fixed sum allowance (subject to annual review) to be used for personal money purchase schemes (or cash in lieu of such contributions).

12. Northgate Subsidiaries, investments and principal establishments

12.1 *Subsidiaries and subsidiary undertakings*

The principal subsidiaries and subsidiary undertakings of Northgate (excluding any companies in liquidation) are as follows:

Name	Country of incorporation and registered address	Percentage ownership interest	Primary field of activity
Northgate (CB) Limited	England and Wales Northgate Centre, Lingfield Way Darlington, DL1 4PZ England	100	Investment holding company

Name	Country of incorporation and registered address	Percentage ownership interest	Primary field of activity
Northgate (CB2) Limited	England and Wales Northgate Centre, Lingfield Way Darlington, DL1 4PZ England	100	Investment holding company
Northgate Espana Renting Flexible S.A.	Spain Avd Isaac Newton 3 Parque Empresarial La Carpetania 28906 Getafe, Madrid, Spain	100	Vehicle rental company
Northgate (Europe) Limited	England and Wales Northgate Centre, Lingfield Way Darlington, DL1 4PZ England	100	Investment holding company
Northgate (Malta) Limited (Malta)	Malta Office 1, Verdala Business Centre LM Complex, Brewery Street Mriehel, Birkirkara BKR3000 Malta	100	Group finance company
Northgate (MT) Limited (Malta)	Malta Office 1, Verdala Business Centre LM Complex, Brewery Street Mriehel, Birkirkara BKR3000 Malta	100	Group finance company
Northgate Vehicle Hire (Ireland) Limited	Republic of Ireland One Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland	100	Vehicle rental company
Northgate Vehicle Hire Limited	England and Wales Northgate Centre, Lingfield Way Darlington, DL1 4PZ England	100	Vehicle rental company
NG Finance Limited	Republic of Ireland One Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland	100	Group finance company
Northgate Vehicle Sales Limited	England and Wales Northgate Centre, Lingfield Way Darlington, DL1 4PZ England	100	Agent of Northgate Vehicle Hire
Goode Durrant Administration Limited	England and Wales Northgate Centre, Lingfield Way Darlington, DL1 4PZ England	100	Investment holding company

12.2 *Principal investments*

The Company has no material investments other than those described above in paragraph 12.1 (*Subsidiaries and subsidiary undertakings*) in this Part 21 (*Additional Information*).

12.3 *Principal establishments*

As at 30 April 2019, the Northgate Group operated from 59 vehicle rental locations and 22 Van Monster sites in the UK and four vehicle rental locations and four Van Monster sites in Ireland. The Group has three head offices in the UK. The Northgate Group's property in the UK and Ireland comprises a total of 438.3 thousand square metres, being freehold, long leasehold and short leasehold properties. As at 30 April 2019 39.0 per cent. of the Northgate Group's property in the UK and Ireland was freehold.

As at 30 April 2019, the Northgate Group operated from 26 vehicle rental and sales locations in Spain. The Group has one head office and one IT centre in Spain. The Northgate Group's property in Spain comprises a total of 249.8 thousand square metres, being freehold, long leasehold and short leasehold properties. As at 30 April 2019 28.8 per cent. of the Northgate Group's property in Spain was freehold.

Northgate is not aware of any material encumbrances that affect its property.

Information on Northgate's property, plant and equipment is set out in Note 15 of Northgate's 2019 Annual Report and Financial Statements as incorporated by reference in Part 17 (*Historical Financial Information of Northgate*).

13. **Statutory auditors**

The auditors of Northgate for the period covered by the historical financial information set out in this Prospectus are PricewaterhouseCoopers LLP, chartered accountants, whose registered address is at Central Square South, Orchard Street, Newcastle-Upon-Tyne NE1 3A2. PricewaterhouseCoopers LLP have audited the consolidated accounts for Northgate for financial information as at and for the periods ended 30 April 2019, 2018 and 2017, in accordance with auditing standards.

14. **Material contracts**

14.1 *Northgate*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Northgate: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to Northgate, and (b) at any time and contain provisions under which Northgate has an obligation or entitlement which is, or may be, material to Northgate as at the date of this Prospectus:

14.1.1 *Co-operation agreement*

On 29 November 2019, Northgate and Redde entered into the Co-operation Agreement, pursuant to which Northgate and Redde have agreed certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to regulatory clearances and authorisations. Northgate and Redde have also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

- The Co-operation Agreement records Northgate's and Redde's intention to implement the Merger by way of the Scheme, subject to the ability of Northgate to proceed by way of a Takeover Offer in certain circumstances.
- The Co-operation Agreement also contains provisions that will apply in respect of the Redde Share Plans, the Northgate Share Plans and certain other employee incentive arrangements.
- The Co-operation Agreement shall be terminated with immediate effect if: (i) Northgate and Redde so agree in writing; (ii) if the Merger is, with the permission of the Panel, withdrawn or lapses in accordance with its terms prior to the Longstop Date; or (iii) if the Scheme has not become effective by the Longstop Date.

- Northgate has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Redde (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) any Condition in so far as it relates to Redde is not satisfied or waived or becomes incapable of satisfaction or waiver (where such invocation has been permitted by the Panel) by the Longstop Date.
- Redde has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Northgate (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) Northgate breaches clause 8.3 of the Co-operation Agreement.
- In addition, either party has the right to terminate the Co-operation Agreement if: (i) there is a Redde Adverse Recommendation Change (as defined in the Co-operation Agreement); or (ii) there is a Northgate Adverse Recommendation Change (as defined in the Co-operation Agreement).

14.1.2 *Confidentiality agreement*

Northgate and Redde have entered into a mutual confidentiality agreement dated 21 October 2019 pursuant to which each of Northgate and Redde has undertaken, amongst other things, to: (i) keep confidential information relating to the Merger and the other party and not to disclose it to third parties (other than certain permitted parties) unless required by law or regulation; and (ii) use the confidential information for the sole purpose of evaluating, negotiating, advising on or implementing the potential Merger.

These confidentiality obligations remain in force until the earlier of: (i) two years from the date of the confidentiality agreement; and (ii) the Effective Date. The agreement also contains provisions pursuant to which each party has agreed not to solicit certain employees, suppliers and customers of the other party, subject to customary carve-outs, for a period of 12 months from the date of the confidentiality agreement.

14.1.3 *Material financing arrangements*

14.1.3.1 *Facilities agreement*

On 16 September 2019, Northgate entered into a senior multicurrency term and revolving facilities agreement made between Northgate, ABN Amro Bank N.V., Barclays Bank plc, Lloyds Bank plc and The Royal Bank of Scotland plc as arrangers, Northgate and Northgate Vehicle Hire Limited as borrowers (the “Borrowers”), Northgate, Northgate Vehicle Hire Limited, and Northgate (Europe) Limited as guarantors (the “Guarantors”), ABN Amro Bank N.V., Barclays Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc, The Governor and Company of the Bank of Ireland, Banco de Sabadell S.A., London Branch, Banco Bilbao Vizcaya Argentaria, S.A., London Branch, CaixaBank, S.A. United Kingdom Branch, and Bank of China Limited, London Branch as lenders (the “Lenders”), and National Westminster Bank plc as agent (the “Agent”), as amended and restated from time to time (the “Facilities Agreement”) consisting of (i) a senior multicurrency term loan facility of €89,560,000 (the “Term Loan”) and (ii) a revolving credit facility of £477,500,000 (the “RCF” and, together with the Term Loan, the “Facilities”).

As at 6 December 2019, the full amount of the Term Loan has been drawn down. The Term Loan facility matures on 30 November 2022 and accrues interest at EURIBOR, plus an applicable margin.

The base currency of the RCF is sterling but is available in optional currencies subject to certain conditions. The RCF may be utilised for the general corporate

purposes of the Northgate Group, including refinancing indebtedness and financing acquisitions.

As at 6 December 2019, Northgate had approximately £345,000,000 drawn down under the RCF. The RCF matures on 30 November 2023 and accrues interest at LIBOR plus an applicable margin.

Each loan under the RCF is repayable on the last day of its interest period. The interest period can be one, three, or six months or any such period as agreed between Northgate and the Agent.

The Facilities Agreement also contains customary prepayment, cancellation and default provisions and customary representations and warranties (subject to certain exceptions and qualifications) and a financial covenant based on the ratio of total net debt to EBITDA.

The Facilities Agreement limits the ability of Northgate and the obligors to make acquisitions, enter mergers or joint ventures, incur additional financial indebtedness, make disposals, grant security or make a substantial change to the general nature of the business of Northgate and its subsidiaries as well as other customary covenants.

The covenants, events of default and representations in the Facilities Agreement are customary for facilities of this type and are subject to certain carve-outs and/or materiality thresholds.

14.1.3.2 Backstop facilities agreement

The Facilities Agreement contains a covenant restricting acquisitions that does not currently permit the completion of the Merger. Northgate has approached the Lenders (as defined in the Facilities Agreement) for the required consent to waive this provision in respect of the Merger (the “Consent”).

Northgate has entered into a commitment letter with Barclays Bank PLC pursuant to which Barclays Bank PLC has underwritten certain backstop facilities (the “Backstop Facilities”) and has agreed to execute a backstop facilities agreement (the “Backstop Facilities Agreement”) upon one Business Day’s request by Northgate.

The Backstop Facilities are, in aggregate, sufficient to refinance and provide equivalent headroom to the Facilities and, upon the execution of the Backstop Facilities Agreement and satisfaction of relevant conditions precedent, they would be available to be drawn to refinance the Facilities and (to the extent provided as revolving facilities) for general corporate purposes. The completion of the Merger is permitted under the Backstop Facilities Agreement.

In the event that the Consent is not granted by the Majority Lenders under and as defined in the Facilities Agreement, Northgate will be entitled to require the execution of the Backstop Facilities Agreement by Barclays Bank PLC.

The Backstop Facilities have a term of 12 months from the date of the Backstop Facilities Agreement, subject to a 6 months extension (exercisable at the option of Northgate only).

The representations, financial covenants, general covenants and events of default under the Backstop Facilities Agreement generally reflect those of the Facilities Agreement (other than permitting the completion of the Merger) and the Backstop Facilities Agreement contains customary prepayment and cancellation provisions for backstop facilities.

14.1.3.3 Note purchase agreement

On 31 July 2015, Northgate entered into a note purchase agreement to authorise the issue and sale of €100,000,000 aggregate principal amount of its senior notes to the Prudential Insurance Company of America, the Prudential Retirement Insurance and Annuity Company, the Prudential Legacy Insurance Company of New Jersey, and International Kapitalanlagegesellschaft MBH, Dusseldorf (together, the “Purchasers”) (the “Note Purchase Agreement”).

The unpaid principal balance of each is due and payable on 1 August 2022. Interest is due on the 31st day of January and July in each year, commencing from the date the note was issued. Voluntary prepayment, either in full or in part may be made by giving prior notice to each noteholder, subject to certain make-whole provisions.

The Note Purchase Agreement limits the ability of the Company to substantially change the nature of the Company’s business, enter into certain mergers (such as those that would result in the Company being incorporated outside the United Kingdom or certain other jurisdictions), make investments which could result in the imposition of sanctions, incur financial indebtedness, grant security and make disposals (in each case subject to certain exceptions, and as not otherwise permitted in the Note Purchase Agreement).

The covenants, events of default and representations in the Note Purchase Agreement are customary for facilities of this type and are subject to certain carve-outs and/or materiality thresholds.

14.2 *Redde*

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Redde: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to Redde, and (b) at any time and contain provisions under which Redde has an obligation or entitlement which is, or may be, material to Redde as at the date of this Prospectus:

14.2.1 *Co-operation agreement*

See paragraph 13.1.1 (*Co-operation agreement*).

14.2.2 *Confidentiality agreement*

See paragraph 13.1.2 (*Confidentiality agreement*).

14.2.3 *Material financing arrangements*

14.2.3.1 Facility agreement

Redde (and certain other Redde Group companies) entered into an unsecured credit facility agreement on 2 December 2015 (as amended and restated by an amendment and restatement agreement dated 7 August 2019) pursuant to which HSBC UK Bank plc (the “Redde Lender”) (originally HSBC Bank plc but, pursuant to an Order of the High Court on 21 May 2018, HSBC Bank plc transferred part of its banking business to HSBC UK Bank plc with effect from 1 July 2018) agreed to make available a committed revolving credit facility of up to £50 million (the “Redde Facility Agreement”) for the general corporate and working capital purposes of the Redde Group. The Redde Facility Agreement is documented on terms which are customary for a company with a public listing.

All amounts outstanding under the Redde Facility Agreement must be repaid in full on 7 August 2024. Voluntary cancellations and prepayment may be made, by giving prior notice, either in full or in part with minimum cancellation and

prepayment amounts if in part. Mandatory prepayment events will occur in the event of illegality, a change of control in relation to Redde or a sale of all or substantially all of the business and/or assets of the Redde Group.

The interest payable on amounts outstanding under the Redde Facility Agreement for each interest period (which can be selected as one, three or six months or any other period agreed between Redde and the Redde Lender) is calculated on the basis of LIBOR plus a margin. The margin is subject to a margin ratchet calculated by reference to a total net debt to consolidated earnings before interest, depreciation and amortization financial covenant test. Default interest is payable on unpaid amounts and a commitment fee is payable on the available commitments (as is customary).

The Redde Facility Agreement includes (i) a total net debt to consolidated earnings before interest, depreciation and amortisation financial covenant test which is set at 4:1 and (ii) a consolidated earnings before interest, depreciation and amortisation to net finance charges interest cover test which is set at 3:1, in each case, in respect of any testing period based on the LMA model but with negotiated definitions. The covenants are tested half yearly.

The representations, undertakings and events of default are customary for the facility of this type and a borrower of this nature with the usual materiality tests, carve outs, de minimis amounts and grace/remedy periods. Upon the occurrence of an event of default, the Redde Lender will be able to, among other things, cancel the available commitments, declare all outstanding payments to be immediately due and payable and/or exercise any or all of rights, remedies, powers or discretions available to the Redde Lender under the finance documents.

The consent of Redde, not to be unreasonably withheld or delayed, is required for any assignment or transfer unless such assignment or transfer is (i) to another lender or affiliate of a lender or (ii) made at a time when an event of default is continuing.

The Redde Facility Agreement is cross guaranteed by 17 Redde Group companies (including Redde) incorporated in England and Wales. There is a requirement that the aggregate earnings before interest, tax, depreciation and amortisation and the aggregate gross assets, in each case, of the guarantors of the Redde Facility Agreement must comprise at least 80% of the consolidated earnings before interest, tax, depreciation and amortisation and 80% of the consolidated gross assets of the Redde Group as a whole. There is also a material companies test whereby any Redde Group company comprising more than 10% of the consolidated earnings before interest, tax, depreciation and amortisation or more than 10% of the consolidated gross assets, in each case, of the Redde Group as a whole is required to accede as a guarantor (if not already a guarantor). The Redde Facility Agreement also contains market standard guarantor accession and resignation mechanics.

14.2.3.2 Overdraft facility

Redde (and certain other Redde Group companies) have also entered into an uncommitted sterling net overdraft facility of up to £5 million in respect of various Redde Group accounts with HSBC UK Bank plc, under their standard terms and conditions and only to be used in the ordinary course of trading of the Redde Group.

15. Enforcement and civil liabilities under US federal securities laws

Northgate is a public limited company incorporated under English law. Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of Northgate's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgments obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the US courts, of civil liabilities predicated upon US federal securities laws.

16. Litigation

16.1 *Northgate*

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which Northgate is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Northgate Group's financial position or profitability.

16.2 *Redde*

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which Northgate is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, a significant effect on the Redde Group's financial position or profitability.

17. Related party transactions

17.1 *Northgate*

Save as described in Note 30 of Northgate's 2019 Annual Report and Financial Statements as incorporated by reference in Part 17 (*Historical Financial Information of Northgate*), there are no related party transactions between Northgate and related parties.

17.2 *Redde*

Save as described in Note 26 of Section A (*Historical Financial Information of Redde for the Year Ended 30 June 2019*) of Part 18 (*Historical Financial Information of Redde*), there are no related party transactions between Redde and related parties.

18. Working capital

Northgate is of the opinion that, taking into account bank and other facilities available to the Northgate Group, the Northgate Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

19. No significant change

19.1 *Northgate*

There has been no significant change in the financial position or financial performance of the Northgate Group since 31 October 2019, the date to which the last interim unaudited financial statements of the Northgate Group were prepared.

19.2 *Redde*

Other than the payment on 7 November 2019 of the final dividend for the financial year ended 30 June 2019, there has been no significant change in the financial position or financial performance of the Redde Group since 30 June 2019, being the date to which the Redde Group's latest audited consolidated accounts were prepared.

20. Consents

PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales, whose registered address is at 1 Embankment Place, London, WC2N 6RH, and has given and has not withdrawn its written consent to the inclusion of the report on the unaudited pro forma financial information of the Combined Group set out in Section B of Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*), and has for the purposes of this Prospectus authorised the contents of that part of this Prospectus which comprises its report for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules.

A written consent under the Prospectus Regulation Rules is different from a consent filed with the SEC under Section 7 of The US Securities Act. As the Shares have not been and will not be registered under The US Securities Act, PricewaterhouseCoopers LLP has not filed and will not be required to file a consent under Section 7 of The US Securities Act.

21. General

- 21.1 The fees and expenses to be borne by Northgate in connection with the Merger including professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £17.0 million (including VAT).
- 21.2 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Act.
- 21.3 Each New Northgate Share is expected to be issued at a premium of 257 pence to its nominal value of 50 pence.

22. Documents available for inspection

Copies of the following documents will be available on Northgate's website, at <https://www.northgateplc.com>, for a period of 12 months following the date of this Prospectus:

- (a) the Articles;
- (b) the Redde 2017 Financial Statements as set out in the financial report of Redde for the financial year ended 30 June 2017 and the accompanying auditor's report;
- (c) the Redde 2018 Financial Statements as set out in the financial report of Redde for the financial year ended 30 June 2018 and the accompanying auditor's report;
- (d) the Redde 2019 Financial Statements as set out in the financial report of Redde for the financial year ended 30 June 2019 and the accompanying auditor's report;
- (e) the accountant's report on the Unaudited Pro Forma Financial Information of the Combined Group set out in Section B of Part 19 (*Unaudited Pro Forma Financial Information for the Combined Group and Accountants Report*);
- (f) the documents incorporated by reference into this document as described in Part 22 (*Documents Incorporated by Reference*);
- (g) the consent letters referred to in paragraph 20 (*Consents*) of this Part 21 (*Additional Information*);
- (h) the Scheme Document;
- (i) the Circular; and
- (j) this Prospectus.

This Prospectus will be published in electronic form and be available on Northgate's website at <https://www.northgateplc.com>.

Dated: 12 December 2019

PART 22

DOCUMENTATION INCORPORATED BY REFERENCE

Information incorporated by reference

The information set out in the tables below which has previously been published shall be deemed to be incorporated in, and to form part of, this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement. The parts of the documents below that are not incorporated by reference are either not relevant to an investor or are covered by Part 1 (*Risk Factors*), Part 6 (*Industry, Competition, Regulatory and Legal*), Part 7 (*Information on Northgate*), Part 10 (*Directors, Proposed Directors, Senior Managers and Corporate Governance*) and Part 13 (*Operating and Financial Review of Northgate*). Any information or document incorporated by reference within the documents incorporated by reference below do not form part of this Prospectus (for Prospectus Regulation purposes).

Northgate's 2020 Interim Report and Financial Statements

(<https://www.northgateplc.com/media/2685/fy20-h1-interims-statement-final.pdf>)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's review report to Northgate plc only	25-26
Condensed Consolidated Income Statement	13
Condensed Consolidated Statement of Comprehensive Income.....	14
Condensed Consolidated Balance Sheet.....	15
Condensed Consolidated Cash Flow Statement	16
Condensed Consolidated Statement of Changes in Equity	17
Unaudited Notes to the Northgate Group Financial Statements	18-24

Northgate's 2019 Annual Report and Financial Statements

(https://www.northgateplc.com/media/2654/Northgate_annual-report-2019-bookmarks.pdf)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Northgate plc only	76-81
Consolidated Income Statement	83
Consolidated Statement of Comprehensive Income.....	84
Consolidated Balance Sheet	85
Consolidated Cash Flow Statement.....	86
Consolidated Statement of Changes in Equity	88
Notes to the Northgate Group Financial Statements.....	89-114

Northgate's 2018 Annual Report and Financial Statements

(<https://www.northgateplc.com/media/2246/Northgate-ar2018-interactive.pdf>)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Northgate plc only	83-89
Consolidated Income Statement	92
Consolidated Statement of Comprehensive Income.....	93
Consolidated Balance Sheet	94
Consolidated Cash Flow Statement.....	95
Consolidated Statement of Changes in Equity	97
Notes to the Northgate Group Financial Statements.....	98-132

Northgate's 2017 Annual Report and Financial Statements

(https://www.northgateplc.com/media/2045/annual-report-2017.pdf)

Information incorporated by reference into this Prospectus	Page number in reference document
Independent Auditor's Report to the members of Northgate plc only	78-83
Consolidated Income Statement	86
Consolidated Statement of Comprehensive Income.....	87
Consolidated Balance Sheet	88
Consolidated Cash Flow Statement.....	89
Consolidated Statement of Changes in Equity	91
Notes to the Northgate Group Financial Statements.....	92-123

PART 23

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise:

“ABI”	Association of British Insurers
“Act”	the Companies Act 2006, as amended from time to time
“Admission”	admission of the New Northgate Shares to the premium listing segment of the UK Official List and to trading on the London Stock Exchange’s main market for listed securities
“Agent”	in regards to the Facilities Agreement, National Westminster Bank plc
“Alternative Performance Measures”...	the certain KPIs of the Group which are financial measures that are not defined or specified under IFRS
“AVR”	the commercial vehicle rental business of Arriva plc, which Northgate acquired in February 2006
“Backstop Facilities”	in regards to the Backstop Facilities Agreement, the backstop facilities underwritten by Barclays Bank PLC
“Backstop Facilities Agreement”	the commitment letter between Northgate and Barclays Bank PLC pursuant to which Barclays Bank PLC has underwritten certain backstop facilities
“Barclays”	Barclays Bank PLC, acting through its Investment Bank
“Borrowers”	in regards to the Facilities Agreement, Northgate and Northgate Vehicle Hire Limited
“Brexit”	the UK referendum to withdraw from the European Union
“Business Day”	a day, other than a Saturday, Sunday or public or bank holiday, when banks are open for business in London
“CAGR”	compound annual growth rate
“Circular”	the circular to be sent by Northgate to Northgate Shareholders summarising the background to and reasons for the Merger and which includes a notice convening the Northgate General Meeting
“City Code”	the UK City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Takeover Panel
“Closing Price”	means the closing middle market quotations of a share derived from the daily official list of the LSE
“Co-operation Agreement”	the co-operation agreement between Northgate and Redde dated 29 November 2019
“Combined Group”	the enlarged group following completion of the Merger comprising the Northgate Group and the Redde Group
“Combined Group’s Board”	the directors comprising the Northgate Board as at the date of completion of the Merger, Martin Ward, John Davies, Mark McCafferty and Stephen Oakley

“Company”	Northgate plc, incorporated in England and Wales with registered number 00053171, the name of which is proposed to be changed to Redde Northgate plc with effect from the subject to completion
“Conditions”	the conditions to the implementation of the Merger (including the Scheme) as set out in the Scheme Document
“Consent”	in regards to the Facilities Agreement, the consent requested by Northgate of the Lenders to waive the covenant in the Facilities Agreement restricting acquisitions
“Consideration”	the basic consideration payable to Redde Shareholders in connection with the Merger comprising 0.3669 New Northgate Shares per Redde Share
“Court”	the High Court of Justice of England and Wales
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Disclosure Guidance and Transparency Rules” or “DTR”	the disclosure rules made by the FCA and forming part of the FCA Handbook of Rules and Guidance, as amended from time to time
“E&P”	earnings and profits
“EBIT”	earnings before interest and tax
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Effective Date”	means the date upon which either (i) the Scheme becomes effective in accordance with its terms or (ii) if Northgate elects to implement the Merger by way of an Offer, the date on which the Offer becomes or is declared unconditional in all respects
“Euro” or “€”	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
“Exchange Ratio”	the ratio of Northgate Shares to Redde Shares that each Redde Shareholders will receive, being 0.3669 Northgate Shares for each Redde Share pursuant to the Scheme
“Excluded Shares”	any Redde Shares beneficially owned by Northgate or any other member of the Northgate Group immediately prior to the Scheme Record Time
“Executive Performance Share Plan” or “EPSP”	the Northgate 2019 Executive Performance Share Plan as amended and approved on 23 September 2019
“Existing Northgate Shareholders”	means the holders of Existing Northgate Shares (any such holder being an “Existing Northgate Shareholder”)
“Existing Northgate Shares”	means the Northgate Shares in issue at the Latest Practicable Date

“Facilities”	the Term Loan and the RCF
“Facilities Agreement”	the senior multicurrency term and revolving facilities agreement made between Northgate, ABN Amro Bank N.V., Barclays Bank plc, Lloyds Bank plc and The Royal Bank of Scotland plc as arrangers on 16 September 2019
“FCA”	the Financial Conduct Authority or its successor from time to time
“Forms of Proxy”	the form of proxy in connection with each of the Redde Court Meeting and the Redde General Meeting, which shall accompany the Scheme Document
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“Goldman Sachs”	Goldman Sachs International
“Governance Code”	UK Corporate Governance Code
“GTA”	the voluntary agreement developed by accident management companies and the ABI know as the General Terms of Agreement
“Guarantors”	in regards to the Facilities Agreement, Northgate, Northgate Vehicle Hire Limited, and Northgate (Europe) Limited
“HGV”	heavy goods vehicles
“HMRC”	HM Revenue and Customs
“IFRS”	International Financial Reporting Standards as adopted by the European Union
“Implied Forecast”	the expected level of revenues and underlying profit before tax for the 12 months ending 30 April 2020
“IRS”	the US Internal Revenue Service
“ISA”	individual savings account
“IT”	information technology
“Joint Financial Advisors”	Goldman Sachs and Barclays
“KPIs”	key performance indicators
“Latest Practicable Date”	means 6 December 2019, being the latest practicable date prior to publication of the Prospectus
“LCV”	light commercial vehicle
“LEI”	legal entity identifier
“Lenders”	in regards to the Facilities Agreement, ABN Amro Bank N.V., Barclays Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc, The Governor and Company of the Bank of Ireland, Banco de Sabadell S.A., London Branch, Banco Bilbao Vizcaya Argentaria, S.A., London Branch, CaixaBank, S.A. United Kingdom Branch, and Bank of China Limited, London Branch

“Listing Conditions”	any conditions to which approval of the application for the admission of New Northgate Shares is expressed to be subject to by the FCA
“Listing Rules”	the listing rules made by the FCA pursuant to Part 6 of the FSMA, referred to in Section 73A(2) of the same, and contained in the FCA’s publication of the same name
“London Stock Exchange”	London Stock Exchange plc, together with any successors thereto
“Longstop Date”	30 April 2020 or such later date as may be agreed in writing by Northgate and Redde (with the Takeover Panel’s consent and as the Court may approve (if such approval(s) are required))
“Main Market”	the Main Market of the London Stock Exchange
“Market Abuse Regulation” or “MAR”	Regulation (EU) 596/2014
“Merger”	the proposed acquisition of the entire issued and to be issued share capital of Redde by Northgate, to be implemented by way of the Scheme or (should Northgate so elect, subject to the consent of the Takeover Panel) by way of the Offer
“Merger Announcement”	the announcement of the Merger dated 29 November 2019
“New Northgate Shares”	the new Northgate Shares which are to be issued pursuant to the Merger
“nil rate band”	under current UK tax rules, the nil rate of tax for the first £2,000 of non-exempt dividend income in any tax year
“Non-permitted Northgate Dividend” ..	has the meaning given to it in the paragraph titled “ <i>Dividends and dividend policy of the Combined Group</i> ” of Part 9 (<i>Terms and Conditions of the Merger</i>)
“Non-permitted Redde Dividend”	has the meaning given to it in the paragraph titled “ <i>Dividends and dividend policy of the Combined Group</i> ” of Part 9 (<i>Terms and Conditions of the Merger</i>)
“Northgate”	Northgate plc, incorporated in England and Wales with registered number 00053171, the name of which is proposed to be changed to Redde Northgate plc with effect from and subject to Completion
“Northgate Articles”	the Articles of Association of Northgate from time to time
“Northgate Board”	the Northgate Directors collectively
“Northgate Directors”	the directors of Northgate as at the date of this Prospectus or, where the context so requires, the directors of Northgate from time to time
“Northgate Executive Directors”	Martin Ward and Philip Vincent
“Northgate General Meeting”	the general meeting of Northgate to be convened in connection with the Merger, notice of which will be sent to Northgate Shareholders, including any adjournment thereof
“Northgate Group”	Northgate, its subsidiaries and its subsidiary undertakings from time to time

“Northgate Non-Executive Director” ...	Avril Palmer-Baunack, John Pattullo OBE, Philip Vincent, William Spencer, Claire Miles, Mark Butcher and Fernando Cogollos
“Northgate Profit Forecast”	has the meaning set out in Annex 1 (<i>Northgate Profit Forecast</i>)
“Northgate Quantified Financial Benefits Statement”	the statements of estimated cost savings and synergies arising from the Merger described in Part 5 (<i>Indicative Merger Statistics</i>)
“Northgate Shareholder Resolutions” ..	the ordinary shareholder resolutions of Northgate required to satisfy the Conditions to the Merger, being to: (i) approve the Merger as a class 1 transaction for the purposes of the Listing Rules; and (ii) grant authority to the directors of Northgate to allot the New Northgate Shares (and any amendments thereto)
“Northgate Shareholders”	the registered holders of Northgate Shares from time to time
“Northgate Shares”	ordinary shares of 50 pence each in the capital of Northgate
“Northgate’s 2017 Annual Report and Financial Statements”	Northgate’s 2017 Annual Report and Financial Statements, which include Northgate’s audited financial statements for the year ended 30 April 2017
“Northgate’s 2018 Annual Report and Financial Statements”	Northgate’s 2018 Annual Report and Financial Statements, which include Northgate’s audited financial statements for the year ended 30 April 2018
“Northgate’s 2019 Annual Report and Financial Statements” or “Full Year Statements”	Northgate’s 2019 Annual Report and Financial Statements, which include Northgate’s audited financial statements for the year ended 30 April 2019
“Northgate’s 2020 Interim Report and Financial Statements” or “Interim Statements”	Northgate’s 2020 Interim Report and Financial Statements, which include Northgate’s unaudited financial statements for the six months ended 31 October 2019
“Note Purchase Agreement”	the note purchase agreement to authorise the issue and sale of €100,000,000 aggregate principal of its senior notes by Northgate to the Purchasers on 31 July 2015
“Offer”	should Northgate elect to implement the Merger by way of a takeover offer (as defined in section 974 of the Act), the recommended offer to be made by or on behalf of Northgate to acquire all of the issued and to be issued Redde Shares on the terms and subject to the Conditions set out in Part III (<i>Historical Financial Information in relation to Redde and the Redde Group</i>) of the Scheme Document and to be set out in the Offer Document and, where the context admits, any subsequent revision, variation, extension or renewal of such Offer
“Official List”	the Official List of the FCA
“Overseas Shareholders”	Redde Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdiction outside the United Kingdom

“PCAOB”	the Public Company Accounting Oversight Board (United States)
“Permitted Northgate Dividend”	has the meaning given to it in the paragraph titled “ <i>Dividends and dividend policy of the Combined Group</i> ” of Part 9 (<i>Terms and Conditions of the Merger</i>)
“Permitted Redde Dividend”	has the meaning given to it in the paragraph titled “ <i>Dividends and dividend policy of the Combined Group</i> ” of Part 9 (<i>Terms and Conditions of the Merger</i>)
“PFIC”	a passive foreign investment company
“PRA”	the Prudential Regulation Authority or its successor from time to time
“PricewaterhouseCoopers”	PricewaterhouseCoopers LLP
“Principal Place”	for any general meeting of Northgate, the place at which the chairman of the meeting shall preside
“Proposed Directors”	those Redde Directors, being Martin Ward, John Davies, Mark McCafferty and Stephen Oakley, who as at the date of completion of the Merger will become members of the Combined Group’s Board
“Prospectus”	the final prospectus approved by the FCA (as competent authority under Regulation (EU) 2017/1129) as a prospectus prepared in accordance with the Prospectus Regulation Rules
“Prospectus Regulation Rules”	the prospectus rules published by the FCA under section 73A of FSMA
“PSP”	the Redde employee share plans
“Purchasers”	in regards to the Note Purchase Agreement, the Prudential Insurance Company of America, the Prudential Retirement Insurance and Annuity Company, the Prudential Legacy Insurance Company of New Jersey, and International Kapitalanlagegesellschaft MBH, Dusseldorf
“RCF”	in regards to the Facilities Agreement, the revolving credit facility of £477,500,000
“Redde”	Redde plc, incorporated in England and Wales with registered number 03120010
“Redde Board”	the Redde Directors collectively
“Redde Board Recommendation”	has the meaning as set out in Part 5 (<i>Indicative Merger Statistics</i>)
“Redde Court Meeting”	the meeting of the holders of the Redde Shares, convened by order of the Court pursuant to Part 26 of the Act to consider and, if thought fit, approve the Scheme with or without modification, including any adjournment thereof
“Redde Directors”	the directors of Redde as at the date of the Merger Announcement or, where the context so requires, the directors of Redde from time to time
“Redde Equalisation Dividend”	Redde will be entitled (in addition to any Permitted Redde Dividend) to declare and pay, and the Redde Shareholders will be

	entitled to receive and retain an equalisation dividend in Sterling (the “Redde Equalisation Dividend”) in respect of the Redde Shares of an amount per Redde Share equal to the amount of the Non Permitted Northgate Dividend per Northgate Share multiplied by the Exchange Ratio
“Redde Facility Agreement”	the unsecured credit facility agreement of 2 December 2015 (as amended and restated by an amendment and restatement agreement dated 7 August 2019) pursuant to which HSBC UK Bank plc (originally HSBC Bank plc but, pursuant to an Order of the High Court on 21 May 2018, HSBC Bank plc transferred part of its banking business to HSBC UK Bank plc with effect from 1 July 2018) agreed to make available a committed revolving credit facility of up to £50 million
“Redde General Meeting”	the general meeting of Redde to be convened in connection with the Scheme and the Merger, notice of which will be set out in the Scheme Document, including any adjournment thereof
“Redde Group”	Redde, its subsidiaries and its subsidiary undertakings from time to time
“Redde Lender”	HSBC UK Bank plc
“Redde Meetings”	the Redde Court Meeting and the Redde General Meeting
“Redde Scheme Shares”	Redde Shares (i) in issue as at the date of the Scheme Document, (ii) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time and (iii) (if any) issued on or after the Scheme Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme, but in each case other than the Excluded Shares
“Redde Shareholders”	the registered holders of Redde Shares from time to time
“Redde Shares”	ordinary shares of 0,1 pence each in the capital of Redde
“Redde’s 2017 Annual Report and Financial Statements”	Redde’s 2017 Annual Report and Financial Statements, which include Northgate’s audited financial statements for the year ended 30 June 2017
“Redde’s 2018 Annual Report and Financial Statements”	Redde’s 2018 Annual Report and Financial Statements, which include Northgate’s audited financial statements for the year ended 30 June 2018
“Redde’s 2019 Annual Report and Financial Statements”	Redde’s 2019 Annual Report and Financial Statements, which include Northgate’s audited financial statements for the year ended 30 June 2019
“Registrar”	Link Asset Services limited
“Registrar of Companies”	the Registrar of Companies in England and Wales
“Restricted Jurisdiction”	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if

	information concerning the Merger is sent or made available to Redde Shareholders in that jurisdiction
“Review Period”	the period from 1 July 2016 to 30 June 2019
“ROCE”	return on capital employed
“RTA”	road traffic accident
“SAYE”	the Redde save as you earn scheme
“Scheme”	the scheme of arrangement proposed to be made under Part 26 of the Act between Redde and the Redde Scheme Shareholders as set out in the Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Redde and Northgate
“Scheme Court Order”	the order of the Court sanctioning the Scheme under Part 26 of the Act
“Scheme Document”	the document to be sent to (among others) Redde Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the Redde Court Meeting and Redde General Meeting
“Scheme Record Time”	the time and date specified in the Scheme Document, expected to be 6.30 p.m. on the Business Day immediately prior to the Effective Date
“Scheme Shareholders”	holders of Redde Scheme Shares
“Scheme Voting Record Time”	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined
“SDRT”	stamp duty reserve tax
“SEC”	the US Securities and Exchange Commission
“Senior Managers”	those individuals identified as such in Part 10 (<i>Directors, Proposed Directors, Senior Managers and Corporate Governance</i>)
“SIP”	the Northgate share incentive plan
“Sponsor”	Goldman Sachs International
“SRA”	Solicitors Regulation Authority
“sterling” or “pounds sterling” or “GBP” or “£” or “pence” or “penny”	the lawful currency of the United Kingdom
“Synergy Team”	the team consisting of members of the Northgate and Redde management teams established to identify areas of potential savings and validate the cost benefit plan in relation to the merger
“Takeover Offer”	a takeover offer as defined in Part 28 of the Act
“Takeover Panel” or “Panel”	the UK Panel on Takeovers and Mergers
“Term Loan”	in regards to the Facilities Agreement, the senior multicurrency term loan facility of €89,560,000

“Treaty”	the United States-United Kingdom tax treaty
“Treaty Non-resident”	an individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty
“Trustee”	the independent trustee of the Northgate Share Incentive Plan
“Unaudited Pro Forma Financial Information”	the unaudited consolidated pro forma income statement for the year ended 30 April 2019 and the unaudited consolidated pro forma statement of net assets as at 30 April 2019
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
“US Exchange Act”	United States Securities Exchange Act of 1934, as amended
“US GAAS”	auditing standards generally accepted in the United States of America
“US Holder”	has the meaning set out in Part 20 (<i>Taxation</i>)
“US Person”	a US Person as defined in Regulation S under the US Securities Act
“US Securities Act”	United States Securities Act of 1933, as amended
“Value Creation Plan”	the proposed Northgate new long-term incentive plan
“Van Monster”	the trading name of Northgate Vehicle Sales Limited
“VAT”	value added tax and any similar sales or turnover tax
“VOH”	vehicles on hire

ANNEX 1

NORTHGATE PROFIT FORECAST

Confirmation by the Northgate Directors

On 29 November 2019, Northgate announced its interim results for the six months ended 31 October 2019. As part of that announcement Northgate made the following statements regarding the outlook for its business (the “Interim Statements”) as an update to statements made on 25 June 2019 at the time of the announcement of its results for the 12 months ended 30 April 2019 (the “Full Year Statements”):

“The Company re-confirms its guidance for the current year in relation to the Group’s hire revenue growth, where we continue to expect low to mid-single digit year-on-year growth %.”

“The Company now expects the Group rental profit margin to improve by at least 50 basis points year-on-year.”

“Group disposal profits are now expected to decrease by approximately 20% on the prior year.”

When considered together the Interim Statements imply an expected level of revenue and underlying profit before tax for the 12 months ending 30 April 2020 which is unchanged from the expected level implied by the Full Year Statements (the “Implied Forecast”).

The Full Year Statements and the Implied Forecast were originally published before Northgate made any approach to Redde and, accordingly, the requirements of Rule 28.1(c) of the City Code on Takeovers and Mergers apply in relation to the Full Year Statements.

The Northgate Directors confirm that the Implied Forecast remains valid and confirm that the Implied Forecast has been properly compiled on the basis of the assumptions stated below. The Northgate Directors confirm that the Implied Forecast has been compiled and prepared on a basis which is both comparable with Northgate’s historical financial information and consistent with Northgate’s accounting policies.

Assumptions

The Full Year Statements, Interim Statements and the Implied Forecast were prepared on the basis of the following assumptions, any of which could turn out to be incorrect and therefore affect the validity of the Full Year Statements, Interim Statements and the Implied Forecast:

Factors within the influence and control of the Northgate Directors

- There is no material change in the operational strategy of Northgate from the date of this announcement.
- There will be no further acquisitions or disposals which will have a material impact on Northgate’s results.
- There are no material strategic investments over and above those currently planned.

Factors outside the influence or control of the Northgate Directors

- There will be no material macroeconomic change in the principal markets and regions in which Northgate operates.
- There will be no unanticipated financial impact of the UK’s EU Referendum on 23 June 2016.
- There will be no material adverse events which will have a significant impact on Northgate’s financial results.
- There will be no changes in interest rates, bases of taxation, regulatory environment or legislation that have a material impact on Northgate, including in relation to operations or accounting policies.

- There will be no material changes in customer demand or the competitive environment in which Northgate operates.
- There will be no business disruptions that materially affect Northgate or its customer or supplier partners.

ANNEX 2

QUANTIFIED FINANCIAL BENEFITS STATEMENT

Northgate and Redde have identified significant savings that they expect to result from the Merger. The Boards of Northgate and Redde expect that the Merger will generate pre-tax cost synergies of at least £10 million per annum, with target run-rate phasing of £7 million at the end of the first 12 months following Completion and £10 million at the end of the second 12 months following Completion.

These cost synergies are expected to be delivered from the following areas:

- Corporate and support functions (approximately 45 per cent. of total pre-tax cost synergies): Rationalisation and consolidation of corporate and support functions, removal of duplicate public company costs and optimisation of procurement;
- Network (approximately 35 per cent. of total pre-tax cost synergies): Operational savings from optimisation of the combined networks given enhanced scale of the Combined Group which is expected to enable the removal of branch overlap and the better optimisation of the network density of the Combined Group; and
- Accident and fleet management (approximately 20 per cent. of total pre-tax cost synergies): Operational savings from consolidating and rationalising the accident and fleet management capabilities of the Combined Group.

In achieving these cost synergies, the Combined Group expects to incur aggregate cash implementation costs of approximately £10 million. It is expected that approximately 70 per cent. of the total integration costs will be incurred in the first 12 months following Completion with the balance being incurred in the second 12 months following Completion.

Aside from these one-off costs, the Board of Northgate and the Board of Redde do not expect any material dis-synergies to arise from the creation of the Combined Group.

The identified synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis. Further information on the bases of belief supporting the Northgate Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out in Appendix 1.

Further information on the basis of belief supporting the Northgate Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below:

Basis of belief

Following commencement of discussions regarding the creation of the Combined Group, a team with members of the management team from Northgate and Redde (the “Synergy Team”) was established to identify areas of potential savings and validate the cost benefit plan. The Northgate and Redde teams worked collaboratively to identify integration initiatives and estimate the timing and quantum of cost benefits available.

In preparing the Northgate Quantified Financial Benefits Statement, both Northgate and Redde have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential cost benefits available from the creation of the Combined Group. In circumstances where data have been limited for commercial or other reasons, the Synergy Team has made estimates and assumptions to aid its development of individual cost benefit initiatives.

In general, the cost benefit assumptions have in turn been risk adjusted, exercising a degree of prudence in the calculation of the estimated cost benefits set out above.

In arriving at the Northgate Quantified Financial Benefits Statement, Northgate have assumed:

- no material change in law and regulations, changes in government policies and changes in accounting standards;
- no unanticipated financial impact of the UK's EU Referendum on 23 June 2016;
- no significant impact on the underlying operations of either business from the creation of the Combined Group;
- no material change in foreign exchange rates; and
- no material divestments from either the Northgate or Redde existing businesses.

The baselines used for the quantified cost synergies were:

- For Northgate: full year operating expenses for the financial year ended 30 April 2019; and
- For Redde: full year operating expenses for the financial year ended 30 June 2019.

Note

The statements of estimated cost benefits relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost benefits referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

Other than the Northgate Profit Forecast, no statement in the Northgate Quantified Financial Benefits Statement or this announcement generally should be construed as a profit forecast or interpreted to mean that Northgate's earnings in the full first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of Northgate and/or Redde for the relevant preceding financial period or any other period.

Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost benefits may be materially greater or less than those estimated.

ANNEX 3

CONDITIONS AND CERTAIN FURTHER TERMS OF THE MERGER

A. Conditions to the Scheme and the Merger

1. The Merger is conditional upon the Scheme becoming unconditional and becoming effective, subject to the provisions of the Code, by no later than the Longstop Date.

Scheme approval

2. The Scheme is conditional upon:
 - (a) approval of the Scheme at the Redde Court Meeting (or at any adjournment thereof, provided that the Redde Court Meeting may not be adjourned beyond the 22nd day after the expected date of the Redde Court Meeting set out in the Scheme Document or such later date (if any) as Northgate and Redde may agree and, if required, the Court may allow) by a majority in number of the Scheme Shareholders present and voting, either in person or by proxy, representing 75 per cent. or more in value of the Scheme Shares held by those Scheme Shareholders;
 - (b) all resolutions required to approve and implement the Scheme as set out in the notice of the Redde General Meeting (including, without limitation, the Redde Special Resolution but excluding any resolution proposed in relation to any share scheme(s) proposed to be implemented by Northgate following the Effective Date) being duly passed by the requisite majority of Redde Shareholders at the Redde General Meeting (or at any adjournment thereof, provided that the Redde General Meeting may not be adjourned beyond the 22nd day after the expected date of the Redde General Meeting set out in the Scheme Document or such later date (if any) as Northgate and Redde may agree and, if required, the Court may allow); and
 - (c) the sanction of the Scheme by the Court without modification or with modification on terms acceptable to Northgate and Redde (acting reasonably), provided that the Scheme Court Hearing may not be adjourned beyond the 22nd day after the expected date of the Scheme Court Hearing which is expected to be no later than 14 days following the satisfaction or, where applicable, waiver, of the Conditions in paragraph 6 and 7 in Part A of this Annex 3 (*Conditions And Certain Further Terms of the Merger*) (or such later date (if any) as Northgate and Redde may agree and, if required, the Court may allow) and the delivery of an office copy of the Scheme Court Order to the Registrar of Companies.

In addition, subject to Part B (*Waiver and invocation of the Conditions*) of this Annex 3 (*Conditions And Certain Further Terms of the Merger*) and to the requirements of the Panel, the Merger is conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless such Conditions (as amended, if appropriate) have been satisfied or, where relevant, waived:

Northgate Shareholder approval

3. Any resolution or resolutions of Northgate Shareholders required to approve and implement the Merger (excluding any resolution relating to: (i) a change of Northgate's name; (ii) any amendments required in connection with the Merger to Northgate's directors' remuneration policy; or (iii) any share schemes proposed to be implemented following the Effective Date) being duly passed by the requisite majority at the Northgate Shareholder Meeting (or at any adjournment thereof, provided that the Northgate Shareholder Meeting may not be adjourned beyond the 22nd day after the expected date of the Northgate Shareholder Meeting set out in the Northgate Circular in due course or such later date (if any) as Northgate and Redde may agree);

Admission to listing

4. The FCA having acknowledged to Northgate or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Northgate Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“listing conditions”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied;

Admission to trading

5. The London Stock Exchange having acknowledged to Northgate or its agent (and such acknowledgement not having been withdrawn) that the New Northgate Shares will be admitted to trading on the London Stock Exchange’s Main Market;

FCA change of control approval

6. In respect of Northgate and each other person who, for the purposes of section 178 FSMA (as varied where appropriate by the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009)), has decided to acquire control over Auxillis Limited, FMG Support Limited, and FMG Support (FIM) Limited (and if applicable, Cab Aid Limited), the FCA: (i) having given notice for the purposes of section 189(4) or section 189(7) of the FSMA that it has determined to approve such acquisition of control; or (ii) being treated, by virtue of section 189(6) of FSMA, as having approved such acquisition of control;

Solicitors Regulation Authority approval

7. In respect of Northgate and each other person who, for the purposes of the Legal Services Act 2007, will acquire a restricted interest in NewLaw Legal Limited, Principia Law Limited and FMG Legal LLP, the Solicitors Regulation Authority having approved such acquisition;

General Third Party clearances

8. Excluding those referred to in the Conditions in paragraphs 6 and 7 of Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*), all material notifications to and filings with, Third Parties which are necessary having been made, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed, been waived or been terminated (as appropriate) and all applicable statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in connection with the Scheme or Merger or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Redde or any other member of the Wider Redde Group (as defined in the Merger Announcement) by any member of the Wider Northgate Group (as defined in the Merger Announcement) or the carrying on by any member of the Wider Redde Group of any material aspect of its business;
9. Other than in relation to the matters referred to in the Conditions in paragraphs 6 and 7 of Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*), no Third Party having intervened (as defined below) and there not continuing to be outstanding any statute, regulation or order of any Third Party in each case which is material in the context of the Merger and which would or might reasonably be expected to:
 - (a) make the Scheme or the Merger or, in each case, its implementation or the acquisition or proposed acquisition by Northgate or any member of the Wider Northgate Group of any shares or other securities in, or control or management of, Redde or any member of the Wider Redde Group void, illegal or unenforceable in any relevant jurisdiction, or otherwise directly or indirectly materially restrain, prevent, prohibit, restrict or delay the same or impose additional material conditions or obligations with respect to the Scheme or the Merger or such acquisition, or otherwise materially impede, challenge or interfere with the Scheme or Merger or such

acquisition, or require material amendment to the terms of the Scheme or Merger or the acquisition or proposed acquisition of any Redde Shares or the acquisition of control or management of Redde or the Wider Redde Group by Northgate or any member of the Northgate Group;

- (b) materially limit or delay, or impose any material limitations on, the ability of any member of the Wider Northgate Group or any member of the Wider Redde Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider Redde Group or any member of the Wider Northgate Group, to an extent which is or could be material in the context of the Combined Group taken as a whole or material in the context of the Merger;
- (c) require, prevent or materially delay the divestiture by any member of the Wider Northgate Group of any shares or other securities in any member of the Redde Group;
- (d) require, prevent or materially delay the divestiture or alter the terms envisaged for any such divestiture by any member of the Wider Northgate Group or by any member of the Wider Redde Group of all or any portion of their respective businesses, assets or properties or materially limit the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof;
- (e) except pursuant to sections 974 to 991 of the Companies Act 2006, require any member of the Wider Northgate Group or of the Wider Redde Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of the Wider Redde Group or any asset owned by any Third Party (other than in the implementation of the Merger);
- (f) materially limit the ability of any member of the Wider Northgate Group or any member of the Wider Redde Group to conduct or integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Northgate Group or of the Wider Redde Group to an extent which is material in the context of the Wider Redde Group taken as a whole or the Wider Northgate Group taken as a whole (as the case may be);
- (g) result in any member of the Wider Redde Group or any member of the Wider Northgate Group ceasing to be able to carry on business under any name under which it presently does so to an extent which is material in the context of the Wider Redde Group taken as a whole or the Wider Northgate Group taken as a whole (as the case may be); or
- (h) otherwise materially adversely affect any or all of the business, assets, profits or prospects of any member of the Wider Redde Group or any member of the Wider Northgate Group,

and all applicable waiting and other time periods during which any Third Party could intervene under the laws of any relevant jurisdiction having expired, lapsed or been terminated;

10. Excluding those referred to in the Conditions in paragraphs 6 and 7 of Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*), all Authorisations which are necessary in any relevant jurisdiction for or in respect of the Scheme or Merger or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Redde or any other member of the Wider Redde Group by any member of the Wider Northgate Group or the carrying on by any member of the Wider Redde Group of any material aspect of its business having been obtained or having been deemed to have been given or obtained, in terms and in a form satisfactory to Northgate (acting reasonably), from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any persons or bodies with whom any member of the Wider Redde Group has entered into contractual arrangements and all such Authorisations necessary for the carrying on by any member of the Wider Redde Group of its business having been obtained and all such Authorisations remaining in full force and effect at the time at which the Merger becomes effective or otherwise wholly unconditional and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same, in

each case where the absence of such Authorisation would have a material adverse effect on the Wider Redde Group (taken as a whole);

Certain matters arising as a result of any arrangement, agreement etc.

11. Except as Disclosed (as defined in the Merger Announcement), there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider Redde Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject or any circumstance, which, in each case as a consequence of the Scheme or Merger or the acquisition or proposed acquisition by any member of the Wider Northgate Group of any shares or other securities (or the equivalent) in Redde or because of any change in the control or management of any member of the Wider Redde Group or otherwise, could or might reasonably be expected to result in:
- (a) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider Redde Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated maturity date or repayment date or the ability of any member of the Wider Redde Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
 - (b) the creation (save in the ordinary course of business) or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Redde Group or any such mortgage, charge or other security interest (wherever created, arising or having arisen) becoming enforceable;
 - (c) any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Redde Group thereunder, being terminated or adversely modified or affected or any adverse action being taken or any obligation or liability arising thereunder;
 - (d) any asset or interest of any member of the Wider Redde Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of otherwise than in the ordinary course of business;
 - (e) any member of the Wider Redde Group ceasing to be able to carry on business under any name under which it presently does so;
 - (f) the creation of any material liability (actual or contingent) by any member of the Wider Redde Group other than trade creditors or other liabilities incurred in the ordinary course of business;
 - (g) the rights, liabilities, obligations, interests or business of any member of the Wider Redde Group under any such arrangement, agreement, licence, permit, franchise or other instrument or the interests or business of any member of the Wider Redde Group in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated or adversely modified or affected; or
 - (h) the financial or trading position or the value of any member of the Wider Redde Group being prejudiced or adversely affected,

which, in each of the foregoing cases is material and adverse in the context of the Wider Redde Group (taken as a whole) and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument to which any member of the Wider Redde Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, could result in any of the events or circumstances which are referred to in paragraphs (a) to (h) of this Condition 11 (in each case, to the extent which is material in the context of the Wider Redde Group (taken as a whole));

12. Since 30 June 2019 and except as Disclosed, no member of the Wider Redde Group having:
- (a) issued or agreed to issue, or authorised the issue of, additional shares of any class, or securities or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or securities or convertible securities or transferred or sold or agreed to transfer or sell any shares out of treasury, other than as between Redde and wholly-owned subsidiaries of Redde and other than any shares issued upon the exercise of any options or the vesting of any employee share awards granted under any of the Redde Share Plans;
 - (b) purchased or redeemed or repaid any of its own shares or other securities or reduced or, except in respect of the matters mentioned in sub-paragraph (a), made any other change to any part of its share capital;
 - (c) recommended, declared, paid or made any dividend or other distribution whether payable in cash or otherwise or made any bonus issue other than: (i) to Redde or a wholly-owned subsidiary of Redde; and (ii) any Permitted Redde Dividend and any Redde Equalisation Dividend;
 - (d) made or authorised any change in its loan capital;
 - (e) (other than pursuant to the Scheme (and except for transactions between Redde and its wholly owned subsidiaries or between the wholly owned subsidiaries of Redde and transactions other than in the ordinary course of business)) disposed of or transferred, mortgaged, charged or created any security interest over any material asset or any right, title or interest in any material asset (including shares in any undertaking and trade investments) or authorised the same, in any such case to an extent which is material in the context of the Wider Redde Group (taken as a whole);
 - (f) (except for transactions between Redde and its wholly owned subsidiaries or between the wholly owned subsidiaries of Redde or otherwise in the ordinary course of business) issued or authorised the issue of, or made any change in or to the terms of, any debentures or incurred or increased any indebtedness or liability (actual or contingent), which is material in the context of the Wider Redde Group taken as a whole;
 - (g) entered into, materially varied, or authorised any material agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) except in the ordinary course of business, which:
 - (i) is of a long term, onerous or unusual nature or magnitude or which involves an obligation of such nature or magnitude; or
 - (ii) could materially restrict the business of any member of the Wider Redde Group;
 - (h) entered into, implemented, effected or authorised any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares or loan capital (or the equivalent thereof) in respect of itself or another member of the Wider Redde Group otherwise than in the ordinary course of business;
 - (i) entered into or materially varied the terms of, any contract, service agreement or binding arrangement with any of the directors or senior executives of any member of the Wider Redde Group except for salary increases, bonuses or variations of terms in the ordinary course or as a result of genuine promotion;
 - (j) (other than in respect of a member of the Wider Redde Group which is dormant and was solvent at the time) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person

in any jurisdiction in each case as would or might reasonably be expected to have a material adverse effect on the financial position of the Wider Redde Group taken as a whole;

- (k) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business in each case as would or might reasonably be expected to have a material adverse effect on the financial position of the Wider Redde Group taken as a whole;
- (l) waived or compromised any claim, otherwise than in the ordinary course of business, which is material in the context of the Wider Redde Group as a whole;
- (m) except as Disclosed or envisaged in accordance with the terms of the Scheme, made any alteration to its memorandum or articles of association which is material in the context of the Merger;
- (n) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made or agreed or consented to:
 - (i) any significant change:
 - (A) to the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider Redde Group for its directors, employees or their dependants; or
 - (B) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder; or
 - (C) the basis on which qualification for, or accrual or entitlement to such benefits or pensions are calculated or determined; or
 - (D) the basis upon which the liabilities (including pensions) or such pension schemes are funded, valued or made; or
 - (ii) any change to the trustees including the appointment of a trust corporation, to an extent which is in any such case material in the context of the Wider Redde Group;
- (o) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider Redde Group, which is in any such case material in the context of the Wider Redde Group taken as a whole; or
- (p) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any intention to effect, any of the transactions, matters or events referred to in this Condition 12;

No adverse change, litigation or regulatory enquiry

13. Since 30 June 2019 and except as Disclosed (in each case to an extent which is or could be material in the context of the Wider Redde Group taken as a whole or the Wider Northgate Group taken as a whole, or material in the context of the Merger):

- (a) there having been no adverse change or deterioration and no circumstance having arisen which would or might reasonably be expected to result in any adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects or operational performance of any member of the Wider Redde Group or any member of the Wider Northgate Group;
- (b) no contingent or other liability in respect of any member of the Wider Redde Group or in respect of any member of the Wider Northgate Group, which is, or which would be likely to

affect, adversely the business, assets, financial or trading position or profits or prospects of any member of the Wider Redde Group or any member of the Wider Northgate Group having arisen or become apparent or increased;

- (c) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Redde Group or any member of the Wider Northgate Group is or may become a party (whether as claimant, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider Redde Group or any member of the Wider Northgate Group;
- (d) (other than as a result of the Merger) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened in writing, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Wider Redde Group or any member of the Wider Northgate Group;
- (e) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Redde Group or any member of the Wider Northgate Group which is necessary for the proper carrying on of its business; or
- (f) no member of the Wider Redde Group nor any member of the Wider Northgate Group having conducted its business in material breach of any applicable laws and regulations;

No discovery of certain matters

14. Northgate not having discovered (in each case to an extent which is or could be material in the context of the Wider Redde Group taken as a whole or material in the context of the Merger):
 - (a) that any financial or business or other information concerning the Wider Redde Group publicly Disclosed by or on behalf of any member of the Wider Redde Group prior to the date of the Merger Announcement is misleading or contains any misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which was not subsequently corrected before the date of the Merger Announcement by disclosure either publicly or otherwise to Northgate;
 - (b) that any member of the Wider Redde Group, otherwise than in the ordinary course of business, is subject to any liability (actual or contingent) which is not Disclosed in Redde's annual report and accounts for the financial year ended 30 June 2019 which has not been Disclosed; or
 - (c) any information which has not been Disclosed and which affects the import of any information Disclosed at any time by or on behalf of any member of the Wider Redde Group;
15. Northgate not having discovered, other than as Disclosed (in each case to an extent which is or could be material in the context of the Wider Redde Group taken as a whole or material in the context of the Merger):
 - (a) that any past or present member of the Wider Redde Group has not complied in any material respect with any applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, which, in any case, such non-compliance would be likely to give rise to any material liability (whether actual or contingent) or cost on the part of any member of the Wider Redde Group; or
 - (b) that there is, or is likely to be, any material liability, whether actual or contingent, to make good, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied or made use of by any past or present member of the Wider Redde Group

under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority or Third Party; and

Anti-corruption, sanctions and criminal property

16. Northgate not having discovered other than as Disclosed that, in each case to an extent which is or could be material in the context of the Wider Redde Group taken as a whole or material in the context of the Merger:
- (a) (i) any past or present member, director, officer or employee of the Wider Redde Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other anti-corruption legislation applicable to the Wider Redde Group or (ii) any person that performs or has performed services for or on behalf of the Wider Redde Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation; or
 - (b) any material asset of any member of the Wider Redde Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition); or
 - (c) any past or present member, director, officer or employee of the Wider Redde Group has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HM Treasury & Customs; or (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states; or
 - (d) a member of the Wider Redde Group has engaged in any transaction which would cause Northgate to be in breach of any law or regulation upon its (direct or indirect) acquisition of Redde, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states.

For the purpose of these Conditions:

- (i) “Third Party” means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority (including any national or supranational anti-trust or merger control authority), court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including, for the avoidance of doubt, the Panel;
- (ii) a Third Party shall be regarded as having “intervened” if it has decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything (and in each case, not having withdrawn the same) and “intervene” shall be construed accordingly; and
- (iii) “Authorisations” means authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, permissions and approvals, in each case, of a Third Party.

B. Waiver and invocation of the Conditions

1. The Scheme will not become effective unless the Conditions have been fulfilled or (to the extent capable of waiver) waived or, where appropriate, have been determined by Northgate or Redde (as applicable) to be or remain satisfied by no later than the Longstop Date.
2. Subject to the requirements of the Panel, Northgate reserves the right in its sole discretion to waive:
 - (a) those parts of all or any of the Conditions in paragraph 2 of Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*) relating to the deadlines for the Redde Court Meeting, Redde General Meeting and/or the Scheme Court Hearing. If any such deadline is not met, Northgate shall make an announcement by 8.00 am on the Business Day following such deadline confirming whether it has invoked the relevant Condition, waived the relevant deadlines or agreed with Redde to extend the relevant deadline; and
 - (b) in whole or in part, all or any of (only so far as they relate to Redde, the Wider Redde Group or any part thereof) the Conditions in paragraphs 8 to 16 (inclusive) in Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*).
3. Subject to the requirements of the Panel, Redde reserves the right in its sole discretion to waive:
 - (a) that part of the Condition in paragraph 3 of Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*) relating to the deadline for the Northgate Shareholder Meeting. If any such deadline is not met, Redde shall make an announcement by 8:00 a.m. on the Business Day following such deadline confirming whether it has invoked the relevant Condition, waived the deadline or agreed with Northgate to extend the deadline; and
 - (b) in whole or in part (only so far as it relates to Northgate, the Wider Northgate Group or any part thereof) the Condition in paragraph 13 of Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*).
4. Save as set out above in respect of paragraph 2 and 4 in Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*), the Conditions in paragraphs 1 to 7 (inclusive) in Part A of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*) cannot be waived.
5. Save where Northgate has confirmed the satisfaction or waiver of all Conditions (other than the Conditions in paragraph 2 in Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*)) pursuant to the terms of the Co-operation Agreement, Northgate shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions in Part A (*Conditions to the Scheme and the Merger*) by a date earlier than the latest date specified above for the fulfilment of that condition, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any Condition may not be capable of fulfilment.
6. The Merger will lapse if the acquisition of Redde by Northgate or any other matter arising from or relating to the Scheme or the Merger is referred to the chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Reform Act 2013 before the date of the Redde Court Meeting.
7. If the Panel requires Northgate to make an offer or offers for any Redde Shares under the provisions of Rule 9 of the Code, Northgate may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.

8. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
9. Under Rule 13.5(a) of the Code, Northgate may not invoke a Condition so as to cause the Merger not to proceed, to lapse or be withdrawn, unless the circumstances which give rise to the right to invoke the Condition are of material significance to Northgate in the context of the Merger. The Conditions in paragraphs 1 to 5 (inclusive) in Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*) are not subject to this provision of the Code.
10. Under Rule 13.6 of the Code, Redde may not invoke, or cause or permit Northgate to invoke, the Condition in paragraph 13 in Part A (*Conditions to the Scheme and the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*) unless the circumstances which give rise to the right to invoke the Condition are of material significance to the Redde Shareholders in the context of the Merger.

C. Implementation by way of Takeover Offer

Northgate reserves the right to elect to implement the Merger by way of a Takeover Offer, subject to the Panel's consent and to the terms of the Co-operation Agreement. In such event, such Takeover Offer will be implemented on the same terms, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. or such other percentage (being more than 50 per cent.) as Northgate may in accordance with the provisions of the Co-operation Agreement decide (subject to the Panel's consent): (i) in nominal value of the shares to which such Takeover Offer relates; and (ii) of the voting rights attaching to those shares.

D. Certain further terms of the Merger

1. Fractions of New Northgate Shares will not be issued to Scheme Shareholders under the Scheme. Fractional entitlements to New Northgate Shares will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the relevant Scheme Shareholders. However, individual entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) of less than £5 will not be paid to the relevant Scheme Shareholder but will be retained for the benefit of Northgate.
2. Redde Shares will be acquired by Northgate fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of the Merger Announcement or subsequently attaching or accruing to them, including the right to receive and retain, in full, all dividends and other distributions (if any) declared, made, paid or payable, or any other return of capital made, on or after the date of the Merger Announcement, other than any Permitted Redde Dividend and any Redde Equalisation Dividend.
3. If, after the date of the Merger Announcement, any Non-Permitted Redde Dividend is declared, made or paid or becomes payable in respect of the Redde Shares, Northgate reserves the right to reduce the Exchange Ratio accordingly so as to reflect the aggregate value attributable to any such Non-Permitted Redde Dividend.
4. If, after the date of the Merger Announcement, any Non-Permitted Northgate Dividend is declared, made or paid or becomes payable in respect of the Northgate Shares, then Redde will be entitled (in addition to any Permitted Redde Dividend) to declare and pay, and the Redde Shareholders will be entitled to receive and retain the Redde Equalisation Dividend in respect of the Redde Shares of an amount per Redde Share equal to the amount of the Non-Permitted Northgate Dividend per Northgate Share multiplied by the Exchange Ratio (taking into account any reduction to the Exchange Ratio arising as a result of any Non-Permitted Redde Dividend in accordance with this paragraph 4 in Part D (*Certain further terms of the Merger*) of this Annex 3 (*Conditions And Certain Further Terms Of The Merger*)).

5. The Merger will be subject, *inter alia*, to the Conditions and certain further terms which are set out in this Annex 3 (*Conditions and Certain Further Terms of the Merger*) and those terms which will be set out in the Scheme Document and such further terms as may be required to comply with the Listing Rules and the provisions of the Code.
6. The availability of the Merger to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction. Any persons who are not resident in the United Kingdom or who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. Further information in relation to Overseas Shareholders will be contained in the Scheme Document.
7. The Merger Announcement and any rights or liabilities arising thereunder, the Merger, the Scheme, and any Forms of Proxy and other proxies will be governed by English law and be subject to the jurisdiction of the courts of England and Wales. The Scheme will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange and the FCA.

