

Delivering integrated mobility solutions

Annual Report and Accounts 2022

Redde Northgate plc



Introduction

Our purpose

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

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

Our vision

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

Underlying profit before tax £m

2022	£151.3m
2021	£93.2m

Underlying EPS (p)

2022	50.8p
2021	31.0p

Revenue £m

2022	£1.2bn
2021	£1.1bn

ROCE %

2022	13.9%
2021	9.5%

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About our non-GAAP measures and why we use them

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

Underlying measures exclude intangible amortisation from acquisitions and certain one-off items such as those arising from restructuring activities and the tax impact thereon. Specifically, we refer to disposal

profit(s). This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).

A reconciliation of GAAP (reported) to non-GAAP (underlying) measures is included on pages 26 and 27. A further explanation of alternative performance measures and a glossary of terms used in this report can be found on pages 143 to 144.

Strategic report

Our business at a glance

Redde Northgate is a leading integrated mobility solutions provider

Key metrics

Vehicles owned

126,000

Vehicles managed

600,000

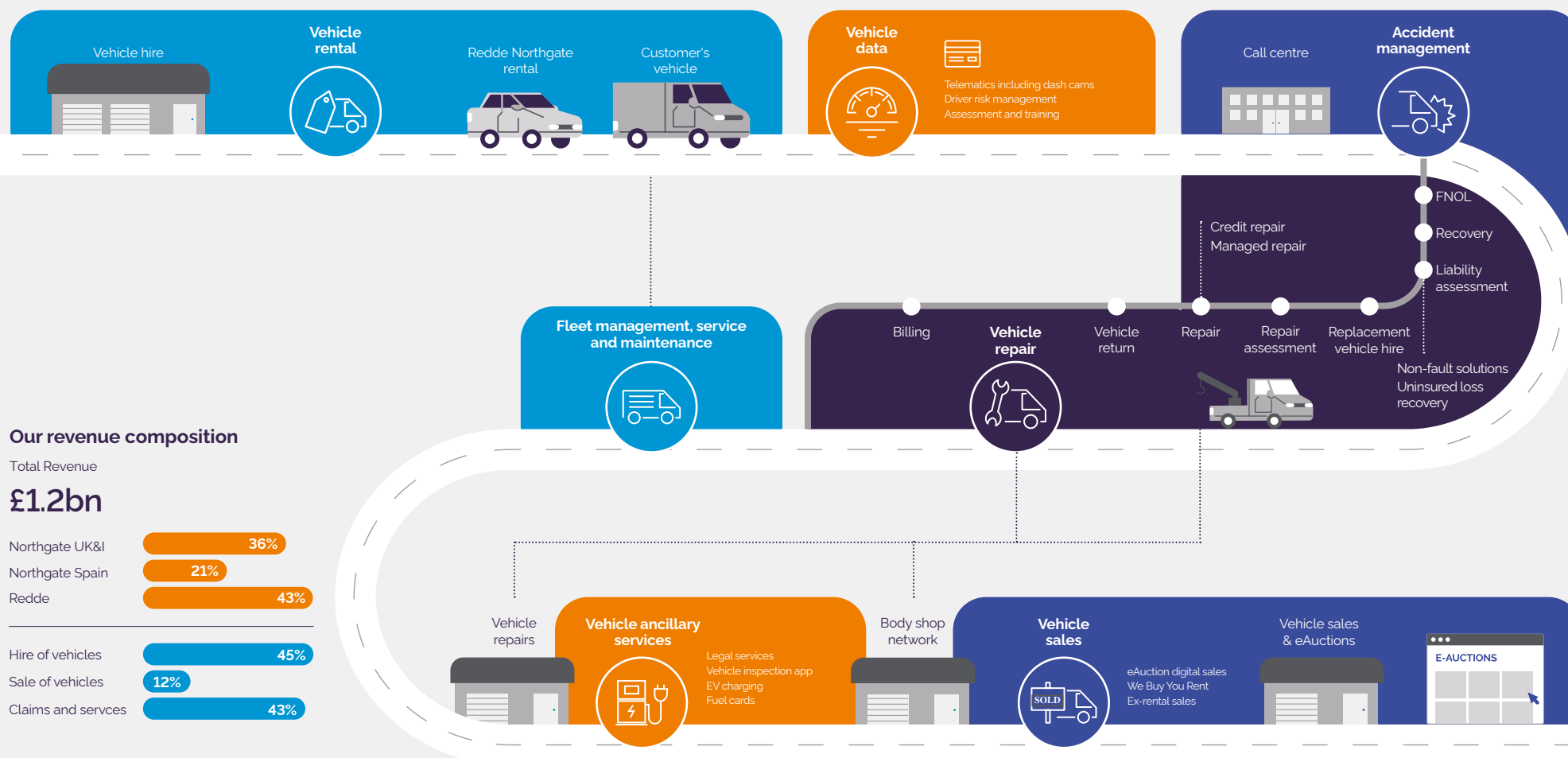
Sites

175

Employees

6,700

Read more
about our markets on [page 11](#)



Our revenue composition

Total Revenue

£1.2bn

Northgate UK&I

36%

Northgate Spain

21%

Redde

43%

Hire of vehicles

45%

Sale of vehicles

12%

Claims and services

43%

Equity proposition

Our compelling investment case

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

1

Delivering growth

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

2

Purpose driven, responsible business

- Our purpose is to keep customers mobile, whether through meeting their regular mobility needs or by servicing and supporting them when unforeseen events occur.
- We are a responsible and sustainable business which aims to embrace change including the transition of our fleet from ICE to lower emission alternatives.
- We aim to have a positive impact on the communities in which we operate and strive to maintain the highest standards of conduct in everything we do.
- We are building on our ESG strategy, including a path towards net zero, and are committed to the journey we are embarking on.

3

Disciplined approach to capital allocation

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

4

Experienced team

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

5

Trusted partner and market leading customer offering

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

6

Strong financial profile

- We maintain a strong financial position through our focus across cost and margin optimisation and returns through scale and efficiency.
- Diversified revenue streams from products and services across the vehicle lifecycle.
- Conservative leverage targeted at net debt/EBITDA of 1.0x to 2.0x in the near term.



Chairman's statement



“ Avril Palmer-Baunack
Chairman

In a year of difficult market conditions, we continued to deliver outstanding customer service, achieving results that exceeded our expectations. With this momentum, and as we deliver on our strategic priorities, we are confident in delivering further growth for all our stakeholders.

Overview

The Group demonstrated its significant potential during the year in market conditions where vehicle and parts supply chains in particular remained heavily impacted by COVID related disruption and the conflict in Ukraine. We have continued to focus on delivering outstanding customer service, and our strong financial results and customer feedback reflect our success in proactively managing these macro headwinds for the benefit of a growing base of blue-chip customers.

While the Group has benefitted from strong residual values that resulted in a high level of disposal profits, our core operations have performed extremely well, with improved rental margins, recovering activity levels and significant new customer wins. This bodes well for the coming year, despite continued macroeconomic uncertainty.

Strategic progress

The business has been very focused on delivering against our strategic objectives and we have seen significant progress within all three pillars. Our broadening service offering allows the Group to offer an integrated proposition to our customers and this has been central to our success in winning several large contracts which will contribute to revenue growth in the coming year.

Alongside the cost synergies achieved in the prior year, 10 months ahead of schedule and double the original estimate, the benefits of greater integration and operational efficiencies have been seen across the business, and help us to improve our responsiveness and customer experience. Supported by targeted acquisitions, we are positioning ourselves as the preferred partner with a unique proposition across both fleet and service offerings to customers looking to consolidate their supply chains.

The acquisition of ChargedEV has been a significant step in our understanding and capabilities for EV solutions, and has enhanced our ability to advise customers and to supply and install charging infrastructure. The response to the launch of our Drive to Zero customer offering this year has demonstrated the value we can bring to customers in what is set to be a complex transition journey for many.

The transition to non-ICE vehicles is a long term challenge for the entire industry, and is also central to our own sustainability programme and pathway to net zero. We will publish our first sustainability report shortly after this report, and continue to seek opportunities to reduce our environmental footprint, while managing growth within our businesses. We plan to define interim targets and a broad set of KPIs in FY2023 to help us better manage our responsibilities to stakeholders and the planet.

Financial strength

The financial strength of our business provides us with substantial purchasing power and valuable economies of scale. The refinancing undertaken in the year has expanded our funding facilities and lowered funding costs, with leverage remaining at the lower end of our target range. This financial strength and positive operational outlook gave the Board confidence to approve a £30m buyback programme and to propose a final dividend of 15.0p which along with the interim dividend of 6.0p represents a 36% increase for the full year.

Board and governance

In May 2022, we were very pleased to announce the appointment of Bindi Karia, who has a deep background in technology and innovation and whose experience will be of great benefit to the Group as we look to grow and invest in the digitalisation of mobility solutions. At the same time, John Davies stepped down from the Board and I thank John for his significant contribution over the last decade, to the Board since the Merger, and prior to that, the Redde plc Board.

The composition of the Board is reviewed regularly and I am committed to seeking opportunities to further enhance the breadth and skills of the Board. We will continue to look to attract new Board members who bring a diverse skillset and breadth of experience to our Board discussions.

Our people

The Board would like to thank all our Redde Northgate colleagues in the UK, Ireland and Spain for their efforts and successes over the past year. There has been significant work to define and embed a new corporate purpose and values across the Group, and I am particularly pleased to have seen a high level of employee engagement both in our employee survey and at the large number of engagement events and forums held throughout the year.

The launch of the new employee benefits platform alongside the SAYE schemes, greater training options and a focus on internal career opportunities are all examples of the businesses coming together and developing a strong and unified culture.

This is supported by a number of new senior hires, providing both bench strength and external experience to our leadership team and corporate functions, and technology investments to enhance communication across the Group. We are building a robust platform and organisational capability which will stand the business in good stead for future growth.

Looking ahead with confidence

The business is well placed to continue to deliver value for shareholders and navigate the macro challenges in global automotive supply chains in the year ahead. With the strong underlying performance of the business delivered in the past year and new business wins, the Board expects to see another year of progress in FY2023.

Avril Palmer-Baunack
Chairman

Chief Executive's review



Martin Ward
CEO

The success of our unique mobility solutions platform is now yielding significant new multi year business wins which I am confident will continue.

Group

The forming of the Group's unique mobility solutions platform is bringing significant value to the combined Group through both revenue and cost synergies, and the development of a large scale platform offering a broad range of services to an increasingly diverse range of blue-chip customers.

Focus, Drive and Broaden strategic progress

The business has focused on continued delivery against the three pillars of its strategy and proactive management of complex macroeconomic dynamics impacting all elements of the automotive supply chain. Despite significant headwinds, particularly in vehicle and parts supply, the business has made substantial progress in its strategic goals, and reinforced its position as the provider of choice for a growing number of customers looking for a range of mobility solutions, fleet services and accident management.



FOCUS: Operational progress

The business successfully achieved annualised savings of more than double the original Merger synergies £10m target and by June 2021, significantly earlier than forecast. This reflected the immense efforts within the business to deliver operational efficiencies and improvements, including the integration of both services and branches within the combined Group. Over two thirds of Auxillis branches now co-locate with Northgate operations, bringing benefits from

greater operational flexibility, with more planned integrations between group businesses as existing leases expire.

The business is now also operating with a greater number of centralised functions, including a single fleet management team in each territory which brings both improved buying power and greater flexibility within the fleet. This includes the ability to manage demand spikes throughout the network more efficiently, increased utilisation rates and faster responsiveness to customer needs. As part of this improvement programme, we are upgrading a number of technology solutions in the coming year, which will deliver a common operating platform and a greater ability to digitalise more of our operating processes. The online eAuction platforms for Van Monster in the UK and Northgate Ocasión in Spain have transformed the vehicle disposal process, rapidly becoming a major e-marketplaces. In the UK, this accounted for over 60% of Northgate vans disposed of in FY2022.



DRIVE: Customer focus

A core rationale for the Merger was the development of a unique mobility solutions platform, able to capitalise on key macro trends such as, the move to greater outsourcing, as businesses seek to move away from ownership to utilisation models for their mobility needs, and a preference for managed solutions from significant market providers. Within the accident management and repair sector, national coverage and in-house repair capabilities are significant selling points as insurers look for improved cost management, responsiveness and customer experience.

In the first half of the year, the platform capabilities enabled the Group to sign contracts with three major brands including Tesco and Admiral (for additional services). These were joined in the second half by a contract with Acromas Insurance which will incorporate policies from AA, RAC and Saga. Winning these contracts was a direct result of the Group's increased platform scale and full-service offering and will generate significant value from FY2023 onwards, with contracts won in H2 adding a further estimated £100m of incremental lifetime contract revenues in addition to the £200m previously announced.

The benefits of scale and enhanced service offering has also been apparent across the rental businesses, with managers of large corporate fleets valuing our geographic coverage and in-house capabilities and expertise. A third of our customers with fleets above 25 vehicles now take more than one service from us, representing around half of our UK vehicle fleet, typically supported from multiple locations. In Spain, our significant market presence and unique offering of both rental and in-house service capability is a powerful platform from which to drive incremental B2B and B2C offerings, including higher margin digital channels.

Customers greatly value our multi-site, multi-service expertise in many aspects of fleet management, and increasingly with a focus on long term planning for the move away from ICE vehicles. Our workshop technicians in the UK are certified to IMI Level 3 to work on EVs, and a programme of installing charging stations is being rolled out across our locations. Customer satisfaction is the cornerstone of our business success and the 'excellent' satisfaction scores achieved across our businesses from Trustpilot, alongside 2022 awards including 'Rental Company of the Year' (Fleet News), and 'Best Fleet Management' & 'Best Long-Term Rental' (Business Van), reflect our focus on delivering value-added mobility solutions across our customer base.

Chief Executive's review continued

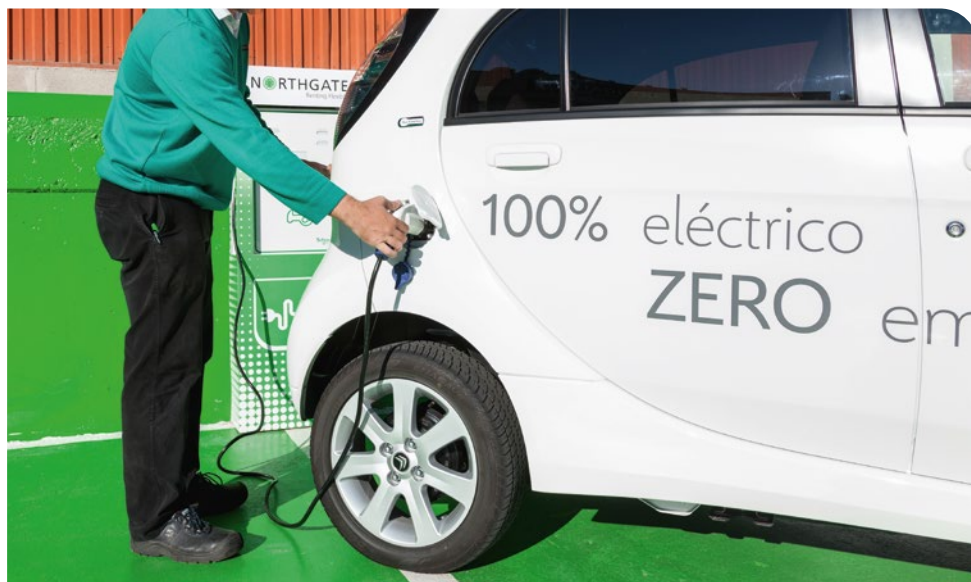


BROADEN: Acquisitions

Growth through acquisition is an important part of our overall strategy, allowing us to expand our products, services, reach and skillset to enhance and broaden our customer offering. We took a significant strategic step in our EV transition through the acquisition in July 2021 of ChargedEV, a specialist in the supply and installation of EV charging equipment across the UK. This enabled the Group to rapidly enhance its own EV capabilities and in November 2021 we launched our Drive to Zero customer offering, supporting customers with fleet consulting and other technical services as they plan their transition away from ICE. For many customers, vehicle range and charging infrastructure requirements makes this a complex challenge and they look to us for analytics and expert advice.

We continue to review a strong pipeline of bolt-on opportunities, and will acquire businesses which will complement and enhance our value-added service offering, or add vehicle and customer assets at scale to the business. In FY2022, these included the acquisition of a 2,000 vehicle fleet and customers from a Scottish rental business, and of GRG Resources, the specialist call handling and roadside services to 'blue light' customers.

The acquisition of the Nationwide repair business in the prior year brought a significant in-house accident repair capability, now with 65 body shops across the UK. Rebranded to FMG RS, the business has been integrating the service offering which has significant revenue synergy potential with other Group businesses. We are continuing an investment programme, with a planned programme of site improvements and further alignment of FMG RS with Group standards and policies.



Our people

The Group now has over 6,700 employees with some 175 service locations. We have placed significant emphasis within the business on enhancing our employee engagement and a shared understanding of Group strategy. We launched a new set of values and clearly communicated these, and the 74% engagement score for our annual employee survey reflects the significant efforts we have made to bring all businesses and people together, with strong progress on key issues as well as opportunities for further improvement.

In the year we also enhanced our Human Resources capabilities and technology to ensure our recruitment and retention is as effective as possible, in an industry which competes for increasingly scarce skills. We have invested in additional apprenticeship places and in our training academies, both technical workshop and online learning. We launched a major new employee benefit platform as well as significant well-being and mental health support services. Together with our SAYE scheme to promote the benefits of employee ownership, these efforts have helped build a business which we truly believe offers its people a strong culture and a great place to work.

EV transition and ESG strategy

Managing the transition away from ICE vehicles is a key strategic task for the business, critical for ourselves and our customers. We have multiple programmes underway to enhance our capabilities and expertise in order to support customer transition strategies, including our Drive to Zero programme launched in November 2021. This included installing over 6,000 charging points in the year. This transition also forms a key part of our net zero planning, as Scope 3 emissions are estimated to account for over 95% of our total carbon footprint.

Chief Executive's review continued

Across the business we have energy saving and recycling programmes, and have enhanced our data gathering capabilities to better understand the opportunities to reduce our footprint further. We have progressed with our Group ESG strategy and will be publishing our first sustainability report this summer, including our TCFD roadmap. In FY2023, we intend to set net zero and broader ESG targets.

Trading performance

Revenue (excluding vehicle sales) was 24.3% higher than the prior year. Northgate UK&I and Northgate Spain revenue (excluding vehicle sales and including intersegment revenue) was £346.6m (2021: £311.6m) and £220.6m (2021: £205.5m) respectively. Redde revenue was £543.7m (2021: £371.7m) reflecting recovery of volumes of accidents and incidents having stabilised at around 90% of pre COVID-19 levels within Q4, but included a contribution from only one of the new customer wins announced in the year, which went live in January 2022.

Total Group revenue, including vehicle sales, was 12.1% higher. Vehicle sales revenues were 34.8% lower reflecting the post lockdown sale of a large number of FY2020 year end stock of vehicles last year and the reduced volumes available this year due to restrictions in new vehicle supply. The acquisition of 2,000 vehicles as part of an asset purchase early in the year helped with vehicle supply, with purchases totalling 23,600 in the year compared to 24,000 in the prior year. The leased fleet also increased by 7,000 vehicles.

Total disposal profits for the year were £50.1m, 24.6% higher than the prior year with the restriction in vehicle supply continuing to support high residual values. These high residual values are more than offsetting the lower volumes of vehicles being disposed of, which at 16,600 is 39.5% lower than the prior year (2021: 27,400). As a result, the fleet average age across the Group increased by 2.8 months.



Within Northgate, the financial performance from both Northgate UK&I and Northgate Spain has continued to improve, reflecting the benefits of cost saving programmes, strong utilisation and tight controls over customer pricing whilst a constrained supply chain for new LCVs continues to operate. Northgate UK&I rental margins improved to 15.3% (2021: 12.7%). Rental margins in Northgate Spain have improved to 17.5% (2021: 15.0%). Redde benefitted from volume recovery and greater activity across its product offerings and a first full year profit contribution from FMG RS, helping the business achieve a 4.5ppt improvement in EBIT margin.

Underlying PBT of £151.3m (2021: £93.2m) reflects the EBIT performance outlined above. Statutory EBIT of £150.8m and statutory PBT of £132.7m were 80% and 98% higher than prior year respectively.

Underlying EPS was 50.8p (2021: 31.0p), 63.9% higher than prior year with an average share count of 246.0m (2021: 246.1m). Statutory EPS was 41.3p (2021: 26.6p).

Free cashflow of £12.3m was lower than the prior year (2021: £97.8m) as capex was significantly reduced in 2021 during the COVID-19 period, whereas in the current year there has been £108.6m investment in the fleet (growth capex) to meet rental demand.

Group ROCE was 13.9% compared to 9.5% in the prior year, reflecting the improved performance and including the impact of disposal profits.

Debt and refinancing

In November 2021, the Group completed a comprehensive refinancing of its debt arrangements, to optimise its debt portfolio. The refinancing resulted in a c.50bps reduction in the drawn interest rate as at the date of the refinancing to 1.5%, a significant lengthening of our maturities and a greater diversification of our sources of debt. This creates flexibility and a solid financing platform to allow the Group to invest in the business as well as take advantage of opportunities in the market as they arise for inorganic growth. At the year end 76% of the Group's borrowings were held as fixed rate instruments limiting exposure to movements in future interest rates.

The Group has continued to develop contract hire as a source of fleet funding across the UK business. Whilst the successful refinancing in November 2021 reduced the Group's cost of borrowing, making it harder for contract hire to compete on interest rate cost, total credit lines of £155m have been utilised as at 30 April 2022 (2021: £104m) funding 10,800 vehicles (2021: 5,500).

Net debt closed at £582.5m including IFRS 16, or £452.1m excluding IFRS 16, resulting in headroom to bank facilities of £382m at the year end. Leverage was 1.4x, lower than the prior year (1.5x) reflecting the benefit of the enlarged Group and improvement in profitability.

Dividend and Share buyback

In light of the strong trading performance and the Board's confidence in the Group's outlook, the Board has declared a final dividend of 15.0p making a total of 21.0p for the full year, (2021: final 12.0p, total for year 15.4p), to be paid on 30 September 2022 to shareholders on the register on 2 September 2022.

The Group announced a share buyback programme in March 2022 with a maximum aggregate consideration of £30m or 24 million shares. As at the end of the financial year, 1.83 million shares had been repurchased at a total cost of £7.5m, (end June: £20.6m cost), with the repurchased shares being held in treasury. The programme is expected to be completed by September 2022.

Chief Executive's review continued

Divisional commentary

Northgate UK&I

Year ended 30 April KPI	2022 (000)	2021 (000)	Change %
Average VOH	50.2	47.3	6.1%
Closing VOH	49.2	49.2	–
Average utilisation %	92%	92%	Oppt
Year ended 30 April PROFIT & LOSS (Underlying)	2022 £m	2021 £m	Change %
Revenue – Vehicle hire ¹	346.6	311.6	11.2%
Revenue – Vehicle sales	111.8	161.4	(30.7%)
Total revenue	458.4	473.0	(3.1%)
Rental profit	53.1	39.5	34.3%
Rental margin %	15.3%	12.7%	2.6ppt
Disposal profit	44.8	37.3	20.3%
EBIT	98.0	76.8	27.5%
EBIT margin % ²	21.4%	16.2%	5.2ppt
ROCE %	17.5%	13.4%	4.1ppt

¹ Including intersegment revenue (see Note 5 to the financial statements).

² Calculated as underlying EBIT divided by total revenue.

Northgate UK&I performance for the year reflected the challenges faced across the industry through the scarce supply of vehicles and other supply chain constraints. With restricted fleet options, the business responded with a disciplined focus on supporting its key fleet customer base, targeting higher value industry sectors with long term growth prospects, as well as addressing cost inflation through carefully managed and well understood pricing increases.

Utilisation levels remained strong and the greater flexibility afforded by a larger group network and footprint allowed for more efficient fleet management, and ability to capitalise on opportunities such as the 2,000 vehicle acquisition at the start of the year from a Scottish rental business.

Vehicle supply constraints drove residual values higher and the business made a conscious decision to extend out its fleet age in many business segments, with quality vehicles retained in order to support key customer needs. Although this brought with it greater servicing requirements for some of the fleet, the demand for vehicle rental helped to deliver strong margin growth. The year end fleet size of 54,200 resulted from 34% lower vehicle disposals at 10,400 but strong residual values meant disposal profits were 20% higher than the prior year.

Incremental revenue and margin opportunities also came through growth in interest in value-added fleet products supporting existing customers, particularly those with mid-sized fleets. This included products such as telematics, accident management and a range of driver compliance services, and increasingly the access to the Group's in-house workshop and vehicle repair capabilities. We saw nearly 30% growth in fleet customers taking additional services, including a 2.5x increase in our

accident management services, now covering around 6,000 Northgate vehicles. This reflects the growing interest in the broader services platform offered by the business, and the value offered to customers, from telematics and efficient fleet service scheduling to long term EV fleet planning.

Financial overview

Northgate UK&I performance has continued to improve year on year with underlying EBIT of £98.0m (2021: £76.8m) driven by a strong rental business performance with rental profits growing £13.6m to £53.1m and rental margins improving 2.6ppt to 15.3%. Disposal profits increased £7.5m to £44.8m reflecting continued strong residual values.

Rental business

Hire revenue in the Northgate UK&I business increased 11.2% compared to the prior year to £346.6m (2021: £311.6m), driven by average VOH, which increased 6.2%, and the impact of customer support packages in the prior year which were £2.4m. Rate increases were applied in FY 2022 across our full range of rental products and continue to be well planned, communicated and executed.

Closing VOH was flat year on year at 49,200 (2021: 49,200), with a greater focus on higher margin rentals driving better returns.

Northgate UK&I's minimum term proposition accounted for 36% (2021: 33%) of average VOH. The average term of these contracts is approximately three years, providing both improved visibility of future rental revenue and earnings, as well as lower transactional costs.

Rental margin for the year was 15.3% compared to 12.7% in the prior year. The business has benefited from the cost savings arising from integration of the businesses post-Merger alongside tight control over rental pricing in the year.

The net impact of the growth in hire revenue and higher rental margin was a 34.4% increase in rental profits to £53.1m (2021: £39.5m).

Management of fleet and vehicle sales

The closing Northgate UK&I rental fleet was 54,200 compared to 54,000 at year end FY2021. During the year, 10,000 vehicles were purchased (2021: 12,500) and 10,400 vehicles were de-fleeted (2021: 11,400). The leased fleet increased by 600 vehicles. The average age of the fleet at the end of the year was 4.4 months higher than at the end of FY2021. This was due to managing the fleet to mitigate impacts of the restricted market supply reducing purchases.

A total of 10,400 vehicles were sold in Northgate UK&I during the year, 34% lower than the prior year (2021: 15,700 vehicles). The lower number of vehicles sold reflects the fact that the prior year period benefited from additional used vehicle stock due to the impact of the COVID-19 lockdown at the end of FY2020 and the restricted market supply of new vehicles in the year.

Disposal profits of £44.8m (2021: £37.3m) increased 20% versus the prior year. The reduction in the number of vehicles sold was offset by the significant increases in sales values resulting in an 82% improvement in the average profit per unit (PPU) on disposals to £4,300 (2021: £2,360).

EBIT and ROCE

Underlying EBIT of £98.0m grew 28% over the prior year (2021: £76.8m) driven by both higher rental and disposal profits as explained above.

The ROCE in Northgate UK&I was 17.5% (2021: 13.4%) reflecting the increase in EBIT.

Chief Executive's review continued

Capex and cash flow

Year ended 30 April	2022 £m	2021 £m	Change £m
Underlying EBITDA	180.6	164.2	16.4
Net replacement capex ³	(64.9)	(66.2)	1.3
Lease principal repayments	(8.6)	(5.4)	(3.2)
Steady state cash generation	107.1	92.6	14.5
Growth capex ³	(1.9)	18.8	(20.7)

³ Net replacement capex is total capex less growth capex. Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction.

Underlying EBITDA increased 10.0% to £180.6m (2021: £164.2m).

Net replacement capex was £64.9m, £1.3m lower than the prior year as a result of a reduction in vehicle sales as explained above.

Steady state cash generation increased by £14.5m to £107.1m (2021: £92.6m) reflecting the higher underlying EBITDA and the lower net replacement capex. Growth capex was £1.9m reflecting the fact that growth in the owned fleet was restricted due to the vehicle supply constraints experienced throughout the year.

Northgate Spain

Year ended 30 April KPI	2022 (000)	2021 (000)	Change %
Average VOH	50.4	46.0	9.7%
Closing VOH	52.2	46.8	11.4%
Average utilisation %	92%	92%	Oppt

Year ended 30 April PROFIT & LOSS (Underlying)	2022 £m	2021 £m	Change %
Revenue – Vehicle hire	220.6	205.5	7.3%
Revenue – Vehicle sales	38.1	68.4	(44.2%)
Total revenue	258.7	273.9	(5.5%)
Rental profit	38.6	30.8	25.5%
Rental margin %	17.5%	15.0%	2.5ppt
Disposal profit	5.3	2.9	79.8%
EBIT	43.9	33.7	30.2%
EBIT margin % ⁴	17.0%	12.3%	4.7ppt
ROCE %	10.0%	7.5%	2.5ppt

⁴ Calculated as underlying EBIT divided by total revenue.

Northgate Spain delivered a strong performance for the year, with both recovery in demand post-COVID and supply chain constraints requiring careful management of fleet opportunities. The business was able to maintain its market share in flexible contracts, and focused on targeting higher value customers and pass-through of cost increases, reflecting its substantial market position. Additionally, the business was able to extend its flexi-hire offering to B2C customers, which represents a growth platform for the future.

The fleet customer base is diverse, with the top 10 fleets accounting for around 15% of revenues, and an average fleet size of just below 1,000 vehicles, with the construction, support services and retail sectors accounting for 64% of VOH.

Strong demand drove high vehicle utilisation and allowed for careful management of pricing improvements across both minimum and flex contract offerings. There was also a focus on reducing exposure to lower margin opportunities and poorer credit customers. Fleet totalled 57,600 at the end of the year, and a reduction of disposal volumes enabled greater fleet rotation to high margin opportunities, and was supported by continued strength in residual values.

Northgate Spain's in-house network of 28 workshops (with 13 incorporating body shops), is unique in the market and delivered significant benefits to customers, given the dislocation in the automotive supply chain impacting service scheduling, together with growing take up of value-added services. Alongside improvements to workshop efficiency and productivity, and investment in energy efficiency such as 750KW of solar panels, the business expanded its Northgate Open Workshop offering, leveraging its existing assets, and broadening the potential customer base to third parties.

Financial overview

Northgate Spain had a strong year with EBIT increasing £10.2m, or 30.2%, driven by strong rental margins of 17.5% with carefully managed rental pricing over the year.

Rental business

Hire revenue in the Northgate Spain business increased 7.3% (12.8% in local currency) compared to the prior year to £220.6m (2021: £205.5m), driven by average VOH which increased 9.7%.

Closing VOH increased 11.4% to 52,200.

Northgate Spain's minimum term proposition accounted for around 35% (2021: 35%) of average VOH. The average term of these contracts is approximately three years, providing both improved visibility of future rental revenue and earnings.

The rental margin was 2.5ppt higher at 17.5% from pricing increases, higher utilisation, fewer repairs and fewer bad debts and with no COVID-19 customer support costs in the year (2021: £1.0m).

The impact of the higher hire revenue and rental margin was a 25.5% increase in rental profits to £38.6m (2021: £30.8m).

Management of fleet and vehicle sales

The closing Northgate Spain rental fleet amounted to 57,600 compared to 51,800 vehicles at the prior year end. During the year 10,900 vehicles were purchased (2021: 11,500) and 5,100 vehicles were de-fleeted (2021: 11,200 vehicles). The average age of the fleet at the end of the year was 4.6 months higher than at the same time last year. This was due to managing the fleet to mitigate impacts of the restricted market supply reducing purchases.

Chief Executive's review continued

A total of 6,100 vehicles were sold in Northgate Spain during the year, 47.4% lower than prior year, reflecting the restricted market supply of new vehicles in the year.

Disposal profits of £5.3m (2021: £2.9m) increased 79.8% including a £4.0m headwind relating to previous depreciation rate changes. The reduction in the number of vehicles sold was offset by the significant increases in sales values resulting in a more than threefold improvement in the average profit per unit (PPU) on disposals to £870 (2021: £254).

EBIT and ROCE

Underlying EBIT of £43.9m increased 30.2% over the prior year (2021: £33.7m) driven by both higher rental and disposal profits as explained above. The ROCE in Northgate Spain was 10.0% (2021: 7.5%) reflecting the increase in EBIT.

Capex and cash flow

Year ended 30 April	2022 £m	2021 £m	Change £m
Underlying EBITDA	133.1	121.6	11.5
Net replacement capex ⁵	(42.7)	(73.8)	31.1
Lease principal repayments	(2.5)	(2.8)	0.3
Steady state cash generation	87.9	45.0	42.9
Growth capex ⁵	(59.0)	0.3	(59.3)

⁵ Net replacement capex is total capex less growth capex. Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction.

Underlying EBITDA increased £11.5m to £133.1m (2021: £121.6m).

Net replacement capex in the year was £42.7m, £31.1m lower than the prior year, as a result of the ageing out of the fleet in response to the shortage of new vehicle supply.

Steady state cash generation increased by £42.9m to £87.9m (2021: £45.0m) reflecting higher EBITDA and lower net replacement capex in the year. Growth capex was £59.0m reflecting investment in the fleet to meet demand.

Redde

Year ended 30 April	2022 £m	2021 £m	Change %
PROFIT & LOSS (Underlying)			
Revenue – Claims and services ⁶	543.7	371.7	46.3%
Gross profit	127.7	70.2	81.8%
Gross margin %	23.5%	18.9%	4.6ppt
Operating profit	31.8	3.4	846.0%
Income from associates	3.9	4.4	(11.4%)
EBIT	35.6	7.7	361.5%
EBIT margin % ⁷	6.6%	2.1%	4.5ppt
ROCE %	16.6%	6.0%	10.6ppt

⁶ Including intersegment revenue (see Note 5 to the financial statements).

⁷ Calculated as underlying EBIT divided by total revenue.

The Redde group of businesses delivered a strong divisional performance, helped by a post-COVID recovery in traffic volumes, growth in demand for our vehicle repair services, and supported by multiple new insurer customer wins which are due to come on stream in FY2023, including broader mobility solutions covering both non-fault and first party hire.

Traffic levels grew throughout the year, returning to near pre-pandemic levels by Q4, but structural changes in commuting patterns suggest that activity levels have stabilised, with future growth generated by additional volume, product and contract wins. The Redde fleet totalled 14,500 vehicles at year end, of which over 11% were EV or hybrid cars.

The business added additional major contracts to the three customer wins announced in the first half of the year, with Acromas Insurance (Saga), signing a multi year contract for vehicle repair solutions to support their claims services and policyholders. These contracts will increasingly contribute to group revenues throughout FY2023. We have long term contract relationships with insurers who in total represent over 50% of UK registered vehicles, equating to over 20 million policy holders.

A growing number of customers utilised the benefits from the 65 in-house facilities of FMG Repair Services (FMG RS), which undertook repairs on over 85,000 vehicles in the year, around 60% of the total repairs managed by the Group. This capability is being increasingly integrated into insurer and other solutions, with customers attracted to the greater operational efficiency and visibility it offers at a time when there has been significant variability in workshop responsiveness from the independent sector with considerable delays in parts supply.

Divisional investment in the year included enhancements to body shop and workshop capabilities, integration of further Auxillis locations with Northgate teams, and a focus on employee recruitment and training. This included growing the number of EV qualified technicians and body shop team training to ensure compliance with Group policies. The FMG RS training academy had 27 apprentices join during the year, and expects more in FY2023.

Financial overview

During the year, volumes increased and settled around 90% of pre-COVID 19 levels in H2. The full year EBIT has increased more than fourfold over the prior year to £35.6m, reflecting the operational gearing within the business.

Revenue and profit

Revenue for the year increased 46.3% to £543.7m (2021: £371.7m). The main drivers of revenue, traffic volumes and thereby road traffic accidents, have been increasing since April 2021 and have now reached approximately 90% of pre-COVID-19 levels and have now stabilised around these levels. The hire length has extended in the year due to the impact of macro challenges in supply chains for parts.

Gross margin of 23.5% has improved 4.6ppt (2021: 18.9%) as volumes have increased and the utilisation of the fleet has improved to more normal levels.

EBIT for the year increased 361.5% to £35.6m (2021: £7.7m). The prior year included an operating loss in FMG RS and in this year FMG RS contributed a small profit.

Chief Executive's review continued

Management of fleet

The total fleet in Redde closed the year at 14,500 vehicles, from 6,500 at 30 April 2021 with the latter reflecting a lower fleet size due to the impact of COVID-19.

The average fleet age was 11 months reflecting the lower fleet holding period than in the Northgate businesses due to the different usage of the vehicles and business economics.

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

Capex and cash flow

Year ended 30 April	2022 £m	2021 £m	Change £m
Underlying EBITDA	62.6	25.0	37.6
Net replacement capex	1.0	32.5	(31.5)
Lease principal repayments	(32.6)	(46.6)	14.0
Steady state cash generation	31.0	10.9	20.1
Growth capex	(47.6)	–	(47.6)
Statutory debtor days	159	179	(20)

Underlying EBITDA increased £37.6m to £62.6m (2021: £25.0m) reflecting the recovery of traffic volumes.

Net replacement capex was a net inflow of £1.0m in the year (2021: £32.5m inflow) with the prior year being affected by the disposal proceeds of vehicles funded by HP (leases) compared to the timing of lease principal payments.

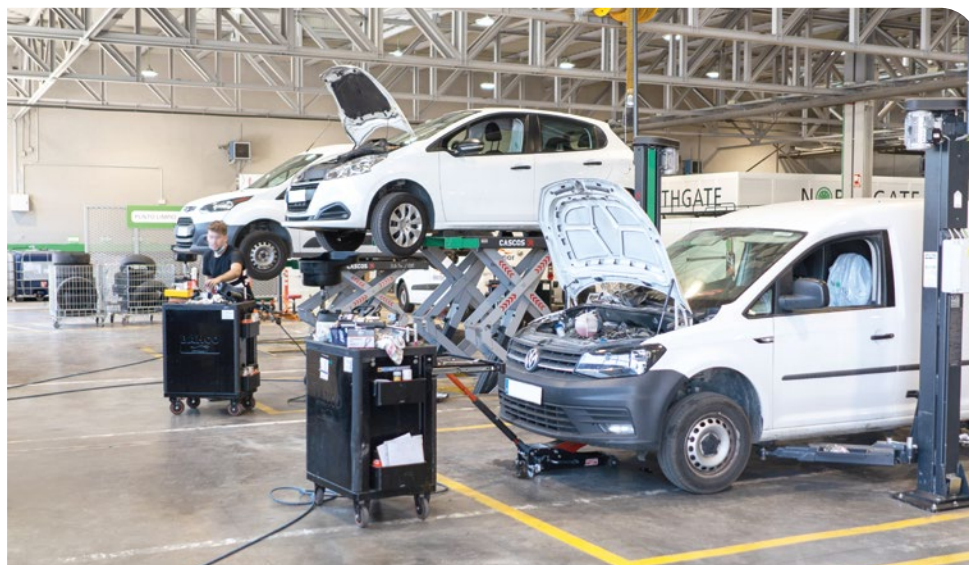
Steady state cash generation increased £20.1m to £31.0m (2021: £10.9m).

Growth capex increased to £47.6m (2021: £nil) reflecting a growth in the fleet to meet the increase in demand for our services and the change from hire purchase to ownership for a proportion of the fleet.

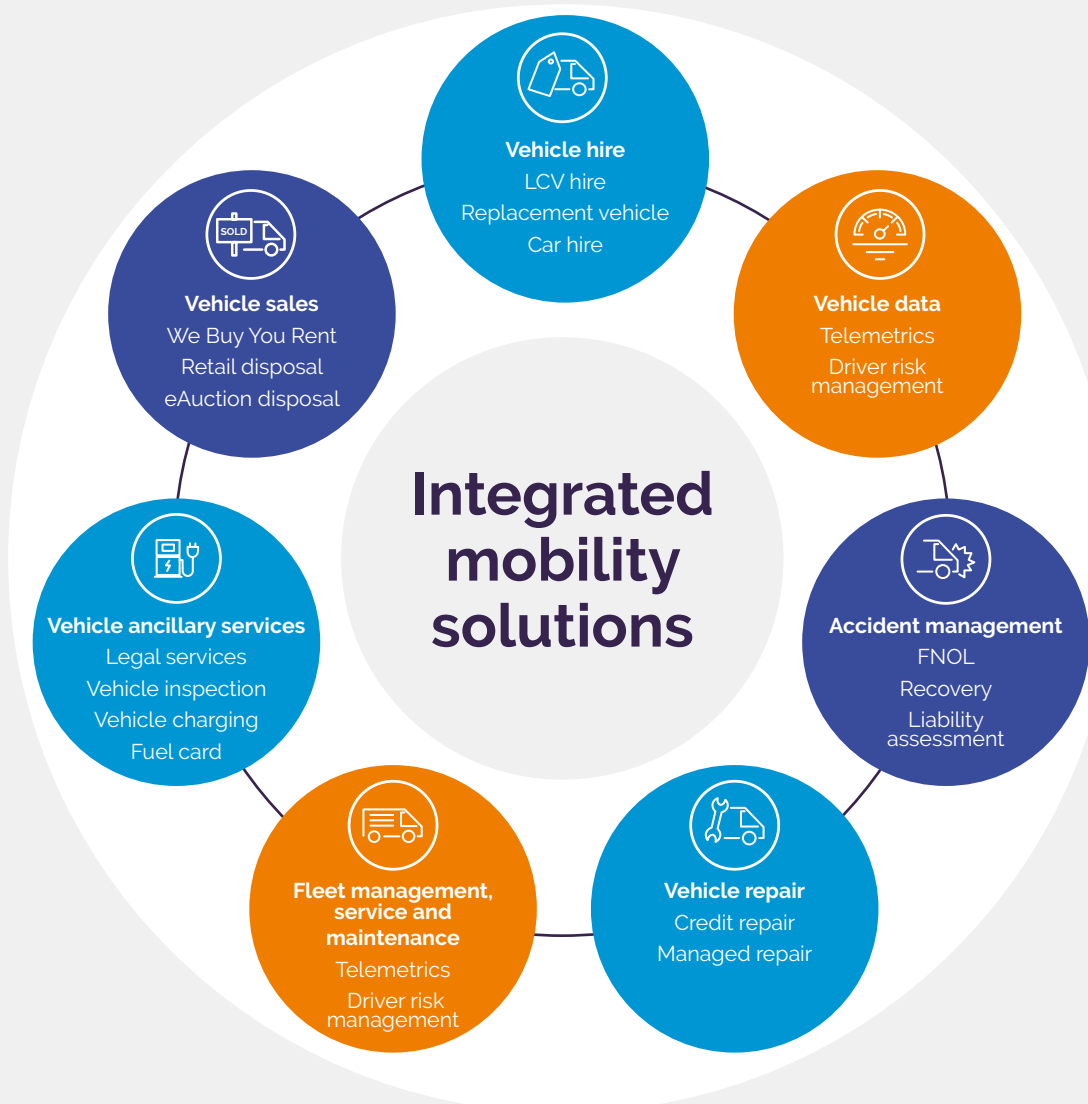
Debtor days were 159 days at the end of the year, a decrease from 179 days at the end of 2021. This measure is based upon net trade receivables and contract assets, other receivables and accrued income as a proportion of the related underlying sales revenue for the past 12 months multiplied by 365 days.

Martin Ward

Chief Executive Officer



Our markets



Vehicle hire

Description

LCVs are hired principally by enterprises for commercial transport on a variety of terms including flexible or minimum term rentals, primarily as a means of using vehicles flexibly without incurring the capital cost of vehicle ownership or being committed to longer term lease obligations.

Market size

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

Market drivers

We believe that the LCV hire market in the UK and Spain will maintain a growth rate of approximately 3% per annum by fleet size in the next year.

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

- increased demand for "last mile" delivery associated with the continuing growth of internet and mobile commerce;
- enhanced environmental regulation, including emissions based taxes and tolls such as the London Ultra Low Emission Zone, driving the need for a more modern fleet with cleaner engines, which results in more frequent fleet turnover, further disincentivising vehicle ownership by businesses;
- limited new vehicle supply created by production shortfalls as a result of the COVID-19 pandemic; and
- balance sheet management by businesses seeking to reduce their capital employed in depreciating assets.

Our markets continued

The LCV hire market is highly fragmented, with local, regional, national (operating in nationwide chains or from central or regional depots) and international market participants principally competing on price, vehicle availability, quality and features, hire terms and brand recognition. In the UK, Republic of Ireland and Spain, Redde Northgate is one of the largest participants in LCV hire by supply of vehicles.



Vehicle data

Description

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

Market size

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

Market drivers

The market is driven by penetration and price, with LCVs and HGVs estimated to have higher penetration of third party telematics than other vehicle types. The fleet telematics market is forecast to grow with a compound annual growth rate of 20% to 2025.



Accident management

Description

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

Credit hire

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

Market size

In the UK, the latest available market data shows that in 2019 accident management companies handled an estimated £2 billion in claims. This figure was lower in subsequent years due to the impact of the COVID-19 pandemic.

Credit hire

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

Market drivers

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

Credit hire

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



Vehicle repair

Description

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

Market size

The size of the UK vehicle body repair market was reported to be £5 billion in 2019 with 4.3 million private car body repairs carried out in the same period.

Market drivers

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

Vehicle repair costs are expected to see short term increase in excess of 10% due to the ever greater complexity of repairs inclusive of modern technologies and pending labour rate increases.



Our markets continued



Servicing and maintenance

Description

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

Market size

The estimated size of the UK car servicing and aftercare market is £9 billion with over 30 million workshop visits made per year.

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

Market drivers

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

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



Legal services

Description

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

Market size

The size of the UK personal injury market was estimated to be £4 billion in 2020.

Market drivers

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

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



Vehicle sales

Description

Many participants in the LCV hire market also engage in substantial sales in the secondary market of their fleets as a means of releasing capital for fleet renewal and as a revenue stream in its own right, as does Redde Northgate through its Van Monster, Van Monster Remarketing and Northgate Ocasión brands.

Market size

In the UK, the overall used vehicle sales market splits into three key segments: used car auctions; online marketplaces; and dealer sales. Dealer sales have been estimated to equate to £50 billion in annual revenue, of which approximately £10 billion is business to business sales, including approximately

£6 billion in LCV sales, which are driven by approximately 900,000 used van sales per year.

Market drivers

The online auction segment of the market is largely consolidated in the UK but, in contrast, dealers' sales are fragmented with more than 9,000 dealers and more than 100 franchises holding less than 25% of the used cars market.

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

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



Our business model – generating long term value

Responsible value creation to support a sustainable world

Our proposition 	Opportunity 	Advantage 	Strategy 	Outcome 
<p>A market leading proposition to keep our customers mobile.</p> <p>Driven by our purpose to keep customers mobile, whether meeting their regular needs or servicing and supporting them when unforeseen events occur, we strive to be the leading supplier of mobility solutions and automotive services to a wide range of customers.</p> <p>The Group operates across the UK, Ireland and Spain, providing integrated mobility solutions to businesses and personal customers. These solutions comprise vehicle rental services, accident and incident management services, repair services, vehicle disposal services and other ancillary services to keep customers mobile.</p> <p>Our market leading proposition is focused on placing the customer at the centre of our business, offering a broad range of services that can be flexed and tailored to the needs of each customer.</p> <p>Many of our customers benefit from taking multiple services together, thus simplifying their procurement and operational processes. Our systems, expertise and product offering enable us to access growing markets and position ourselves for sustainable growth.</p>	<p>There are significant structural and regulatory drivers within our areas of focus together with options for further inorganic growth.</p> <p>Our markets</p> <p>The markets we operate in provide opportunities to grow organically and meet customer needs through an integrated solution.</p> <p>Page 11 Our markets</p> <p>Inorganic growth</p> <p>The Group continues to evaluate an active pipeline of acquisitions to extend products and services or geographical reach and increase supply for the fleet.</p> <p>Page 4 Chief Executive's review</p> <p>Our relationships</p> <p>The key relationships with our suppliers, customers and local communities support our business model.</p> <p>Page 36 ESG report</p> <p>The world we live in</p> <p>We recognise the need for our business to support the communities where we operate and safeguard the environment we live in. Sustainability underpins our business model.</p> <p>Page 36 ESG report</p>	<p>The Group enjoys a number of competitive strengths that can be leveraged to drive continual value creation.</p> <p>Unrivalled customer experience</p> <p>Our infrastructure, people and broadened product offering allow for a market leading end-to-end mobility solution, with customer service at the heart of all we do.</p> <p>Scale</p> <p>We leverage our scale to access the best supplier terms and manage the mix and age of assets efficiently to minimise holding cost. Our range of disposal channels, including our in-house retail network and eAuction platform, enable us to minimise holding cost through optimising disposal values.</p> <p>Expertise</p> <p>We maximise operational efficiency through maintaining high levels of asset utilisation. The scale of our network and expertise of our people allow us to service customers in the most effective way including the efficiency and speed of handling repairs and managing insurance claims.</p> <p>Our in-house workshops enable us to service repairs more efficiently and offer a wider range of solutions to customers.</p>	<p>We have developed our strategic framework in accordance with our vision and purpose, underpinning our ability to create long term value for our stakeholders.</p> <p>Focus </p> <p>Completing the integration of the Group, accessing cost synergies and developing the widened customer proposition</p> <p>Drive </p> <p>Diversifying our current offering into complementary markets and exploring growth in further markets and geographies</p> <p>Broaden </p> <p>Developing our offering further into new markets and geographic growth opportunities</p>	<p>We capture and share a broad range of value based outputs for the benefit of our social environment as well as multiple stakeholders.</p> <p>Customers</p> <p>By offering a range of flexible mobility solutions, our customers remain on the move and focus on what is important to them.</p> <p>Suppliers</p> <p>We partner and maintain close working relationships with our suppliers, which allows us to operate efficiently and makes a positive contribution to their business.</p> <p>Employees</p> <p>We are proud of the continual development opportunities we offer our people as our business grows. We encourage employees to share in the Group's success through our share schemes.</p> <p>Environment</p> <p>The Group takes its societal impact and environmental responsibilities seriously and has initiatives to improve its operations and reduce carbon emissions.</p> <p>Investors</p> <p>Our business model is underpinned by our capital allocation policy to ensure that capital is allocated efficiently and provides regular returns to shareholders without putting the financial position of the Group under undue risk.</p>

Resilience: We have considered a progressive range of material risks and opportunities to ensure that our business is fit for the short, medium and long term.

Experience	Impact	Transition	Governance
<p>We are committed to empowering our employees and giving them the right tools to deliver industry leading customer experience.</p>	<p>We are committed to minimising our impact on the environment and positively influencing our surrounding communities and supporting innovation in our industry.</p>	<p>We are committed to driving the transition to non-ICE vehicles and to embrace the opportunity to tackle climate change.</p>	<p>We are committed to maintaining high levels of integrity, transparency and honesty, and have a firm commitment to good governance.</p>

Our sustainability framework is integrated into our business model. Further detail will be contained within our separate sustainability report which will be published shortly after this report.

www.reddenorthgate.com



Our strategy

The progression of our strategy

Following the Merger, we set our vision and purpose and our strategic framework of Focus, Drive and Broaden to help us achieve that vision. During the year, we have continued to make significant progress across all three areas of the framework. As the Focus, Drive, Broaden strategy matures, our strategy will be developed further as we transition away from post-Merger integration to longer term value creation of the combined Group.

At the front of this report
Read our vision and purpose



Our strategic objectives	Our key initiatives	How we have delivered	Future priorities
<div data-bbox="136 533 604 660">  Focus <i>Building the strongest foundations</i> </div> <ul style="list-style-type: none"> - An industry leading, integrated business - An efficient, dynamic Redde Northgate - A culture where people can be their best 	<p>Successfully execute integration To bring together Redde and Northgate to operate as a single Group, through a planned, disciplined and robust process to create the integrated mobility solutions platform</p> <p>Implement cost synergies To achieve one of the key strategic rationales for the Merger, and deliver a more efficient combined Group</p>	<ul style="list-style-type: none"> - New Board and leadership team - Branch integration allowing for operational efficiencies. - Group functions for Fleet, HR, IT and Finance and a transition to a single Group HR system - Synergy target increase achieved 10 months ahead of plan with the synergies now embedded into the Group - Investment in IT architecture, building a single IT infrastructure to support the operations of the Group. - Significant savings achieved as a result of supplier rationalisation and contract renegotiation 	<ul style="list-style-type: none"> - Delivering on revenue synergies and Redde recovery driving further EPS growth - Maintaining a strong balance sheet
<div data-bbox="136 836 604 963">  Drive <i>Creating an unrivalled customer experience</i> </div> <ul style="list-style-type: none"> - Leverage the scale of the Group - Products & services that exceed expectations - A sustainable & responsible business 	<p>Leverage mobility solutions platform to enable revenue growth on basis of broader offering To widen the strategic benefit of the Merger, bringing revenue synergies from the combination of mobility solutions for customers</p> <p>Finesse products and services To make our products and services meet and exceed the expectations of our customers and to bring them together as integrated mobility solutions</p>	<ul style="list-style-type: none"> - Digitalisation – new online claims portal, new Traffic Officer app for Highways England and new small claims system called Pilot. Improvements made to eAuction platform - EV strategy developed – infrastructure investment, training programmes and new EV products launched - Launch of new products and the Product Ideas Hub – encouraging innovation within the business - Significant contract wins in the FY2022 with lifetime contract revenues in excess of £300m 	<ul style="list-style-type: none"> - Rollout of route to market and integrated mobility solutions strategies - Further product and service developments - Further infrastructure delivery and further development of EV service proposition - Drive innovation further cementing position in marketplace
<div data-bbox="136 1171 604 1299">  Broaden <i>Expanding into new opportunities</i> </div> <ul style="list-style-type: none"> - Explore opportunities in new markets and new geographies - Expand into complementary markets 	<p>Service diversification into complementary markets To ensure that our products and services encompass the full vehicle lifecycle and deliver seamless customer journeys</p> <p>Explore further market and geographic growth opportunities To deliver further growth through expansion into product or geographic adjacencies that further support the customer proposition and deliver returns substantially ahead of WACC</p>	<ul style="list-style-type: none"> - Repairs service transformed with acquisition of Nationwide, forming FMG RS, and bringing in-house capability to deliver repairs and enabling integration into seamless customer journeys - Launch of B2C and workshop commercialisation in Northgate Spain, providing new services to existing and new customers - Acquisition of ChargedEV significant to supporting the evolution of our own EV fleet and that of our customers' fleets. 	<ul style="list-style-type: none"> - Increase market share in all markets - Future acquisitions

Strategy in action

Focus



Motor Vehicle Technician

As a Motor Vehicle Technician for the Northgate Stockton branch, the work that I do helps deliver our Group strategy.

One of our strategic objectives is Focus, which is all about delivering excellence in our core operations, and I'm playing my part by helping our customers and their drivers to stay safe on the road.

Keeping customers mobile is our purpose, and as a Motor Vehicle Technician, I do just that through comprehensive safety checks and following our routine maintenance schedules to ensure that we maintain a safe and compliant fleet. By doing so, it means that we continue to keep our customers happy, keep them moving and keep their businesses running.

I help keep customers and their drivers safe on the road.

Our extensive safety checks mean that customers have peace of mind when it comes to the safety of their people on the road. We keep our customers on the move and their businesses running.



Joe Arthur
Motor Vehicle Technician



Strategy in action continued

Drive



Product Integration Manager

As Product Integration Manager, I am responsible for coordinating activities across Project Spark.

Project Spark is a great example of where we are helping our business to be more sustainable and responsible as it is all about supporting our customers and our business on the journey to go green.

There's been some great progress made as part of the project, from recruiting EV consultants, training our technicians on electric and hybrid vehicles, providing All Star charge cards to customers, to beginning the roll-out of EV charging infrastructure in branches with the help and expertise of ChargedEV.

In Northgate, we've also grown our EV fleet. By replacing some of our own diesel and petrol service vehicles with EVs, we've seen a reduction in emissions, making those back-and-forth trips that bit greener.

It's important that our customers understand the benefits of EVs and whether it's right for them and their fleet, which is why we're here to provide customers solutions for their needs, support through webinars and lots more.

And that's how, as part of Project Spark, I'm helping deliver the Drive element of our strategy.

I'm helping our Group and our customers go green.

As part of Project Spark, we're helping our customers and our business be more sustainable and responsible by growing our electric fleet, rolling out charging capabilities to our branch network and building a team of EV consultants to help our customers navigate their own journey to green!



Hayley Smith
Product Integration Manager



Strategy in action continued

Broaden



Operational Support Manager

As Operational Support Manager, I help customers get their incident managed and their vehicle repaired all in one place. This is supported by FMG Connect, our brand new online communication platform that gives our fleet customers instant access to incident management services whether that be by tablet, mobile, desktop or telephone after reporting their claim.

FMG Connect provides greater autonomy, choice and efficiency for our customers who prefer self-serve options, whilst the 24/7 service centre team is still available at the end of the phone for support.

Welcoming FMG RS into the Group and integrating our incident management solution has broadened our offering to customers, which FMG Connect enhances and complements by allowing customers online access to manage their claim, request and receive updates, with the ability to book in vehicle repairs, replacement vehicles, add additional incident details and much more.

It's important that we get customers' vehicles back on the road as quickly and efficiently as possible, and that's how I'm helping deliver our strategy by building futureproof solutions to drive efficient resolutions to incidents.

I help customers get their incident managed and repaired in one place. Welcoming FMG RS into our Group and integrating with our incident management solution has broadened our offering to our customers, getting their vehicles back on the road as quickly and efficiently as possible.



Luke MacRae
Operational Support Manager



Key performance indicators

Core financial KPIs

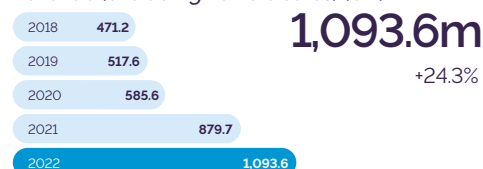
We use our KPIs to assess and monitor the performance of the Group and to measure progress against how we execute our strategy. Specifically, our Core financial KPIs measure progress of our strategic priorities in delivering profitability, revenue and returns.

Revenue

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

Performance

Revenue (excluding vehicle sales) (£m)



Target

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

Strategic link

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

Risk factor

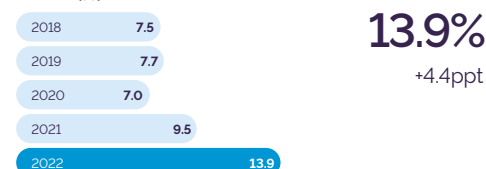


Remuneration link

ROCE

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

ROCE (%)



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

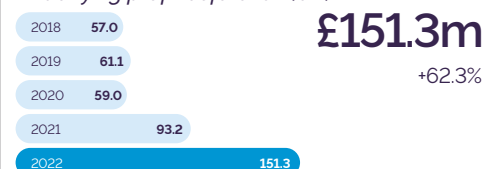
Monitoring ROCE allows the Group to identify the efficiency of the business model and allocate resources to the best growth opportunities.



Earnings

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

Underlying profit before tax (£m)



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

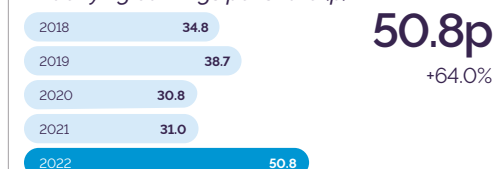
Monitoring the PBT of the Group measures the success of all of our strategic objectives.



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

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

Underlying earnings per share (p)



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

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



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

Key to principal risk factors

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

Key performance indicators continued

Operational

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

Due to the nature and make up of the enlarged Group, we have a wide ranging set of operational metrics for individual businesses and operations which the Board uses to review and manage performance. The key operational KPIs are included within the CEO's review from page 4.

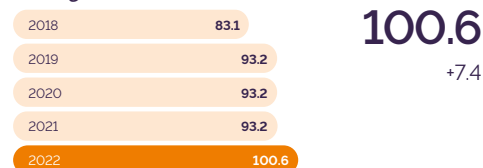
Three of the main Group operational metrics are highlighted here:

Key to principal risk factors

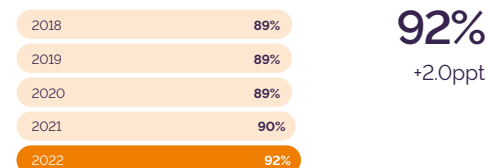
- | | | | |
|------------------------|---------------|-------------------------------|----------------------------|
| 1 Economic environment | 2 Market risk | 3 Vehicle holding costs | 4 The employee environment |
| 5 Legal and compliance | 6 IT systems | 7 Recovery of contract assets | 8 Access to capital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

Performance

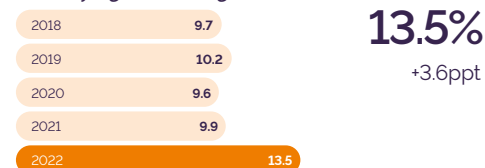
Average vehicles on hire (000)



Utilisation



Underlying EBIT margin (%)



Target

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

Strategic link

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

Risk factor



Remuneration link

25% of executive Director annual bonus is based on strategic objectives including other non-financial operational measures.

Delivering for our stakeholders (non- financial KPIs)

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

Read more
about of ESG journey on pages 36 to 50.

Financial review



Philip Vincent
CFO

We now operate from a strengthened financial position following the refinancing which took place in the year, diversifying our debt arrangements and lengthening our maturities. The Group has a solid financing platform to invest in the business as well as take advantage of opportunities for inorganic growth as they arise.

We have delivered a robust set of financial results in the year, demonstrating our flexibility and operational agility to respond to changing market conditions.

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

Highlights

- Revenue increased 12.1% to £1,243.6m
- Continued strong cash flow with free cash flow of £12.3m
- Net debt increased by 9.9% to £582.5m including establishing new contract hire arrangements for the commercial fleet
- Borrowing facility headroom has increased 25.2% to £382m

Group revenue and EBIT

Year ended 30 April	2022 £m	2021 £m	Change £m	Change %
Revenue – Vehicle hire	563.3	515.6	47.7	9.3%
Revenue – Vehicle sales	149.9	229.8	(79.9)	(34.8%)
Revenue – Claims and services	530.3	364.1	166.2	45.6%
Total revenue	1,243.6	1,109.5	134.1	12.1%
Rental profit	91.7	70.3	21.5	30.5%
Disposal profit	50.1	40.2	9.9	24.6%
Claims and services profit	31.8	3.4	28.4	846.1%
Corporate costs	(9.6)	(8.4)	(1.2)	(14.3%)
Underlying operating profit	164.0	105.5	58.6	55.5%
Income from associates	3.9	4.4	(0.5)	(11.4%)
Underlying EBIT	167.9	109.8	58.1	52.9%
Underlying EBIT margin	13.5%	9.9%		3.6ppt
Statutory EBIT	150.8	83.8	67.0	80.0%

Revenue

Total Group revenue, including vehicle sales, of £1,243.6m was 12.1% higher than prior year (13.4% at constant exchange rates). Revenue excluding vehicle sales of £1,093.6m (2021: £879.7m), was 24.3% higher (25.7% at constant exchange rates) than prior year reflecting a 9.3% increase in vehicle hire revenue and a 45.6% increase in claims and services revenue.

Hire revenues increased mainly due to higher VOH and pricing across the Group. Claims and services revenue has increased by 45.6%, reflecting a recovery in volumes coming out of the COVID-19 period.

Group vehicle sales revenue decreased by 34.8% due to a 39.5% reduction in number of vehicles sold being partially offset by stronger residual values.

EBIT

Underlying EBIT of £167.9m was 52.9% higher, reflecting strong performance in rental, recovery in Redde post COVID-19 and ongoing strength of residual values in vehicle disposals.

Statutory EBIT of £150.8m was 80.0% higher, reflecting higher underlying EBIT as well as a £8.9m reduction in exceptional items and amortisation of acquired intangibles. The £8.9m reduction in these items included a reversal in the year of a previous impairment and lower costs from restructuring and integration activity which were incurred in the prior year following the Merger and acquisition of Nationwide.

Financial review continued

Group PBT and EPS

Year ended 30 April	2022 £m	2021 £m	Change £m	Change %
Underlying EBIT	167.9	109.8	58.1	52.9%
Net underlying finance costs	(16.6)	(16.6)	–	0.0%
Underlying profit before taxation	151.3	93.2	58.1	62.3%
Statutory profit before taxation	132.7	67.2	65.5	97.5%
Underlying effective tax rate	17.4%	18.2%		(0.8ppt)
Underlying EPS (p)	50.8	31.0	19.8	64.0%
Statutory EPS (p)	41.3	26.6	14.7	54.9%

Profit before taxation

Underlying PBT was 62.3% higher than prior year and statutory PBT was 97.5% higher, reflecting the higher EBIT across the Group.

Taxation

The Group's underlying tax charge was £26.3m (2021: £17.0m) and the underlying effective tax rate was 17.4% (2021: 18.2%). The statutory effective tax rate was 23.5% (2021: 2.4%), with the prior year rate benefitting from a £10.0m exceptional release of uncertain tax provisions following resolution of a previous tax position.

Earnings per share

Underlying EPS of 50.8p was 19.8p higher than prior year, reflecting increased profits in the year.

Statutory EPS of 41.3p was 54.9% higher, reflecting the movement in underlying EPS and the impact of higher exceptional costs in the prior year.

Depreciation rate changes

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 down to the expected future residual value at the point at which the vehicle is expected to be sold net of directly attributable selling costs.

Accounting standards require a review of residual values during a vehicle's useful economic life at least annually, with changes to depreciation rates being required if the expectation of future values changes significantly.

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

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

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

The full year on year impact of previous depreciation rate changes in FY2022 EBIT is a headwind of £4.0m in Northgate Spain and £1.4m in Northgate UK&I as previously outlined.

Residual values have increased significantly over the previous two financial years due to the disruption of new vehicle supply which has increased demand for used vehicles. Up to this point, no changes have been made to depreciation rates on existing fleet vehicles as the extent and longevity of this buoyancy in residual values has been uncertain. However, it has continued for longer than anticipated and uncertainty remains over how long it will take for supply of new and used vehicles to return to a more normal level.

For this reason, there are a number of vehicles on our fleet where the depreciated book value is below or very close to the expected residual value at disposal. In line with the requirements of accounting standards, a decision has been made to reduce depreciation rates from 1 May 2022 on certain vehicles remaining on the fleet which were purchased before FY2021.

The impact on the statutory income statement over the remaining holding period of those vehicles is expected to be as follows:

£m	FY2023	FY2024	FY2025	FY2026	FY2027	Total
Reduced depreciation	54.6	30.9	8.2	0.3	–	94.1
Reduced disposal profits	(7.8)	(40.4)	(38.0)	(7.0)	(0.9)	(94.1)
Impact on statutory EBIT	46.8	(9.4)	(29.8)	(6.7)	(0.9)	–

The impact of the changing depreciation rates on this component of the fleet will re-phase statutory EBIT over the next 5 years but will have no impact on underlying results and no overall impact on statutory profit over the life of the fleet. The changes are non-cash items.

The actual phasing of the adjustment may change if these vehicles are held for a longer or shorter period than anticipated in the above analysis.

The disposal profits of vehicles purchased in FY2021 and FY2022 are expected to be broadly in line with original expectations. Depreciation rates on vehicles purchased in FY2023 will be set based on management's best estimates of future residual values when those vehicles are sold, with holding periods ranging from 12 to 60 months.

Vehicles purchased in FY2023 will be set based on management's best estimates of future residual values when those vehicles are sold, with holding periods ranging from 12 to 60 months.

Financial review continued

Business combinations

In the current year £0.1m was recognised as a gain on bargain purchase in the income statement in relation to the acquisition of GRG Public Resources Limited in March 2022. A further £0.3m has been recognised as a gain on bargain purchase in respect to the previous Nationwide acquisition reflecting the write back of contingent consideration that was not payable.

Interest

Underlying finance charges remained static at £16.6m (2021: £16.6m). The net cash interest charge for the year was £14.7m (2021: £15.0m) representing decreased borrowing. Non-cash interest was £1.9m (2021: £1.6m).

Exceptional items

During the year EBIT included exceptional credits of £2.7m (2021: £6.5m costs) with a £3.5m credit arising from restructuring expenses (2021: £2.8m cost) and the gain on bargain purchase credit of £0.4m (2021: £1.5m) offset by FMG RS set up and integration costs of £1.2m (2021: £5.7m). The prior year also included acquisition expenses of £1.1m and a legal settlement credit of £1.6m.

Finance costs included £1.5m (2021: £nil) of costs in relation to cancelling loan notes as part of the refinancing of facilities during the year.

A total of £2.1m (2021: £9.6m) of the above exceptional items were cash costs and £3.3m (2021: £3.0m) of credits were non-cash.

Further detail on exceptional items is included in Note 29.

Amortisation of acquired intangibles is not an exceptional item as it is recurring. However, it is excluded from underlying results in order to provide a better comparison of performance of the Group. The total charge for the year was £19.8m (2021: £19.5m).

Dividend and capital allocation

Subject to approval, the final dividend proposed of 15.0p per share (2021: 12.0p) will be paid on 30 September 2022 to shareholders on the register as at close of business on 2 September 2022.

Including the interim dividend paid of 6.0p (2021: 3.4p), the total dividend relating to the year would be 21.0p (2021: 15.4p). The dividend is covered 2.4x by underlying earnings.

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

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

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

Share buyback programme

The Group continues to see exciting opportunities to deploy capital organically and has a good M&A pipeline. Even after taking into consideration capital to fund organic growth, payment of dividends in line with the Company's dividend policy and acquisitions within the M&A pipeline, the Company has substantial headroom under its facilities and target leverage of 1-2x.

As a result, during March 2022 the Group commenced a share buyback programme of the Company's ordinary shares for up to a maximum aggregate consideration of £30m. As at 30 April 2022, 1,825,991 shares were purchased for a total consideration of £7.5m.

Group cash flow

Steady state cash generation

Year ended 30 April	2022 £m	2021 £m	Change £m
Underlying EBIT	167.9	109.8	58.1
Depreciation and amortisation	198.8	192.5	6.3
Underlying EBITDA	366.7	302.3	64.4
Net replacement capex	(106.7)	(107.5)	0.8
Lease principal payments ¹	(43.7)	(54.8)	11.1
Steady state cash generation	216.4	140.1	76.3

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

Steady state cash generation remained strong at £216.4m (2021: £140.1m), driven by underlying EBIT performance.

Financial review continued

Free cash flow

Year ended 30 April	2022 £m	2021 £m	Change £m
Steady state cash generation	216.4	140.1	76.3
Exceptional costs (excluding non-cash items)	(0.7)	(5.0)	4.3
Working capital and non-cash items	(33.5)	(16.9)	(16.6)
Growth capex	(108.6)	19.1	(127.7)
Taxation	(27.4)	(12.7)	(14.7)
Net operating cash	46.2	124.6	(78.4)
Distributions from associates	4.1	4.3	(0.2)
Interest and other financing	(37.5)	(20.4)	(17.1)
Acquisition of business	(0.5)	(10.8)	10.3
Free cash flow	12.3	97.8	(85.5)
Dividends paid	(43.9)	(24.9)	(19.0)
Lease principal payments ²	43.7	54.8	(11.1)
Net cash generated	12.0	127.6	(115.6)

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

Free cash flow decreased by £85.5m to £12.3m (2021: £97.8m) driven by growth capex compared to a contraction that resulted in an inflow of £19.1m in prior year. Growth capex of £108.6m reflects a net increase in owned fleet (excluding transfers from leasing) of 7,600 since prior year.

If the impact of growth capex in the year is removed from free cash flow, the underlying free cash flow of the Group was £120.9m (2021: £78.7m).

Net debt

Net debt reconciles as follows:

Year ended 30 April	2022 £m	2021 £m
Opening net debt	530.3	575.9
Net cash (generated)	(12.0)	(127.6)
Other non-cash items	76.8	80.3
Exchange differences	(12.6)	1.8
Closing net debt	582.5	530.3

Closing net debt increased by £52.2m in the year. Net cash generation of £12.0m was offset by non-cash items and exchange differences which increased debt by £64.2m. Other non-cash items consist of £80.1m of new leases acquired being offset by £3.3m of other items. Foreign exchange differences reduced net debt by £12.6m.

Borrowing facilities

As at 30 April 2022 the Group had headroom on facilities of £382m, with £426m drawn (net of available cash balances) against total facilities of £808m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing cost
UK bank facilities	480	99	381	Nov-25	2.5%
Loan notes	315	315	-	Nov 27 – Nov 31	1.3%
Other loans	13	12	1	Nov 22	2.6%
	808	426	382		1.9%

The other loans drawn consist of £12m of local borrowings in Spain which were renewed for a further year in November 2021 and £0.5m of preference shares.

In November 2021, the Group completed a refinancing, repaying the existing loan notes and replacing them with €375m of new loan notes with maturities spread across 6, 8 and 10 years. The UK bank facilities were replaced with new facilities maturing in November 2025. The combined impact of these changes resulted in an overall increase of £104m at that date.

The above drawn amounts reconcile to net debt as follows:

	Drawn £m
Borrowing facilities	426.2
Unamortised finance fees	(7.9)
Leases arising following adoption of IFRS 16	130.4
Leases arising under HP obligations	33.8
Net debt	582.5

The overall cost of borrowings at 30 April 2022 is 1.9% (2021: 2.0%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.45% to a maximum of 3.25%. The net debt to EBITDA ratio at 30 April 2022 corresponded to a margin of 1.95% (2021: 1.85%).

The split of net debt by currency was as follows:

Year ended 30 April	2022 £m	2021 £m
Euro	374	367
Sterling	217	167
Borrowings and lease obligations before unamortised arrangement fees	591	534
Unamortised finance fees	(8)	(4)
Net debt	583	530

Financial review continued

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

	Threshold	April 2022	Headroom	April 2021
Interest cover	3x	14.4x	£130m (EBIT)	8.2x
Loan to value	70%	41%	£323m (Net debt)	41%
Debt leverage	3x	1.4x	£185m (EBITDA)	1.5x

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

Following the refinancing in November 2021, the debt leverage covenant improved to 3.0x, increasing headroom by a further £14m. The other covenants remained unchanged.

Balance sheet

Net assets at 30 April 2022 were £946.8m (2021: £908.1m), equivalent to net assets per share of 388p (2021: 369p). Net tangible assets at 30 April 2022 were £680.5m (2021: £622.8m), equivalent to a net tangible asset value of 279p per share (2021: 253p per share).

The calculations above are based on the number of shares in issue at 30 April 2022 of 246,091,423 (2021: 246,091,423) less treasury shares of 1,825,991 (2021: nil).

Gearing at 30 April 2022 was 85.6% (2021: 85.2%) and ROCE was 13.9% (2021: 9.5%).

Treasury

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

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

Credit risk

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

Liquidity and funding

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

Capital management

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

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

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

Interest rate management

The Group's bank facilities, other loan agreements and lease obligations incorporate variable interest rates. The Group seeks to ensure that the exposure to future changes in interest rates is managed to an acceptable level by having in place an appropriate balance of fixed rate and floating rate financial instruments at any time. The proportion of gross borrowings (including leases arising under HP obligations) hedged into fixed rates was 76% at 30 April 2022 (2021: 28%).

Foreign exchange risk

The Group's reporting currency is Sterling and 77% of its revenue is generated in Sterling during the year (2021: 73%). The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

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

	April 2022 £:€	April 2021 £:€
Average	1.18	1.12
Year end	1.19	1.15

Going concern

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios (as detailed further in the Viability statement on page 35), the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Philip Vincent

Chief Financial Officer

GAAP reconciliation

Income statement reconciliation

Year ended 30 April	Footnote below	Statutory 2022 £m	Adjustments 2022 £m	Underlying 2022 £m	Statutory 2021 £m	Adjustments 2021 £m	Underlying 2021 £m
Revenue	(a)	1,243.6	(149.9)	1,093.6	1,109.5	(229.8)	879.7
Cost of sales	(a)	(897.3)	149.9	(747.4)	(857.0)	229.8	(627.2)
Gross profit		346.2	–	346.2	252.5	–	252.5
Administrative expenses	(b)	(199.7)	17.5	(182.2)	(174.6)	27.5	(147.1)
Operating profit		146.5	17.5	164.0	77.9	27.5	105.5
Income from associates		3.9	–	3.9	4.4	–	4.4
Gain on bargain purchase	(c)	0.4	(0.4)	–	1.5	(1.5)	–
EBIT		150.8	17.1	167.9	83.8	26.0	109.8
Interest income		–	–	–	0.2	–	0.2
Finance costs	(d)	(18.1)	1.5	(16.6)	(16.8)	–	(16.8)
Profit before taxation		132.7	18.6	151.3	67.2	26.0	93.2
Taxation	(e)	(31.1)	4.9	(26.3)	(1.6)	(15.4)	(17.0)
Profit for the year		101.5	23.5	125.0	65.6	10.6	76.2
Shares for EPS calculation		246.0m		246.0m	246.1m		246.1m
Basic EPS		41.3p		50.8p	26.6p		31.0p
Adjustments comprise:	Footnote						
Revenue: sale of vehicles	(a)		(149.9)			(229.8)	
Cost of sales: revenue sale of vehicles net down	(a)		149.9			229.8	
Gross profit			–			–	
Exceptional items (Note 29)			(2.3)			8.0	
Amortisation of acquired intangible assets (Note 14)			19.8			19.5	
Administrative expenses	(b)		17.5			27.5	
Gain on bargain purchase	(c)		(0.4)			(1.5)	
Adjustments to EBIT			17.1			26.0	
Exceptional finance costs (Note 29)	(d)		1.5			–	
Adjustments to PBT			18.6			26.0	
Tax on exceptional items (Notes 9 and 29)			0.2			(1.3)	
Tax on brand royalty charges and amortisation of acquired intangible assets and tax rate change on acquired intangible assets			4.7			(4.1)	
Tax credit in relation to the release of uncertain tax provisions			–			(10.0)	
Tax adjustments	(e)		4.9			(15.4)	
Adjustments to profit			23.5			10.6	

GAAP reconciliation continued

Cash Flow Reconciliation Year ended 30 April	2022 £m	2021 £m
Underlying EBIT	167.9	109.8
Add back:		
Depreciation of property, plant and equipment	197.2	191.6
Loss on disposal of assets	0.6	0.2
Intangible amortisation included in underlying operating profit (Note 6)	1.0	0.7
Underlying EBITDA	366.7	302.3
Net replacement capex	(106.7)	(107.5)
Lease principal payments (under IFRS 16 and HP)	(43.7)	(54.8)
Steady state cash generation	216.4	140.1
Exceptional items (excluding non-cash items)	(0.7)	(5.0)
Working capital and non-cash items	(33.5)	(16.9)
Growth capex	(108.6)	19.1
Taxation	(27.4)	(12.7)
Net operating cash	46.2	124.6
Distributions from associates	4.1	4.3
Interest and other financing costs	(37.5)	(20.4)
Acquisition of business net of cash acquired	(0.5)	(10.8)
Free cash flow	12.3	97.8
Dividends paid	(43.9)	(24.9)
Lease principal payments	43.7	54.8
Net cash generated	12.0	127.6
Reconciliation to cash flow statement:		
Net increase (decrease) in cash and cash equivalents	8.8	(9.7)
Add back:		
Receipt of bank loans and other borrowings	(318.1)	(27.2)
Repayments of bank loans and other borrowings	277.6	109.7
Principal element of lease payments under IFRS 16	28.0	17.0
Principal element of lease payments under HP obligations	15.7	37.8
Net cash generated	12.0	127.6

Cash Flow Reconciliation Year ended 30 April	2022 £m	2021 £m
Reconciliation of capital expenditure		
Purchases of vehicles for hire	292.9	303.5
Proceeds from disposals of vehicles for hire	(128.8)	(188.6)
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment	(2.7)	(35.9)
Purchases of other property plant and equipment	52.4	7.5
Purchases of intangible assets	1.4	1.8
Net capital expenditure	215.2	88.3
Net replacement capex ³	106.7	107.5
Growth capex ⁴	108.6	(19.1)
Net capital expenditure	215.2	88.3

³ Net capital expenditure other than that defined as growth capex.

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

	Northgate UK&I 2022 £000	Northgate Spain 2022 £000	Group Sub-total 2022 £000
Underlying operating profit ³	97,957	43,888	141,845
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the year	(44,841)	(5,267)	(50,108)
Rental profit	53,116	38,621	91,737
Divided by: Revenue: hire of vehicles ⁴	342,733	220,555	563,288
Rental margin	15.3%	17.5%	16.3%
	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Group Sub-total 2021 £000
Underlying operating profit ³	76,800	33,700	110,500
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the year	(37,285)	(2,929)	(40,214)
Rental profit	39,515	30,771	70,286
Divided by: Revenue: hire of vehicles ⁴	310,066	205,500	515,566
Rental margin	12.7%	15.0%	13.6%

³ See Note 5 for reconciliation of segment underlying operating profit to Group underlying operating profit.

⁴ Revenue: hire of vehicles including intersegment revenue (see Note 5 of the financial statements).

Identifying and managing risk

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

Risk focus

The risks facing the Group continue to be wide ranging, with both external and internal factors providing a high level of uncertainty across the year.

The Group Risk Committee meets formally on a quarterly basis, with significant progress made throughout the year, resetting the risk appetite for the enlarged Group and harmonising the risk management process across the businesses.

In the year, new vehicle availability was considered as an increasing risk to the Group as it constrains our growth ambitions and running an older fleet provides challenges to our operational model and commercial proposition. The Group Risk Committee has paid due consideration to this risk, how it impacts the business and the actions to mitigate the risk so as to protect the interests of its stakeholders. A description of the Board's decisions made during the year is included within the Section 172 statement on pages 52 and 53.

As we transitioned away from the shorter term impacts of COVID-19 lockdowns in the second half of the year, focus centred around other economic factors, particularly inflationary pressures and how that impacts our business model, suppliers, employees and customers. We are confident in the Group's ability to achieve growth and provide returns to shareholders, remaining mindful of external factors which may influence how this is delivered. Throughout the COVID-19 period and beyond, we continue to demonstrate how our asset base and services are flexible in periods of economic uncertainty.

Identifying and managing risks

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

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

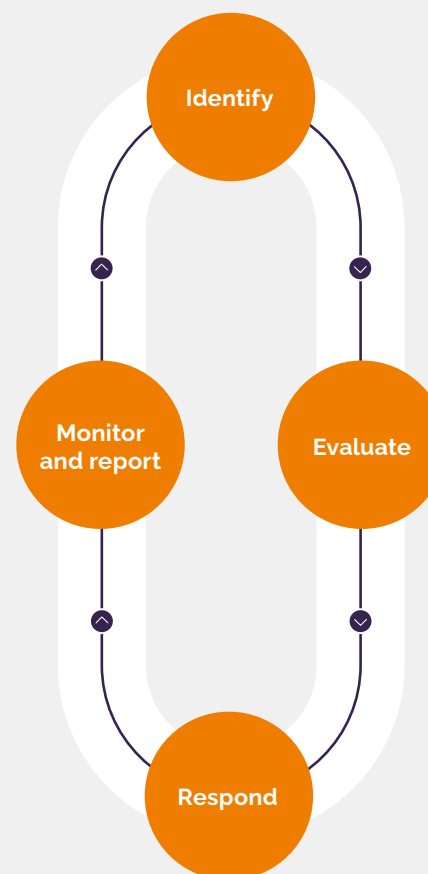
The Audit Committee takes responsibility for overseeing the effectiveness of internal control systems which are embedded into our risk management processes on behalf of the Board, and assesses the work of Group Internal Audit.

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

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

Risk management process

The Group ensures that there are robust processes in place in order to achieve effective risk management. This involves the identification, evaluation, control and continuous monitoring of risk posed to the business. These processes ensure that we have appropriate measures to manage our exposure to risk in order to operate within the Group's risk appetite.



Oversight and governance process

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

The Board

Has overall responsibility for risk management and reviews risk appetite and monitoring activity of the Group Risk Committee

Audit Committee

Reviews internal controls, sets the objectives of and monitors the activities of Group Internal Audit.

Group Internal Audit

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

Group Risk Committee

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

Regional executive teams

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



Top down

Bottom up

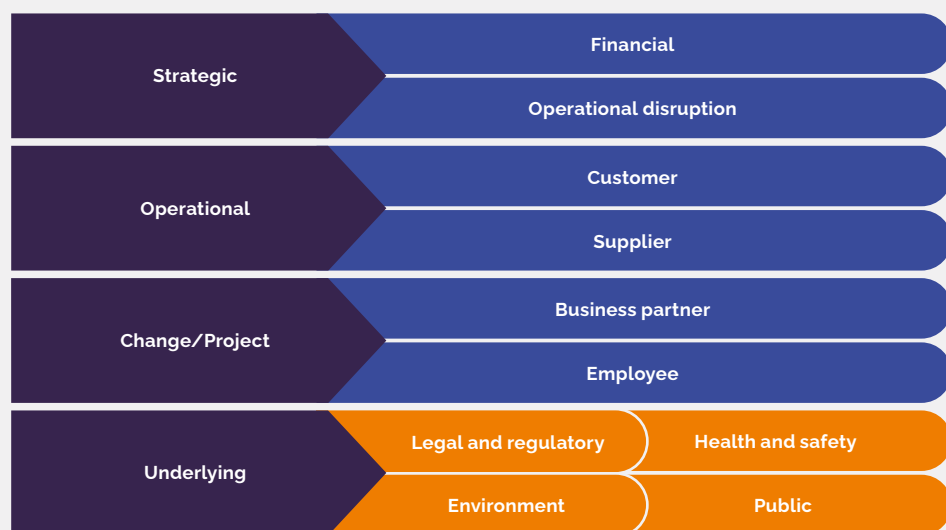


Identifying and managing risk continued

Risk appetite

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

In the year, the Board and the Group Risk Committee reviewed and approved the risk appetite for the enlarged Group. In doing so the Committee considered the Group's appetite to risk in relation to the categories as detailed below:



Key

Appetite categories	Underlying impact category	Impact categories
---------------------	----------------------------	-------------------

The underlying risk appetite is set considering the four areas of legal and regulatory, health and safety, environment and public, for which four separate risk appetite statements are in place. For each of the remaining appetite categories, an assessment of the Group's acceptable level of risk is made against each of the impact categories.

Identifying and managing risks

The Board maintains a focus on effective risk management, which flows all the way through the organisation. The risk appetite is set at different tolerances depending on the impact categories as mentioned previously, for example the Group's willingness to accept strategic risk is higher than the tolerance of risk in areas of health and safety. The culture of the organisation ensures all activities, from day to day operations to high level strategic decisions, are performed in line with this approach.

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

Principal risks

Recognising that all business activity involves elements of risk, the Board maintains a policy of continuously identifying and reviewing risks that represent a threat to the business, or that may cause future financial results to differ materially from expected results. Our approach is not intended to eliminate risk entirely, but to manage our risk exposures across the business, whilst at the same time making the most of our opportunities.

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

The Board is dedicated to ensuring the Group operates in a responsible and sustainable manner, and throughout the year we have developed and approved our ESG strategy and our maiden sustainability report will be available on our website shortly after this report is published. The Group Risk Committee does not consider ESG or climate as an isolated principal risk, but instead, having

taken external advice, regards the integral parts of our ESG framework to be embedded into our existing principal risks. Further information on our ESG strategy can be found on pages 36 to 50.

The risks specified are not intended to represent an exhaustive list of all potential risks and uncertainties. The risk factors outlined should be considered in conjunction with the Group's system for managing risk, described on page 28 and in the Corporate Governance Report from page 58.

Emerging risks

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

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

In the prior year, the Board considered climate-related matters, including the recommendations from the TCFD as emerging risks. Our assessment around this area has developed significantly within the year but it is still considered to be an emerging risk to the Group and will be continually monitored. As those risks become prevalent, they will be integrated into the assessment of principal risks and the overall risk management framework of the Group.

Principal risks and uncertainties

Risk trend

Risk level

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



Increased



Decreased



Not changed

Type of risk	Risk	Risk level	Change
Strategic risks	Economic environment		Inflationary pressures, shortages in vehicle availability and the conflict in Ukraine have a consequential affect to economic activity and may impact demand for hire vehicles or the Group's ability to fulfil that demand. This has been partially offset by the easing of COVID-19 restrictions.
	Market risk		Loss of a major customer could diminish returns and changes in regulation could alter how our customers utilise our services. The Group continue to secure significant new business wins and the diversification of the customer base away from reliance on a particular customer or sector continues to mitigate this risk.
Operational risks	Vehicle holding costs		Global supply chain disruptions in new vehicle registrations has created high residual values for used vehicles and therefore reduced holding costs in the short term. There is a risk of future price volatility in new and used vehicle prices as the markets continue to be disrupted.
	The employee environment		Constraints in the labour market and ability to access talent continues to put pressure on the Group's operating model and commercial proposition.
	Legal and compliance		There has been no significant changes to laws and regulations which impact the Group's operations. Our ESG strategy provides resilience to our operations, particularly concerning climate-related issues where legislation is likely to increase in the future.
	IT systems		The Group continues to develop our IT environment post-Merger allowing for operational and commercial agility across the enlarged Group. We continue to invest in and integrate IT platforms as the Group grows organically and inorganically.
Financial risks	Recovery of contract assets		As COVID-19 restrictions eased during the year, court capacities have improved leading to more cases being settled. Insurers have also re-established resource for resolving and settling existing claims. The balance outstanding in relation to contract assets has increased in the year due to volume from COVID recovery. However, the overall statutory debtor days in relation to this balance reduced by 20 days.
	Access to capital		Comprehensive refinancing of debt arrangements took place in during the year; optimising the Group's debt portfolio, increasing headroom, significantly lengthening our maturities, diversifying our pools of liquidity and securing competitive interest rates.

Principal risks and uncertainties continued

Strategic risks

Risk level

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

↑ Increased

↓ Decreased

⊖ Not changed

Economic environment



The demand for our products and services could be affected by a change in economic activity in the countries the Group operates, including the post COVID-19 recovery period, conflict between Russia and Ukraine including impacts on supply chains, and global inflationary pressures.

Risk description

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

An adverse change in macroeconomic conditions could also increase the risk of customer failure, increasing the risk of non-recovery of receivables. Additionally, inflationary pressures impacting general economic activity may reduce demand for hire vehicles.

Controls and mitigating activities

- The business model supports high levels of utilisation and vehicles returned from customers are redeployed within the fleet.
- Flexibility over asset management means that in the event of a downturn the Group can generate cash and reduce debt by reducing vehicle purchases or accelerating disposals.
- The cost base related to management of insurance claims and services is flexible and can be scaled back in response to a downturn in revenue.
- The Group maintains close relationships with key suppliers to ensure continuity of supply, such as negotiations considering the global restriction of vehicle availability, and has diversified supplier base in order to further mitigate this. In the event of short term supply interruption, the fleet can be aged.
- Pricing structures remain under review in context of cost inflation.
- Credit risk of new and existing customers is continually assessed and actions taken where necessary. The Group has a diversified customer base without overreliance on an individual or group of customers across any sector.
- Transactional foreign exchange exposure is minimised through sourcing supplies in the same currency as the revenue is generated.

Developments in the year

- Shortages of vehicle availability has constrained growth but we have aged out the fleet in order to protect existing revenue streams (used vehicle markets continue to experience buoyant residual values due to shortages of new vehicles).
- COVID-19 restrictions have eased in the year across all businesses.
- Volumes of insurance claims and services have grown to near pre COVID-19 levels towards the end of the year as restrictions eased in the UK.
- Inflation increases during the year affects our supply chain in various ways.
- The conflict between Russia and Ukraine has not had a direct impact on our business as no customers or suppliers are located in that region, but it has had an impact on global markets which has fed through to general inflation and supply chain issues mentioned above.

Market risk



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

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

Risk description

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

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

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

Controls and mitigating activities

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

Developments in the year

- Continued development of customer proposition, providing an integrated mobility solution.
- Significant new contract wins with lifetime revenues of over £300m.
- Our competitive position in the flexible rental solution and complementary service markets has continued to support VOH and rental margins.
- Acquisition of ChargedEV in the year supports EV transition and widens customer proposition.
- Our ESG strategy supports transition of the fleet to non-ICE vehicles to meet the changing demand of the markets in which we operate.

Principal risks and uncertainties continued

Operational risks

Risk level

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

↑ Increased

↓ Decreased

→ Not changed

Vehicle holding costs



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

Risk description

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

Global supply chain constraints have continued to support high used vehicle prices throughout the year but present risks around future volatility in pricing of new and used vehicles.

Controls and mitigating activities

- Maintaining strong relationships with suppliers and negotiating pricing directly with manufacturers on an annual basis.
- Managing the number and mix of suppliers to optimise buying terms and to efficiently maintain the fleet in-life. Increasing the sources of supply beyond traditional direct OEM relationships.
- Holding a proportion of the fleet on a leasing basis with fixed implicit residual values.
- Optimising the holding period of vehicles to minimise overall holding costs to the extent that this is possible in a period of short vehicle supply.
- Balancing high levels of utilisation with availability of fleet for customers.
- Using in-house workshops to efficiently manage in-life maintenance and total holding cost.
- Diversification of sales channels in order to maximise residual value including in-house eAuction sales.
- Ageing of the fleet, if necessary, to mitigate short term pricing disruption in used vehicle markets or short term pricing pressure in new vehicle markets as a result of constrained supply.
- Although the Group is exposed to fluctuations in the used vehicle market, we aim to optimise the value of our fleet. Our fleet can act flexibly and responsively to market instabilities. Should the market experience a short term decline in residual values, we can age our existing fleet until the market improves or, in the light of vehicle supply restrictions, age our fleet to extend rental availability.

Developments in the year

- Shortages of vehicle availability have been experienced in the year due to global supply chain issues.
- Residual values in the used vehicle market continue to remain high due to shortage in supply of new vehicles.
- We have slowed down our normal vehicle replacement cycle in response to this shortage of new vehicles in order to maximise rental availability. Fleet ageing continues to be carefully monitored to ensure that we are able to operate efficiently and continue to deliver the same levels of customer service.
- Establishing supply from alternative vehicle sales outlets to facilitate additional availability.

The employee environment



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

Risk description

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

Management is working to effectively integrate and harmonise one set of vision and values as the Group continues to grow organically and inorganically so that everyone is aligned to the strategic goals of the Group.

Despite mitigations reducing the risk in recent months, the constraint of the labour market is at the forefront of management discussion as inability to access talent puts pressure on the Group's operating model and commercial proposition.

Controls and mitigating activities

- Employee engagement with Group management through the Employee Engagement Forum and employee surveys.
- Internal communications establish vision and values which are aligned to Group strategy and undertake regular communication of strategic progress through various platforms.
- Ongoing benchmarking of reward and benefits against the comparable market.
- Regular performance reviews including personal development and tailored training.
- Regular engagement with employees and access to health and wellbeing initiatives.
- Group health and safety initiatives to promote an ongoing safe working environment.

Developments in the year

- Access to people resource with the appropriate skill set for the Group has been an increasing challenge throughout the year.
- First full year of the Employee Engagement Forum, established post-Merger, giving all employees a voice into the executive leadership team and the Board.
- Roll out of Focus, Drive and Broaden initiatives across the Group.
- Northgate Spain rated within top 10% of largest job search portal.
- New UK reward hub and benefit platform launched
- Growth of in-house recruitment team, dedicated to engaging talent who share the same values as the Group.
- Extension of Academy hub to wider Group providing a common platform to facilitate training.
- Continuing to support flexible working, giving employees more flexibility to work from home, whilst balancing the needs of the business.

Principal risks and uncertainties continued

Operational risks continued

Risk level

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

⬆ Increased

⬇ Decreased

⊖ Not changed

Legal and compliance



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

Historical legal cases relating to the provision of credit hire and insurance related services have provided a precedent framework which has remained broadly stable for several years. Legal challenges or changes in legislation could undermine this framework with consequences for the markets in which the Group operates.

Risk description

Inadequate operation of systems to monitor and ensure compliance with regulation could expose the Group to fines and penalties or operating licences could be suspended. Failure to comply with laws and regulations would put the reputation of the business at risk, adversely impacting our ability to attract customers and maintain productive and sustainable relationships with our partners and suppliers.

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

Controls and mitigating activities

- In-house legal and compliance team continuously monitoring regulatory and legal compliance.
- Horizon scanning and monitoring of legal and regulatory developments.
- Policies and procedures and compliance monitoring programmes.
- Training in relation to relevant legislation, regulatory responsibilities and Company policies and procedures.
- External advisors are retained where necessary.

Developments in the year

- No significant changes to laws and regulations impacting operations in the year.
- No significant instances of non-compliance or legal issues across the Group during the year.
- Development and approval of the Group's ESG strategy provides resilience to our operations and, in particular, sets out our path to fight climate-related issues, an area where legislation is deemed likely to increase.

IT systems



Failure of existing systems, or a lack of development in new systems, could result in a loss of commercial agility and/or harm the efficiency and continuity of our operations.

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

Risk description

The Group's business is dependent on the safe and efficient processing of a large number of complex transactions and interactions. The effective performance and availability of core systems is central to the operation of the business.

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

The Merger and subsequent acquisitions have increased the complexity and diversity of operations, IT systems and infrastructure.

Controls and mitigating activities

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

Developments in the year

- Progress made over the integration and replacement of core IT infrastructure and systems of the Group following the Merger.
- Further investments in core systems are planned in order to support the growth of the Group.

Principal risks and uncertainties continued

Financial risks

Risk level

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

⬆ Increased

⬇ Decreased

➡ Not changed

Recovery of contract assets ⬇

Our credit hire and repair business involves the provision of goods and services on credit. The Group receives payment for the goods and services it has provided after a claim has been pursued against the party at fault (and the relevant third party insurer). This can mean that the Group can endure a long period before some payments are received.

Risk description

While a significant level of claims are subject to protocol arrangements resulting in prompt settlement of claims there is a risk that the Group will not be able to improve or maintain the pace of settlement of claims. In addition, third party insurers may seek to delay payments in an attempt to achieve more favourable settlement terms for outstanding claims or, ultimately, to force the Group and other credit hire providers out of the market.

If the Group is unable to maintain existing settlement periods, if there are further delays in the receipt of payments or if settlement terms with insurers worsen, its business, financial condition and operating results could be adversely impacted.

Controls and mitigating activities

– The Group manages this risk by standardising terms (protocol agreements) where possible, ensuring that services are only provided to customers after a full risk assessment process and agreement to an appropriate contract. In addition, any payment delays are monitored and appropriate action taken to facilitate prompt settlement.

Developments in the year

– As COVID-19 restrictions eased during the year, court capacities have consequently improved leading to more cases being settled. Insurers have also re-established resource to settle existing claims.

– The balance outstanding in relation to contract assets has increased in the year due to volume from COVID recovery. However, the overall statutory debtor days in relation to this balance reduced by 20 days.

Access to capital ⬇

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

Investors increasingly require businesses to demonstrate that they act in a responsible and sustainable manner prior to granting access to financing facilities.

Risk description

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

Controls and mitigating activities

– Bank, loan note and fleet funding facilities are in place across a range of funding sources which provide adequate headroom and maturities in order to support the strategy of the Group.

– Facilities are diversified across a range of lenders and close relationships are maintained with key funders of the Group to ensure continuity of funding.

– The Group continually monitors cash flow forecasts to ensure adequate headroom on facilities and ongoing compliance with debt covenants.

– The Group maintains leverage within stated policy and the business model allows cash to be generated through economic cycles.

The impact of access to capital on the Group's viability is considered in the viability statement on page 35.

Developments in the year

– Comprehensive refinancing of debt arrangement optimising the Group's debt portfolio.

– Significant lengthening of maturities spread up to 10 years.

– Greater diversification in terms of sources of debt and access to new pools of liquidity.

– New debt raised at competitive interest rates.

– Further contract hire credit lines have been negotiated.

Viability statement

Effectively leveraging integrated mobility capabilities with significant new business wins, service diversification aligned to our ESG framework and the successful refinancing of borrowing facilities strongly positions the Group for future growth.

Assessment of prospects

Our business model and strategy are central to understanding the prospects of the Group, details of which can be found on pages 14 to 18. The Group's current overall strategy has been in place for several years, subject to the ongoing monitoring and development described below. The combined Group is well established within the markets it operates in, details of which can be found on pages 11 to 13, and has proven resilience through difficult economic conditions in recent years, including the impact of COVID-19, and strong momentum has continued throughout the year ended 30 April 2022.

The Board continues to take a measured approach to strategic risk, as the Group continues to progress through the Focus, Drive and Broaden elements of its strategy, securing significant contract wins through our enhanced commercial offering, and diversifying the service, such as through the acquisition of ChargedEV, whilst exploring further market and geographic growth opportunities intended to add long term value to the Group. The Board continually assesses the changes in the risk profile and emerging risks to the Group, further details of which can be found on pages 28 to 29. The Group pursues only those activities which are acceptable in the context of the risk profile of the Group as a whole.

The assessment process and key assumptions

The Group's prospects are assessed through its strategic planning process. This process includes an annual review of the ongoing strategic plan, led by the CEO, together with the involvement of business functions in all territories. The Board engages closely with executive management throughout this process and challenges delivery of the

strategic plan during regular Board meetings. Part of the Board's role is to challenge the plan to ensure it is robust and makes due consideration of the appropriate external environment.

The Directors have assessed the viability of the Group over a three year period to 30 April 2025, considering the Group's current position and a robust assessment of the potential impact of the principal risks documented in the Strategic Report.

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

The plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required.

The first year of the financial forecast forms the Group's operating budget, with post COVID-19 recoveries embedded into the operations of the Group, and will be continuously reviewed throughout the financial year. Subsequent years are forecast from the base year, based on historical experience and expected measures within the overall strategic plan.

Based upon this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2025.

Assessment of viability

To assess the Group's viability, the three year strategic plan was stress tested against various scenarios and other sensitivities.

Sensitivity analysis of our strategy

A detailed three year strategic review was conducted which considers the Group's cash flows, dividend cover assuming operation of stated policy, and headroom against borrowing facilities and financial covenants under the Group's existing facilities. These metrics were subjected to sensitivity analysis to assess the Group's ability to deliver its strategic objectives.

Strengthened financial position

In November 2021, the Group secured £792m of new facilities in the form of £475m bank revolving credit and €375m of new loan notes. The Group's principal banking facility has a maturity date of November 2025 and the loan notes provide significant lengthening of maturities spread across 6, 8 and 10 years. Headroom against the Group's existing banking facilities at 30 April 2022 was £382m as detailed on page 24. This compares with headroom of £305m at 30 April 2021. Given the financial strength of the Group, we do not anticipate any material deterioration in the credit status of the Group or access to credit markets that would contradict this assumption.

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

Stress testing our risk resilience

The Directors have further considered the resilience of the Group, considering its current position and the principal risks facing the business. The plan was stress tested for severe but plausible scenarios over the planned period as follows:

- No further growth in vehicles on hire with rental customers.
- No further increase in pricing of rental hire rates.
- A 2% increase above plan assumptions in the purchase cost of vehicles and other operating expenses not passed on to customers.
- A 10% reduction to assumptions in the plan for the residual value of used vehicles.

- A 25% volume reduction in insurance claims and services revenue in aggregate, either through lower demand or through ending the commercial relationship with a group of key insurance partners.
- A slow down of 50 days in the time taken to settle outstanding claims with insurers.

Revenues from insurance claims and services are closely linked to the volume and density of traffic on the roads which in recent years has been materially impacted by COVID-19 lockdowns. Despite additional restrictions over the final quarter of the 2021 calendar year, February 2022 saw the UK Government lift all remaining COVID-19 restrictions and trading in the final quarter of the year saw volumes returning to 90% of pre COVID levels, including normal seasonality.

Over the COVID period in 2020 and 2021, overall profitability and cash generation of the Group increased due to the resilience of the business model. A separate COVID type scenario has therefore not been included as a downside case.

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

Conclusions relating to viability and going concern

After considering the above sensitivities and reasonable mitigating actions, sufficient headroom remained against available debt facilities and the covenants attached to those facilities. The Directors have a reasonable expectation that the Group will continue to be able to meet its obligations as they fall due and continue to be viable due over the period to 30 April 2025. The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in Note 1 of the Financial Statements.

ESG report

At Redde Northgate we are very conscious of our significant responsibilities as a business to our people, the planet, our customers and the communities in which we operate. By taking responsibility in everything we do, we help deliver the trust that defines our business reputation and cements our position as the leader in our markets for integrated mobility solutions.

What is of primary importance to us is the health and safety of our team members and customers, the development of our people, and minimising our impact on the environment and on the communities we serve. We also focus on having the right governance to ensure that we behave ethically at all times and are mindful of all of the emerging risks and opportunities for the business.

We are trusted by our customers to provide them with the advice and solutions which best fit their mobility needs and support their own strategies and commitments to emission reductions. In 2021, we launched our new Group values: we are open, we respect one another, we get it done, we work as one team, we work with passion. These values were chosen as they resonate with all our colleagues and management team, and reflect the growth of a Group wide culture following the Merger in 2020. By maintaining customer trust and placing our values at the heart of everything we do, we can grow sustainably and responsibly.



Redde Northgate is at an early stage in its Group wide ESG strategy formation, developing the frameworks and reporting systems to be able to monitor key metrics and putting in place the building blocks that will underpin its strategy and reporting. In FY2023, we intend to develop a suite of KPIs and targets which will bring our current efforts together in a uniform approach, and help us to model our risks and exposures and future trajectory towards net zero.

We have a number of initiatives underway to address the emissions directly in our control. However, some of the sectors in which we operate are at an early stage in the journey to net zero, and the availability of alternative solutions for our segments is currently very limited. For example, while the Group invests in its EV passenger fleet as the UK car parc evolves, many Northgate customers have range and payload requirements unable to be achieved with current EV solutions. As Scope 3 category emissions are estimated

to account for well over 95% of our emissions, we are, by necessity, restricted in the rate of change we can achieve for ourselves as well as for our clients while embracing the many opportunities that such a transition provides us to make a significant difference.

Our ESG framework defines our approach through four pillars: Experience, Impact, Transition and Governance. We believe it helps us think about how best to address the challenges before us as a business and engage with our employees, who are key to its successful implementation.

This review sets out our actions over the year using this framework, and also introduces our first year of Task Force on Climate-Related Financial Disclosures. In the coming year, we will increase the sophistication and analysis underpinning this work as we roll out our ESG data management systems across the Group.



ESG report continued

Sustainable mobility solutions, delivered responsibly

Managing our business to protect our people and the planet

	Experience	Impact	Transition	Governance
Commitment	Empowering our employees and giving them the right tools to deliver industry leading customer experience.	Minimising our impact on the environment and positively influencing our surrounding communities; supporting innovation in our industry.	Driving the transition to non-ICE vehicles and to embrace the opportunity to tackle climate change.	Maintaining high levels of integrity, transparency and good governance.
Approach	<p>Making Redde Northgate a great place to work for our employees, equipping them with the right tools and training, providing a secure and safe working environment, and promote their wellbeing.</p> <p>Retaining an engaged and highly skilled workforce to ensure the delivery of excellent experiences for our customers.</p>	<p>By assessing our practices and educating our workforce, we can minimise waste and ensure best environmental practice.</p> <p>Driving innovation and improvements in our industry by sharing our expertise.</p>	<p>Taking a measured approach to our transition to a non-ICE vehicle fleet, ensuring that we meet the requirements and expectations of our customers.</p> <p>Working with Government and industry to ensure an appropriate environment for commercial EV and other non-ICE solutions.</p> <p>Building the skills, services and location based infrastructure necessary to provide low emission solutions.</p>	<p>Embedding robust training and procedures across the business, ensuring employees and suppliers act in accordance with the highest standards of business ethics.</p> <p>Communicating our actions transparently and regularly to keep our stakeholders informed and engaged.</p>
Areas of key focus	<ul style="list-style-type: none"> – Health and safety – Employee engagement and wellbeing – Diversity and inclusion – Labour rights – Employee training and development – Customer experience and engagement 	<ul style="list-style-type: none"> – Emissions (Scope 1 and 2) – Waste and hazardous materials management – Water management – Innovation 	<ul style="list-style-type: none"> – Climate change – Emissions (Scope 3) – Vehicle transition – Energy use and sources – Public policy and industry participation – Product lifecycle management 	<ul style="list-style-type: none"> – Ethics, anti-corruption and compliance – Cybersecurity and data privacy – Risk management – Corporate governance – Supply chain management

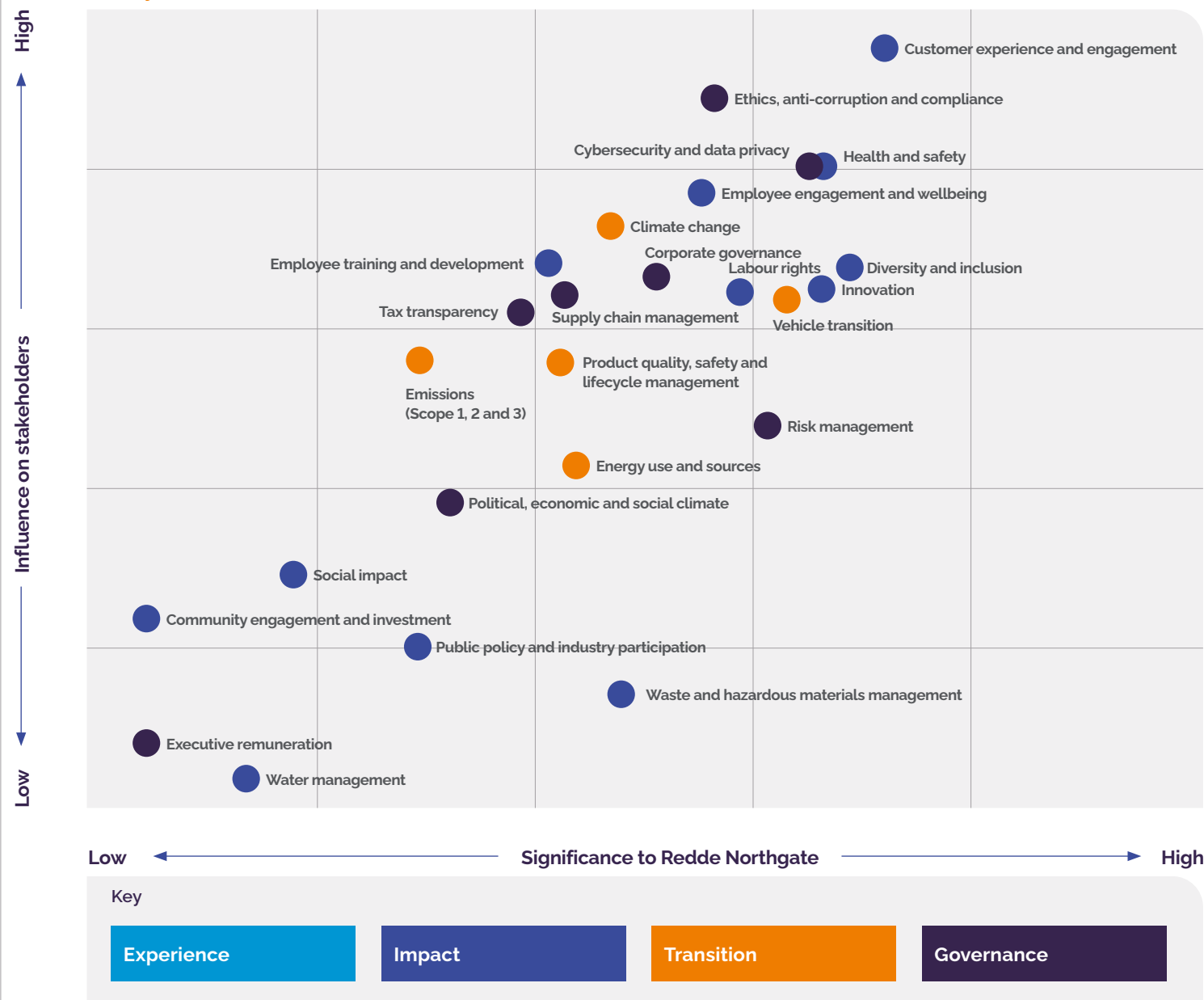
ESG report continued

Materiality assessment

We undertook a review of industry peers and globally recognised ESG frameworks, including the SASB and MSCI, creating a list of key issues to form the basis of our quantitative survey. The survey was issued to a broad range of over 140 internal and external stakeholders, complemented by qualitative interviews with 22 subject matter experts from across the Group.

Together this enabled a deeper understanding of the key risks and opportunities and will help define the investment and focus of the business into key areas as we build out our ESG strategy and reporting.

Materiality matrix



ESG report continued

Experience

Our people are our key asset and we have a clear focus on ensuring our business is a great place to work. We have invested in equipping them with the right tools and training, providing a safe and secure working environment, and promoting their wellbeing. We know that an engaged and highly skilled workforce enables the delivery of consistent and excellent customer service. We also seek to support the communities in which we live and work, as this supports the wellbeing of our people and reflects the importance of the local communities to us.

Following the Merger, in 2020 and the subsequent acquisition of FMG RS, we have been working to ensure harmonisation and standardisation of practices across the Group. In 2021, we launched our new Group values and have worked to ensure everyone understands each value and what they mean to the business, and how these values should be upheld through day to day operations.

Engaging with our employees

The Employee Engagement Forum was established to both increase engagement and provide an opportunity for the Board and leadership team to hear direct feedback from employees. We established a robust colleague feedback model, including the rebranded annual colleague survey "Have Your Say" on a broad range of topics including health and safety, personal development, and pay and benefits. This year saw a 74% engagement score in the survey.

We have had a strong focus in the year on employee engagement and ensuring that all our employees feel confident in our business strategy and their role in our future. An enhanced internal communications team has focused on improving everyone's understanding of the Group strategy. Engaging with teams across the business with a strategic narrative that defined who we are, what we stand for, and our purpose, vision and mission, has enabled all employees to gain a better understanding of where we are going as a business.

We also created support for managers to aid localised discussion around how their roles promote our long term strategic aims, helping to establish connection to the strategy. These efforts were reflected in an uplift of 22 percentage points (46%) on the prior year for colleague's understanding of our strategy, the highest improving score in our annual survey.

Supporting our employees

We have invested in our Group Human Resources function and rolled out a new HR and payroll system, Group benefits plan and wellbeing services, reflecting the feedback from our previous employee survey for enhanced health and wellbeing support.

We have partnered with a leading provider, UNUM, to offer all employees free, remote access to medical advice, 24/7, along with access to our Employee Assistance Programme. We continue to share self-care suggestions for employees and promote positive mental health regularly as part of a broad calendar of events, such as our "Time to Talk Day" virtual drop-in sessions held by the HR team, giving employees the opportunity to share how they were feeling and any problems they were facing.

Throughout the COVID period, we maintained strong communications to ensure that employees did not feel isolated or unsupported, with webinars on wellbeing and advice on how to manage mixed working patterns. We encouraged all managers to complete the Mental Health Awareness module on Redde Northgate Academy, our e-learning platform, and provided them with a toolkit to help managers promote positive mental health in their workplace and make adjustments so that colleagues receive the support they require.

In 2021 we introduced our new Benefits HUB, broadening the suite of benefits to appeal to different demographics and lifestyles. This platform provides a one stop shop, allowing employees to view the majority of their existing benefits, as well as the opportunity to opt into a wide range of other available benefits, including GymFlex memberships, the Cycle2Work scheme, retail offers, dental insurance, travel, and health insurance, and extended life assurance. The Group's SAYE scheme is an opportunity for all colleagues to buy shares in Redde Northgate at a discounted rate and invest in our Group for the long term, and we continue to look for other opportunities to facilitate employee participation in our strategy and business.

Creating an inclusive and diverse culture

The Company is committed to promoting equality and preventing discrimination at work. We aim to create an inclusive environment, where everyone can contribute their best work and develop to their full potential. We also want to celebrate the fact that everyone is different yet valued and to make sure that every colleague is treated with dignity and respect.

We've shaped our Group values by looking at those existing across each of our businesses, creating new ones that simply build on what we know matters to everyone and that will help us be the Group we want to be. One of those values is that 'We respect one another' and hold

**We are
open.**

Welcome new ideas
& opinions

Learn from our
mistakes

**We respect
one another.**

Act with integrity
and honesty

Encourage and
respect diversity

**We get it
done.**

Own the result

Help each other
succeed

Problem solvers

**We work
as
one team.**

Build relationships &
connect

Aim for Group
wins & successes

**We
work with
passion.**

Positively contribute

Execute with
enthusiasm

Take pride in what
we do

ESG report continued

ourselves accountable to act with integrity and honesty and to encourage and respect diversity.

To make sure our internal culture is inclusive and supportive, we promote diverse events and understanding of religious festivals. During this year's Ramadan, for example, we shared with employees insight into what Ramadan and Eid al-Fitr means to Muslim colleagues and how to support colleagues observing these holidays. We are also proactively ensuring the diversity of our colleague base is represented across all employee communications.

To raise awareness for the Group and to address stereotypes that still exist about working in our industry, we have developed a programme of higher educational college and university visits to talk about the opportunities available to all at Redde Northgate. By conducting these visits, as well as running our apprenticeship scheme at FMG RS, we look to broaden the pool of talent we are accessing and encouraging those who might not have considered a career with us to think again.

Recruiting and developing talent

Changing working practices resulting from the COVID-19 pandemic have seen us adapting our approach to ensure we continue to attract excellent candidates. By expanding our recruitment team significantly in the year,

there has been an increase of over 20% in the number of offers made, and we partnered with Vacancy Filler, a UK Applicant Tracking System (ATS), to better manage and improve the candidate experience. We have also increased the number of check-ins we do with new joiners and enhanced the materials shared at the beginning of each employee's career with Redde Northgate, to ensure they start their career with us with confidence.

We supported nearly 100 apprenticeships in 2021, from workshop placements in our FMG RS and Northgate businesses, to finance apprenticeships in our Group functions. We see apprenticeships as a great way to help our business build a talented workforce that is equipped with future-ready skills, whilst also being an opportunity for those looking to upskill or have a career change. We were delighted that colleagues won three awards at the British Bodyshop Awards 2022, for Paint Apprentice, Apprentice of the Year and Mentor of the Year.

We have now rolled out our e-learning platform, the Redde Northgate Academy, across the entire Group, improving access to training for all employees. With over 20 new courses launched in the past 12 months this included introducing a series of new courses covering topics such as time management, building resilience, and conflict management.

We are committed to helping our current managers and future leaders at every level across our business to be prepared and confident to lead from the front. To support this, we ran a series of short online courses covering management skills, as well as adding a number of new courses designed specifically for managers. We have also actively promoted greater internal mobility and job opportunities across the enlarged Group as part of our programme to retain and develop key talent.

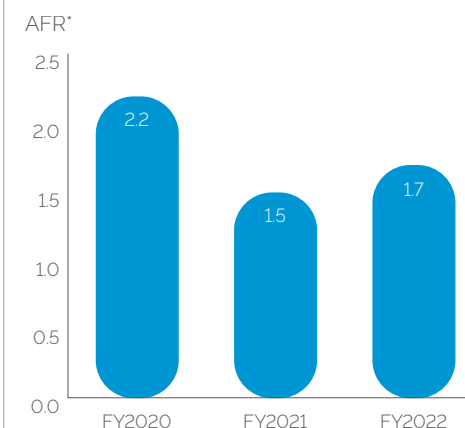
Keeping our employees safe

The health and safety of our colleagues and anyone else affected by our business activities is of paramount importance and fundamental to our culture. We have a zero-risk tolerance, robust arrangements and strong governance in this area, along with detailed procedures, engagement and training to reduce the risk of harm or injury, and processes around investigation of near misses to ensure Group wide learning.

Employees are provided with information, instruction and training in health and safety by methods including face-to-face, e-learning and toolbox talks. The Group is committed to monitoring and reviewing performance on a regular and ongoing basis. Our Group Head of HSE is responsible for setting policy and advising the Board; their remit covers the whole Group across all locations, reporting directly to the CFO.

We have ISO 45001 accreditation for Northgate UK&I, NewLaw and Auxillis. The intention is to have all FMG RS sites ISO 45001 accredited within the next 12 to 18 months and we use a third party to conduct audits for our accreditations annually.

One of the various tools we use to measure health and safety performance across the Group is by recording lost time incidents, which provides an accident frequency rate (AFR) metric. The year on year increase in AFR from 1.5 to 1.7 reflects the increased activity and work volume across the Group and in particular an increasing proportion of Group worked hours from within our repair workshops and body shops, which are more hazardous environments.



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

A programme of new Health and Safety committees across the enlarged Group is being set up, to encourage learning and best practice as well as taking suggestions from employees as to how best to improve safe working practices within their work environment, and greater benchmarking across the depots and body shops.

Community engagement

We are committed to giving back to the communities we operate in and are engaged with a number of projects and charities at a local level. Examples include becoming members of Darlington Cares, a collective of businesses in the North of England that organises projects to benefit the local community; working on environmental and social activities in local areas and fund raising for local and international causes. We encourage our businesses to engage with their communities, including volunteering, local office initiatives and support for community transportation needs.



ESG report continued

Impact

There are a number of actions being taken to directly benefit the places and the communities in which we both live and work, through the careful management of the natural resources we consume. The focus is on establishing solutions that will support our long term environmental objectives which can be rolled out across the majority of our locations.

As we upgrade or refurbish our branch sites and body shops we look to find opportunities which will deliver long term benefits through energy saving measures and responsible waste management, and seek to minimise their impact on our neighbours.

Waste and water management

Across the Group, we are committed to both reducing the waste we produce and increasing the amount recycled. With operating environments ranging from offices to workshops, we manage a variety of different waste streams, from general office waste such as paper and plastics, to hazardous materials including oil and vehicle batteries from our workshops. We have consolidated the number of waste collection providers used which will help make improvements across the Group, as well as enhancing our monitoring and employee engagement.

To improve oversight of our water use in the UK, we have also consolidated our providers and will work with them to improve monitoring and identification of high usage relative to other similar facilities to benchmark our usage and identify any potential leaks. We have a number of water recycle units installed at our Spanish sites, and are carrying out feasibility studies to identify if similar vehicle wash recycle facilities can be provided in the UK and Ireland.

Energy saving

Some of our operations, such as our paint workshops, are high energy consumption facilities, while others, such as our customer support centres, are significantly lower. We are developing further programmes to reduce our energy consumption, such as greater use of LED lighting and management of idle-time in workshops and paint shops. Over 60% of Northgate sites now have full LED lighting, as do all main office buildings. In our Spanish operations, seven sites have installed solar panning to provide in excess of 750KW of power, and have plans for over 20 new installations in process.

Metrics and targets

Opposite are Redde Northgate's energy and carbon reporting metrics as required under SECR. These cover our Scope 1 and Scope 2 emissions and have been independently verified.

In FY2022, we commenced a project to greatly enhance our understanding and collection of emissions data on a location based level. This has started to give us highly valuable insights into our overall emissions and also an ability to benchmark locations and identify opportunities for emission reduction through changing behavioural patterns and targeted investment on high emission processes.

This data analysis, which is now reported monthly across the Group, will also support our setting of targets and the development of relevant KPIs which we plan to undertake in the coming year. They will also help to inform our TCFD programme and net zero strategy workstreams as we prepare to set meaningful KPIs and targets.

During the year we established a Carbon Reduction Action Group, drawn from across the business operations to define the elements and priorities of our decarbonisation pathway and to help support our TCFD analysis and net zero targets.

SECR report**Energy and carbon reporting**

This section incorporates the requirements for reporting of greenhouse gas emissions, energy consumption and energy efficiency actions included in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 (the Regulations).

Reporting and baseline year

We have aligned our reporting and fiscal years, so the information presented covers the period from 1 May 2021 to 30 April 2022. Given the materiality of the change following the introduction of FMG RS emissions data, this year will also replace the year ended 30 April 2021 as the baseline data for subsequent periods, since we do not have the equivalent data to restate the previous baseline.

Analysis

The material increase in emissions for FY2022, particularly in relation to Scope 1 emissions, was principally driven by the type of equipment used within the FMG RS business which was incorporated in the figures for the first time in FY2022. Gas powered ovens and more energy intensive equipment within workshops are utilised to deliver accident repair services.

Now that a new baseline has been established, a Group wide working group has been established to identify and initiate a series of complimentary actions, from employee education and making improvement into our processes, to investment into our properties, workshops and owned fleet to define a decarbonisation strategy.

Consolidation approach and organisational boundary

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

We have included each facility under operational control within the figures. The Group has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1.

Methodology

We have used Defra's current conversion factors in arriving at the information supplied, with the data verified by an independent, UKAS-accredited, third party assessor.

Greenhouse gas emissions source	Tonnes of CO ₂ e 2021	Tonnes of CO ₂ e 2022	Tonnes of CO ₂ e 2022 Baseline
Scope 1 – Combustion of fuel and operation of facilities	8,311	19,773	19,773
Scope 2 – Electricity, heat, steam and cooling	2,743	4,284	4,284
Intensity ratio: Tonnes of CO ₂ e per £m of revenue*	12.6	22.0	22.0
Global emissions – Scope 1	2,978	3,187	3,187
Global emissions – Scope 2	1,052	939	939
UK emissions – Scope 1	5,333	16,586	16,586
UK emissions – Scope 2	1,691	3,345	3,345
* Revenue (excluding vehicle sales).			
Energy consumption	kWh 2021	kWh 2022	
Scope 1 – Combustion of fuel and operation of facilities	36,507,978	90,844,288	
Scope 2 – Electricity, heat, steam and cooling	11,767,089	20,390,430	
Global consumption	17,117,198	18,323,458	
UK consumption	31,157,869	92,911,260	

ESG report continued

Transition

The transition from ICE through to low carbon, ZEV or other mobility solutions over the coming decades is one of the fundamental energy transitions taking place globally. It will have a significant impact on countries and corporates achieving the goals set out by the Paris Agreement for limiting climate change and delivering on the responsibility we have to protect the planet and the communities in which we live and work.

For Redde Northgate and many of our vehicle hire customers involved in logistics and transportation, this transition is central to achieving corporate net zero strategies. It has far reaching consequences across the supply chain, and for achieving timeframes for emission reduction milestones.

Our plans to reduce our Scope 1 and 2 emissions are discussed under our "Impact" pillar, but with emissions from our customers expected to account for over 95% of our own carbon footprint when recognised as Scope 3 emissions, our own pathway to net zero is defined by the transition to EVs or other non-ICE for both passenger vehicles and LCVs.

At Redde Northgate, we see significant opportunities to be a force for positive change and to help define and support our customers as they look to develop strategies to implement and manage such a transition which remains at its very early stages for LCVs in particular.

Working with the automotive and EV infrastructure supply chain and ensuring pragmatic government approaches to LCV regulation are both going to be key to accelerating such a transition and delivering emission reductions for ourselves and our customers. We are also monitoring the viability of alternative fuel source solutions such as biofuels.

We are already ensuring our passenger vehicle fleet reflects the UK car parc and are growing our EV fleet to ensure we are able to provide such cars as replacement vehicles through our Auxilis network. For Northgate, currently only a handful of LCV models are available in either hybrid or full EV format, and none are currently able to fulfil the range and payload demands of many of our customers.

In FY2021, we announced our ZEV strategy with the expectation that by the mid-2030s, our UK fleet would have substantially transitioned to EVs, and our entire fleet in the UK and Spain would have exited ICE vehicles within the following decade. This is aligned with the current regulatory regime but will be strongly influenced by technology development across the EV supply chain.

Over the past year, we have been putting in place the key building blocks of this strategy, including our Drive to Zero customer programme (see case study in this report). In FY2023, we intend to set interim targets and define our net zero roadmap in more detail.

This strategy for managing our EV transition centres around four elements:

Industry engagement

- **OEMs:** engaging with broad range of OEMs on their EV plans for LCVs in particular; and technology development for both vehicles and fuels
- **BVRLA:** supporting industry lobbying efforts with Government departments on regulations which will facilitate the transition to low or zero emission LCVs

Actions in FY2022

Supporting engagement with OZEV, DfT and BEIS on BVRLA Van Plan proposals; achieving extension to LCV plug-in grant

Infrastructure investment

- Charging points at depots: we are installing EV charging points across our estate
- Kitting out workshops for EV repairs
- Bringing EVs into fleet

Actions in FY2022

11 Northgate sites have EV charging units installed
Over 50 sets of EV workshop equipment

Enhancing EV skills and capabilities

- **Skills:** training across business areas on how to manage EV fleet
- **Capabilities:** bringing expertise in-house and capability to develop charging infrastructure and consultancy

Actions in FY2022

Acquired ChargedEV business
Our workshop technicians in the UK are certified to IMI Level 3 to work on EVs

Customer support

- Consulting: we have business analysts and EV experts to support customer fleet strategy
- Customer infrastructure: installation of EV chargers

Actions in FY2022

Consulting: launch of Drive to Zero programme & services
Over 6,000 EV charging points installed at customers' premises

ESG report continued



Seizing the opportunity – Drive to Zero

Our ambition is to provide turnkey solutions to customers, and we launched Drive to Zero in FY2022 to support customers across the wider ZEV ecosystem in which they operate.

Drive to Zero is focused on four key pillars of support:

Suitability analysis

- Analysis on fleet utilisation using telematics data on vehicle journeys, helping to identify which parts of their current fleet might be suitable for an early switch to electric power trains
- Commercial models and cost visibility for transitioning a current fleet set up to lower carbon emission vehicles
- Biofuel options for customers who are not yet able or comfortable transitioning to full EVs

Vehicle rental

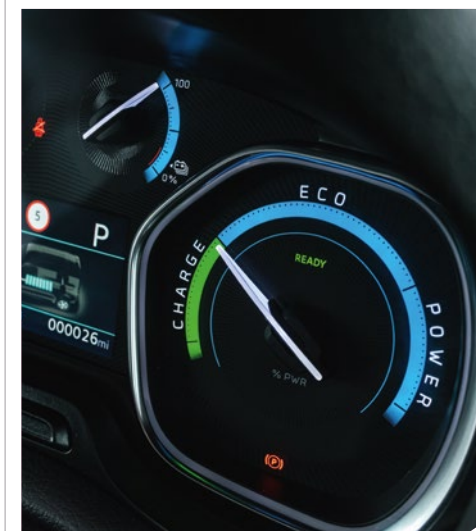
- Offering low emission vehicle solutions, including modern Euro 6 compliant ICEs, or through our growing portfolio of EVs

Electric Charging Infrastructure

- Providing EV charging infrastructure to fleets across domestic, commercial or public vehicles with a digital onboarding service

Support and guidance

- Trained workshop technicians supporting service and maintenance for EVs
- Ongoing charging support including remote system upgrades
- RAC partnership offering technicians who are able to keep EVs on the road and charge up where necessary
- Training modules for drivers and fleet managers on fleet management and EV operation to maximise uptime availability



ESG report continued

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) is committed to increasing market transparency on climate-related risks and opportunities. In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. We are pleased to have started our TCFD journey as part of our commitment to responsible business and, through our disclosures, enable our stakeholders to better understand our position regarding climate-related risks and opportunities. Through the processes involved, including climate-related scenario analysis, and better understanding of our footprint and impacts, we are also developing our own capacity to successfully manage and mitigate climate-related risks and ensure we are well-positioned to harness climate-related opportunities.

Governance and metrics

Our Board of Directors has oversight of climate-related risks and is informed of climate-related matters that may positively or negatively affect the Group's ability to deliver on strategy. It has responsibility for reviewing emerging trends and key issues related to ESG matters, including climate-related matters, setting and overseeing the Group's strategy, and governance of ESG matters.

Ultimate responsibility for climate change considerations is held by our CEO, while day to day management of these matters sits with the Group Management Boards. The CEO is responsible for the Group Strategy, which includes the ZEV transition strategy to ensure the business is aware of, prepared and resourced to address relevant market opportunities.

Our CFO is responsible for overseeing the development of our TCFD work programme. Further detail on our ESG governance is set out on page 49.

The metrics that we use to assess climate-related risks and opportunities are disclosed within our SECR Report on page 41.

During the year, we established a Carbon Reduction Action Group, comprising key management personnel from across our operations, to define our decarbonisation pathway. Reporting to the CFO, the group is focused on three areas of improvement: Education, Processes and Infrastructure, and is tasked with developing interim decarbonisation targets during FY2023.

Strategy

We operate from around 175 branches encompassing workshops, body shops and rental locations, together with over ten offices and call centres across the UK, Ireland and Spain. This geographical spread presents a range of physical climate and environmental conditions, as well as moderate variances in climate-related maturity across market, technology, policy and legal aspects.

Following the recommendations of the TCFD, we conducted an assessment of our climate-related risks, starting with climate-related scenario analysis to determine what impacts transitioning to a low carbon economy may have, considering different scenarios over the short, medium and long term horizons. Climate-related risks and opportunities potentially relevant to the Group were identified and characterised according to the TCFD framework.

A list of risks and opportunities was identified through various workshops and meetings with key personnel from different segments and functions of the business. In the tables on pages 45 to 46 we have provided a summary of the risks and opportunities from our assessment, deemed to be relevant to the Group. These risks and opportunities describe the most relevant potential drivers and impacts that we could face, if the respective risk remained unmitigated, or the opportunity actualised. The climate-related risks and opportunities were divided into different categories as outlined in the TCFD recommendations, and as a Group we considered the key impacts for each category.

- Transitional risks: Market, Technology, Reputational, Policy and Legal
- Physical risks: Acute and Chronic
- Opportunities: Resource efficiency, Energy source, Products and Services, Markets, Resilience

Short, medium and long term time horizons were designed to correspond to key operational planning dates (i.e. short term fleet renewal cycle) and regional technology commitments (i.e. ban of sale of ICE vehicles), whilst enabling consideration of longer term climate-related risks and opportunities that could materialise beyond such horizons. Time horizons were assigned to climate-related risks and opportunities depending on when they were deemed as most likely to materialise, should the risk remain unmitigated, or the opportunity actualised, and are summarised below.

Time horizons considered for climate-related risks and opportunities

Short term:	0-3 years (up to 2025)	- Redde Northgate operates a three year fleet renewal cycle
Medium term:	3-8 years (up to 2030)	- European ICE sale ban by 2030's (e.g. UK) - 40% renewables share of gross final consumption by 2030 proposed under EU Renewable Energy Directive
Long term:	8+ years (up to 2050)	- Scientifically recognised target year for achieving global net zero emissions to limit end of century global temperature rise to 1.5 degrees

ESG report continued

Climate-related risks

Risk	Type	Risk description	Potential outcomes	Mitigating activities	Timeframe*
Transition: Transitioning to a lower carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.	<i>Policy and legislation</i>	More stringent reporting obligations demand more resource to remain compliant.	Legal and/or reputational issues, which in turn drive compliance costs and potentially impact cost of capital.	Monitor potential legislative and regulatory changes. Committed to net zero by 2050 target. Working to define net zero strategy and set progress targets.	Short
	<i>Policy and legislation</i>	Increased acquisition costs of ZEVs due to policy changes in fuel subsidies driving increased demand for a limited supply of fit for purpose light commercial ZEVs.	Increased capex in an increasingly competitive market.	Engaging with international footprint of ZEV OEMs, expanding supplier base, and considering new market entrants.	Long
	<i>Infrastructure and technology</i>	Public charging infrastructure is insufficient to adequately support the deployment of ZEVs.	The lack of access to adequate infrastructure will impact demand for ZEVs. ZEVs currently carry up to a 50% premium on their ICE equivalent, therefore reducing revenue.	Acquired ChargedEV to enhance the Group's ZEV offering, recognising that charging infrastructure is a key inhibitor to a timely transition.	Short
	<i>Infrastructure and technology</i>	The availability of fit for purpose ZEVs, reducing ability to successfully transition in step with current policy.	Lack of fit for purpose ZEVs may reduce revenues.	Engaging with international footprint of ZEV OEMs, expanding supplier base, and considering new market entrants.	Long
	<i>Market</i>	Higher level of competition in the mobility industry, particularly from start-ups and new business models built to service the green transition.	Increased competition will impact market share and reduce revenues.	Marketing our Drive to Zero turnkey product and services offering. Engaging with international footprint of ZEV OEMs, expanding supplier base, and considering new market entrants.	Long
	<i>Reputational</i>	Failure to meet internal or external stakeholder climate-related expectations, impacting relations.	Perceived higher risk investment, increasing cost of capital with investors, financial institutions and insurers. Access to financial and human capital, lower employee retention.	Define and communicate our net zero ambitions. Continue to enhance our Drive to Zero product offering and enhance non-ICE product suite.	Short to long
Physical: Physical risks resulting from climate change can be event driven (acute) or longer term shifts (chronic) in climate conditions.	<i>Extreme weather events such as drought, flooding and storms</i>	Damage to our properties and vehicles which will incur increased capex and insurance costs. Impacts of supply chain disruption from increased severity of extreme weather events may impact operating costs and capex, as well as impact revenue if customer demands cannot be met.		Business continuity and crisis management plans in place. Investment and expansion of supply chain.	Long
	<i>Changes in average climate conditions including rising sea levels, coastal flooding and increased average temperatures</i>	Increased operating costs driven by the increased use of climate control systems across our properties, particularly in parts of Spain. Increased maintenance and insurance costs.		Investment into property portfolio. Continue investment into solar projects to reduce operating costs and our carbon footprint.	Long

*In relation to climate-related risks and opportunities, the Group defines short term as 0 to 3 years (up to 2025), medium term as 3 to 8 years (up to 2030) and long term as over 8 years (up to 2050).

ESG report continued

Climate-related opportunities

Opportunity	Description	Progress	Timeframe*
Products and services	<i>Provision of turnkey ZEV and charging solution to simplify transition for customers</i>	In late 2021, we conducted market research with our customer base to better understand their questions and concerns regarding the transition from ICE to ZEV. We have since designed our Drive to Zero offering that helps our customers conduct suitability assessments of their fleet to transition to ZEVs where possible. In addition to helping source the vehicle and identify an EV charging point, we offer an after-market support and management service, making the move to ZEV as streamlined as possible.	Short to long
	<i>Increased demand in our accident management and repair services</i>	As the potential for adverse weather events increases in frequency, so the potential demand for the services provided by Redde, Auxillis, FMG and FMG RS may increase. Consequently, customer and end user demand may increase, enhancing revenues.	Long
	<i>Faster access to ZEVs</i>	The Group has invested time researching new OEMs in order to get access to non-ICE vehicles. Customers that have established more aggressive net zero plans may be willing to pay a premium to convert their fleet faster, enhancing market share and revenues.	Short to medium
Resource efficiency	<i>Increased energy efficiency across our operating sites</i>	In the UK, we continue to invest in LED lights, which have a positive impact on energy usage to reduce operating costs. Across our work and paint shops, we are implementing behavioural training programmes to raise energy usage awareness and better operating practices. This will reduce operating costs.	Short to medium
	<i>Increasing renewable energy supply across our operations in Spain</i>	Investing in solar projects across our portfolio in Northgate Spain to reduce operating costs and our carbon footprint.	Short to long

*In relation to climate-related risks and opportunities, the Group defines short term as 0 to 3 years (up to 2025), medium term as 3 to 8 years (up to 2030) and long term as over 8 years (up to 2050).

Sustainability report will be on our website:

www.reddenorthgate.com



ESG report continued

Scenario analysis

A key recommendation of the TCFD framework is that organisations undertake climate scenario analysis. This process and the outcomes enable a developed understanding of the potential exposure of their businesses, strategy, and financial planning to climate-related risks and opportunities. The development of the scenarios and analysis applied by Redde Northgate was comprised of a three step process.

Assess materiality of climate-related risks and opportunities through interviews with key stakeholders

Identify and define a range of scenarios

Assess business impact

Scenario	Rapid reduction (1.5°C)	Steady progress (2-3°C)	Business-as-usual (3+°C)
References	<ol style="list-style-type: none"> 1. IEA Net Zero by 2050 2. National Grid "Leading the Way" 	<ol style="list-style-type: none"> 1. IEA Announced Pledges 2. National Grid "System transformation" 	<ol style="list-style-type: none"> 1. IEA Stated Policies 2. National Grid "Steady Progression"
Summary	<ul style="list-style-type: none"> – Investment in EVs and hydrogen infrastructure surges 25 times by 2030 – Acceleration in the decarbonisation of the power grid – Tax incentives and upfront subsidies incentivise the widespread deployment of EV charging infrastructure across the UK and EU, leading to a rapid adoption of electric light commercial vehicles – High fuel and tax rates shift customer attitudes in favour of "mobility as a service" 	<ul style="list-style-type: none"> – Trends in electromobility align with the national decarbonisation agenda in the UK and EU – Investment into EVs increases 15 times – Grid availability/reliability is sufficient to ensure the widespread adoption of EVs for domestic and light commercial use – Technological development is ineffective in producing zero emission heavy trucks, resulting in the continued operation of ICE vehicles 	<ul style="list-style-type: none"> – Sales of all types of zero emission vehicles increases at a steady pace – Existing legislation in the UK and EU continues to support green mobility, however, industry lobbying fails to accelerate the production of fit for purpose commercial vehicles and heavy vehicles – Consumer demand for EVs remains hampered by the insufficiency of recharging infrastructure – An increase in the frequency and severity of extreme weather events such as flooding impacting our UK business and heatwaves impacting our Spanish operations. Additionally, changes in average climate conditions that will drive increases in sea level and average temperatures

A further analysis is available within our sustainability report, which will be made available shortly after the publication of this report. See our website for further details.

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The sustainability report provides more comprehensive disclosure of our sustainable development activity. It also includes additional detail for each of the scenarios summarised above and the potential impacts of each on the business. The expanded reporting in the sustainability report captures the fullness of the analysis conducted, whilst the Annual Report seeks to communicate the most material findings.

ESG report continued

Resilience and Risk Management

Throughout the scenario analysis exercise conducted, no potentially material short term climate-related risks were identified to have a significant impact on the financial performance of the business. While risks do exist, our current strategic actions and progress, as described within the tables on pages 45 and 46, position the organisation appropriately in terms of adequate mitigation. The low-carbon transition also presents the Group with several climate-related opportunities and an early understanding and strategy definition allows the business to ensure opportunities are actualised.

As of today, our products and services broadly fall into the following areas: vehicle rental, fleet management, and our accident claims and repair services. Whilst there is a carbon footprint associated with each of these areas, we perceive the greatest transition risks sit firmly within our vehicle rental business, given the greenhouse gas emissions profile of c.126,000 vehicles used by our customers.

Our Impact and Transition strategic ESG pillars represent our approach to these risks and their management. Scope 1 and 2 emissions reduction inclusive of our waste and water management remains our focus as well as our Drive to Zero product and service offering, which targets Scope 3 emissions. Linked to these pillars we are updating or developing objectives and targets to identify and reduce our own impacts and at the same time, develop and improve measures to build long term resilience against the impacts of climate change across the Group. Given the uncertainty of this transition programme and in particular the role of government regulation, technology and infrastructure advancement, we recognise the importance of ensuring that we continue to evolve our risk management framework and the scenarios applied to identify and explore climate-related risks.

Climate-related risk considerations are embedded into the Group's principal risks; market, legal and compliance, and access to capital. The Group Management Boards thereby incorporates climate change risks into the assessment of the other principal risks to the business. These risks form part of our Group risk register and are shared directly with the Board. Existing and emerging regulatory requirements related to climate change are considered a risk to the Group and are therefore monitored closely as part of the legal and compliance risk. Further details on the potential risks and our mitigating actions are documented in the risk management section found within pages 30 and 34.

Compliance with TCFD requirements

We have included on pages 44 to 48 in the Strategic Report and in the notes to our Financial Statements on page 99 to 142, climate-related financial disclosures consistent with the TCFD's Recommendations and Recommended Disclosures, with the exception of the following:

Strategy c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

This was our first year conducting scenario analysis, during which we keenly focused upon the transitional risks affecting the business. A light physical risk assessment was conducted during the year, the business intends to increase assessment of physical risk potential across portfolio, in addition to considering quantitative scenario analysis.

Metrics and Targets b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.

Given the materiality of Scope 3 emissions derived from customer usage of it c.126,000

fleet, the business started to internally calculate and monitor these emissions. The business will continue to work on defining its methodology to capture and report these emissions during FY2023, in addition to considering an assessment of the remaining upstream and downstream Scope 3 categories.

Metrics and Targets c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

We recognise the importance of setting meaningful targets against which we can chart the progress of our decarbonisation pathway. During the year, the Company rebased its

scope 1 and 2 emissions, following the acquisition of the FMG RS business and established a Carbon Reduction Action Group to identify programmes for investment that will reduce Scope 1 and 2 emissions. This group is working with an external consultancy to model the impact of these investment programmes and set interim decarbonisation targets based on thorough research and due diligence. The Board and Management team strongly believe that this is the most credible approach to defining the Group's decarbonisation plans.



ESG report continued

Governance

Board oversight

Our Board of Directors has ultimate responsibility for the Group's ESG strategy and activities, including oversight of climate-related issues. It has responsibility for reviewing best practice and key issues related to ESG strategy and governance, with the CEO reporting on progress against KPIs and targets set.

The Board also takes responsibility for the effectiveness of the monitoring of long term non-financial objectives and risks relating to climate and sustainability, which are embedded into the Group's risk strategy and management framework and independently reviewed by the Audit Committee. This Committee reports its findings to the Board on a regular basis, and formally at least twice a year. Further details of our corporate governance activities can be found from pages 58 of this Annual Report.

CEO and management responsibility

Ultimate responsibility for climate change considerations and mitigating actions is ascribed to the CEO, with day to day management delegated to the Group Management Boards, comprising business and function heads.

The CFO is responsible for the TCFD programme and development of relevant KPIs and net zero strategy. Given the move to EV and non-ICE vehicles is central to the Group's business as well as supporting our ESG transition activities, these are managed as part of the Group's corporate strategy and normal business activities.

The composition of our workforce and senior management as at 30 April 2022 is set out below. A review of our Board composition and diversity is contained in the Corporate Governance report set out from page 58.

Gender diversity

	2022			2021		
	Male	Female	Total	Male	Female	Total
UK and Ireland	3,717	1,808	5,525	3,373	1,909	5,282
Spain	808	397	1,205	820	405	1,225
Total	4,525	2,205	6,730	4,193	2,314	6,507

The gender split at a senior management level:

	2022			2021		
	Male	Female	Total	Male	Female	Total
Directors	6	1	7	6	1	7
Senior managers	17	5	22	18	6	24

Executive functions with oversight and responsibility for other ESG matters include the Head of HSE in the UK and the Director of Development and Sustainability in Spain. A Head of Sustainability is expected to be hired in FY2023 who will oversee Group strategy and governance, including the development of an ESG Committee, broadening the focus of the current Net Zero Working Group.

Ethics, anti-corruption and compliance

Our Code of Business Conduct, applicable to all employees of Redde Northgate, sets out our ethical standards and guidance on behaving responsibly. This code and our statement of compliance with the Modern Slavery Act 2015 are contained on our website. Compliance training is conducted and tracked through our e-learning platform.

The Group has a formal whistleblowing policy and procedures ensuring every employee can have a voice and a means to raise concerns to the Group. The Chair of Audit Committee holds ultimate responsibility for managing any complaints; in FY2022, no matters were

identified as sufficiently material to be escalated for their attention.

Cybersecurity and data privacy

We are currently upgrading and centralising our IT platforms, which will also enhance the ability to manage vulnerabilities in data security and privacy. All employees must complete information security training, and we set a number of rules and procedures in our contact centres to mitigate particular risks.

Our IT function works closely with the Business Change Teams across the Group to assess the proposed and developing projects and ensure best practice is adhered to. We conduct vulnerability scanning, have rolling penetration testing scheduled across all the businesses in the Group for the external facing systems, and conduct penetration testing for any new external system developments before they go live. Our information security management system identifies the security and policy statements and ensures the necessary audits are undertaken to evidence our compliance.

Supply chain management

With a significant number of suppliers and partners at local and Group level, our suppliers are an integral part of our business and value chain. We seek to treat all of our suppliers responsibly and ensure fair engagement practices and payment terms. We actively engage with suppliers to ensure compliance with our code of conduct, which includes provisions on human rights and environmental standards.

Our procurement capabilities and expertise are being enhanced at Group level, working closely with each of the businesses to standardise practices and policies; including the onboarding of new suppliers who must sign and comply with our ethical trading statement, covering modern slavery, bribery and corruption. Regular audits of the supplier network are undertaken in key areas of the business.

Public policy and industry participation

As a Group, we value industry association participation, as we believe it important to contribute to discussions that drive innovation in our sector as a whole and encourage our employees to take an active role. The BVRLA is the UK trade body for companies in the sector and our Fleet Director is its Deputy Chair of the Commercial Vehicle Committee. Other parts of the Group are active members of their local trade associations, such as the Irish Motoring Industry and the Spanish AER and FENEVAL.

We have supported the BVRLA on a number of policy matters, including engaging with OZEV, DfT and BEIS on areas which it believes will help accelerate the adoption of EV and other low emission vehicle solutions.

ESG report continued

As well as enhancing our emissions data collection and analysis capabilities (see Impact on page 41), we are also working to improve the breadth and depth of our ESG reporting and monitoring. In FY2022, we undertook our first CDP exercise and will look to build on this experience in FY2023 and as we set emissions targets in the coming year.

Set out below is a cross referencing table, setting out where we have placed our TCFD disclosures within this Annual report.

TCFD pillar	Recommended disclosures	Disclosed
Governance	<i>a. Describe the Board's oversight of climate-related risks and opportunities.</i>	See page 45, 46 and 49
	<i>b. Describe management's role in assessing and managing climate-related risks and opportunities.</i>	See page 45, 46 and 49
Strategy	<i>a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.</i>	See page 44
	<i>b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</i>	See pages 45 and 46
	<i>c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</i>	See page 47
Risk Management	<i>a. Describe the organisation's processes for identifying and assessing climate-related risks.</i>	See page 48 See Risk Management section on pages 28 to 34
	<i>b. Describe the organisation's processes for managing climate-related risks.</i>	See page 48
	<i>c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</i>	See page 48 See Risk Management section on pages 28 to 34
Metrics and Targets	<i>a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</i>	See Impact section on page 41 See Transition section on page 42 See page 44
	<i>b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.</i>	See SECR report on page 41
	<i>c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</i>	See page 44

Non-financial information statement

Requirement	Policies and standards which govern our approach	Risk management and additional information	
Environment	<ul style="list-style-type: none"> – Environmental statement – Health and safety policy – Waste minimisation and recycling policy 	Impact page 41 Transition pages 42 and 48	
Employees	<ul style="list-style-type: none"> – The Respect Training eLearning package – Diversity policy – Code of business conduct – Whistleblowing policy 	Experience pages 39 to 40 Employee numbers by gender page 49 Diversity pages 61 and 62 Keeping our employees safe page 40	CEO's remuneration compared to employees pages 77 Gender pay gap report published on qualifying entities' websites
Human rights	<ul style="list-style-type: none"> – Modern slavery statement – Code of business conduct – Whistleblowing policy 	Governance page 49	How the Board monitors culture page 59
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> – Code of business conduct – Whistleblowing policy 	Governance page 49	
Social matters		Experience page 39 to 40	Our communities page 40
Policy embedding, due diligence and outcomes		Governance framework and structure pages 54 and 55 Board activity during the year pages 52 and 53	Report of the Audit Committee pages 62 to 66
Principal risks and impact on business activity		Identifying and managing risks pages 28 and 29	Principal risks and uncertainties pages 30 to 34
Description of business model		Our business model pages 14	Our strategy pages 15 to 18
Non-financial key performance indicators		Operational highlights pages 4 to 10 Key performance indicators pages 19 and 20	

Section 172 statement

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

In accordance with Section 172 of the Companies Act 2006 (Section 172), the Group and its Directors act in the way that they consider in good faith would most likely promote the success of the Company for the benefit of its members as a whole. Throughout the Annual Report, we provide examples of how the Group has taken into account the likely consequences of decisions in the long term, fosters and builds relationships with stakeholders, understands the importance of engaging with our employees and giving consideration to their interests, understands the impact of our operations on the communities in the regions where we operate and the environment we depend upon and attributes importance to behaving as a responsible business.

The Board appreciates the importance of effective stakeholder engagement and considers its stakeholders' views in its decision making and setting its strategy. The Board also understands the need to act fairly between the Group's members. Although the Board's decisions do not always impact all of the Group's stakeholders to the same extent, by having a process in place for decision making, the Board ensures that it has due regard for the interests of its stakeholders, including employees, customers, suppliers, shareholders and regulators, when taking decisions.

More details on stakeholder engagement can be found throughout the ESG report on pages 36 and 50. The following principal decisions and activities provide examples of how the Board and its Directors have complied with Section 172 and have considered, individually and collectively, stakeholder interests and impacts in making different decisions that support the implementation of the Group's strategy and the delivery of the Group's objectives now and in the longer term. Details of how the Group's Board and Committees of the Board operate, their responsibilities, and the matters they considered during the year are contained in the Corporate Governance Report on 54 and 55.

Delivery of the Group's strategy as an integrated mobility solutions provider

The Board has continued to deliver the Group's strategy to be the leading integrated mobility services platform providing services across the vehicle lifecycle. As part of this strategy, the Group offers integrated mobility solutions to businesses, fleet operators, insurers, OEMs and other customers across seven key areas: vehicle rental, vehicle data, accident management, vehicle repairs, fleet management service and maintenance, vehicle ancillary services and vehicles sales.

The breadth of services and products offered through the Group's mobility platform has extended the Group's reach with existing and new customer partners, leading to significant new multi year contracts with a number of major insurers. The benefits that the Group's customers see in the Group's strategic proposition and the Group's commitment to foster business relationships and maintain high standards of business conduct are reflected in the Group's financial performance and in this way benefit the Group's stakeholders generally, including its shareholders and employees.

Employee engagement

As part of the delivery of the Group's strategy, the Board sets the purpose, vision and aims of the business and how these are to be implemented for its employees and other stakeholders. The Group has enhanced employee engagement across the business through the delivery of key messaging communication channels, employee presentations and roadshows, and the launch of a new Employee Engagement Forum which has met 6 times during the year, with the aim of driving the Group's "One Group" philosophy.

The Group also conducted its second annual Employee Engagement Survey, in which a substantial percentage of colleagues strongly believed that the Group is in a good position to grow over the next two years and that employees in the Company work beyond what is required to deliver that success.

Acquisitions

The Board also oversaw a number of acquisitions in the year. In addition to asset acquisitions of fleet businesses and vehicles, the Group acquired ChargedEV and GRG Resources.

On 9 July 2021, the Group completed the acquisition of ChargedEV, a specialist in the supply and installation of EV charging equipment across the UK. This strategically significant acquisition provided the Group with a platform to expand its offerings in this important and growing area as both its own EV fleet and its customers' EV fleets evolve. ChargedEV also supports the Group in its environmental goals as an integral component of its overall programme around EV transition and reducing carbon emissions.

On 25 March 2022, the Group completed the acquisition of GRG Resources, a provider of 24 hour, year round call handling for vehicle removal and emergency boarding of premises for the blue light industry. This transaction broadened the Group's capabilities, knowledge

and expertise in the provision of effective and efficient services to the police and fire services as customer stakeholders.

Debt capital structure

In November 2021, the Group completed a comprehensive refinancing of its debt arrangements to optimise its debt portfolio and to support the next phase of the Group's strategy in the longer term. The Group increased the overall debt capital available to the Group to £792m (an increase of £104m), through the entry into: (i) €375m of new debt private placements with maturities spread across 6, 8 and 10 years at an attractive interest rate; and (ii) a £475m bank revolving credit facility, with a 4 year maturity to November 2025.

This decision provides a solid financing platform to allow the Group to invest in and grow its businesses in a sustainable and responsible way both organically, including through the development of its IT systems and the development and wellbeing of its people, and through inorganic opportunities where they arise.

Share buyback programme

In March, the Board decided to launch a share buyback programme of the Company's Ordinary shares for up to a maximum aggregate consideration of £30m. In making this decision, the Board took account of a number of shorter and long term considerations, including the interests of its shareholders, the capital that the Company would need to fund organic growth, payment of dividends in line with the Company's dividend policy and acquisitions within the M&A pipeline, as well as the Company's substantial headroom under its new facilities and target leverage of 1.0x to 2.0x net debt:EBITDA.

Section 172 statement continued

The Group's approach to ongoing macro events, including COVID-19 measures and ongoing macro challenges in global automotive supply chains

The Group's approach to COVID-19 and COVID-19 measures, and the impacts on the Group's stakeholders, continued to form part of the Board's discussions and decision making during the year. The Group continued to carefully monitor costs and new fleet capital expenditure, to ensure the safety and protection of employees, customers and suppliers, to support customers through business interruption to protect their long term interests, to continue to support employees working from home through appropriate equipment and working arrangements and to maintain dividend policy to support shareholders.

During the year, the Group also maintained focus on the effective management of both the supply of new vehicles to the business from the Group's suppliers and the number of vehicles disposed to the Group's customers in response to the ongoing macro challenges in the global automotive supply chains and in light of the strength of demand for used vehicle sales, which have positively impacted residual values.

Finally, in light of the Group's performance during the year and the benefits that this has delivered for its shareholders, the Group took account of Investor Association guidance and feedback received from shareholder consultations, and repaid the furlough payments it had received within the year.

Further information

Further information on the Board's principal activities can be found in the Governance section from page 54. In accordance with our duty to do so under Section 172(1) of the Companies Act 2006, the Board, individually and collectively, has acted in a way that it considers, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

The Strategic Report was approved by the Board on 6 July 2022 and signed on its behalf by:

Martin Ward
Chief Executive Officer

Chairman's introduction to governance



“ Avril Palmer-Baunack
Chairman

I am delighted to welcome Bindi Karia to the Board and would like to thank John Davies for his significant contribution and service over the past decade.

2022 Key activities

- Approval of our ESG strategy
- Overseeing the Groups response to restricted vehicle availability
- Approval of the Group's refinancing of debt facilities
- Approval of the acquisitions of ChargedEV and GRG Resources
- Promoting employee welfare and culture.
- Supporting investment in IT architecture and resources
- Implementation of external Board evaluation recommendations made in FY2021

Dear stakeholder,

On behalf of the Board, I am pleased to present our Corporate Governance Report for 2022. This section of the Annual Report highlights the Company's corporate governance processes (alongside the work of the Board and Board Committees) which are the framework through which we build our business and form our decisions. The Board remains committed to maintaining effective corporate governance and integrity so that we can promote the long term sustainable success of the Group, generating value for shareholders and contributing to wider society.

The Board has played an active and ongoing role in the development and approval of our Group's ESG strategy, engaging specialists to develop a framework which ensures resilience to the ever-changing environment in which we operate. The Board is committed to standards of business conduct and is dedicated to delivering sustainable mobility solutions in a responsible manner.

Restricted vehicle availability has been a challenge that the Group faced in FY2022, prompting decisive action. The Board oversaw the Group's quick response, minimising the impact through diligent supply chain management and slowing of the de-fleeting process, ensuring we are able to fulfil our purpose of keeping customers mobile. The impact of vehicle restrictions on the rental market has been offset by the resulting demand in used vehicle markets, where residual vehicle values remain high although slowly reducing.

In November 2021, the Board approved the Group's refinancing of debt facilities. The refinancing provided opportunity to optimise the Group's debt portfolio, offering extended maturities, improved pricing and debt diversification. This solid financing platform allows for greater flexibility to execute the long term objectives of the business to the benefit of all stakeholders.

In May 2022, we welcomed Bindi Karia to the Board, with the skills and experience which will be of great benefit as we continue to invest in digitalisation to enhance our mobility solutions platform. At the same time, John Davies stepped down from the Board. The Board would like to thank John for his service over his tenure on the Redde Northgate plc Board post-Merger and previously the Redde plc Board.

Further information on some of the key decisions and how the Board had regard for the long term success of the business as well as the interests of all stakeholders is included in the Section 172 statement on pages 52 and 53.

Compliance with the Code

The Board considers that it has complied with the provisions of the revised UK Corporate Governance Code (2018 version) (the Code) throughout the year, with the exception of the following areas; requirements relating to independence of Directors as detailed on page 58, provision 38 relating to executive pension rates, and provision 41 regarding specific workforce engagement on how executive remuneration aligns to the wider workforce, with further details found on page 67.

Details demonstrating how the main principles and relevant provisions of the Code have been applied can be found throughout the Corporate Governance Report, the Directors' Report, each of the Board Committee reports and the Strategic Report.

I am confident that the corporate governance structure of the Board provides an appropriate forum to develop, adapt and implement the Group's strategy and to address future challenges and opportunities as they arise. The Board believes in our strategy and its importance across all our markets, and in the coming year, will focus on the Company's progression and the implementation of the business strategy.

Avril Palmer-Baunack
Chairman

6 July 2022

Chairman's introduction to governance continued

Responsibilities of those charged with governance

Individual	Role
Chairman	– Oversees Board responsibilities
CEO	– Develops and executes the strategic plan and manages risk
Senior Independent Director	– Oversees governance procedures
Non-executive Director	– Carries out Board responsibilities
Company Secretary	– Facilitates effective operation of Board and Board Committees

Board	Key focus
Responsibility:	
– monitoring progress against the strategy of the Group and ensuring long term success for the benefit of all stakeholders;	– Ensuring continued optimal integration across the enlarged Group and achievement of synergies.
– ensuring that adequate resources are available so that strategic objectives may be achieved through the annual planning process and ongoing monitoring;	– Embedding vision and values throughout the Group.
– ensuring that the Group's internal control systems (both financial and operational) are fit for purpose and operating as they should be;	– Ensuring execution of Group strategy by executive team.
– reporting to and maintaining relationships with stakeholders;	– Monitoring progress against strategic objectives.
– compliance with laws and regulations and good corporate governance;	
– dividend policy;	
– treasury policy;	
– insurance policy;	
– major capital expenditure;	
– acquisitions and disposals;	
– board structure; and	
– remuneration policy.	

Executive Directors	Key focus
Responsibility:	Delivery of the strategic plan
– ensuring the Group strategy is executed effectively via the Group Management Boards;	– Achievement of integration and synergies.
– monitoring Group performance;	– Monitoring progress against strategic objectives.
– managing the Group's financial affairs; and	
– implementing the system of internal control.	

Group Management Boards	Key focus
Responsibility:	Delivery of the strategic plan
– executing Group strategy and policies;	– The Group Management Boards are focused on the operational delivery of the strategic plan, implementing the strategy and developing strategic opportunities to enhance the business.
– considering operational business issues;	
– reviewing risk reporting and taking necessary actions; and	
– managing business performance.	

Audit Committee	Key focus
Responsibility:	Risk management
– monitoring the integrity of financial reporting and the Group's risk management systems on behalf of the Board, including reviewing the work of Group Internal Audit;	– Supporting the Board as they grow the business through strategic acquisitions; managing the transition process as the new enlarged business embeds the Group's governance framework, financial reporting, risks and internal controls.
– overseeing the statutory audit process; monitoring quality of the audit process and resultant findings; and evaluating auditor effectiveness;	– Making recommendations to the Board regarding the Group's risk appetite.
– monitoring independence and objectivity, including monitoring auditor rotation and developing policy on non-audit services provided;	– Ensuring that our internal controls and risk management systems adequately mitigate risk according to the Group's risk appetite.
– approving auditors remuneration and terms of engagement; and	
– overseeing the audit tender process.	

Remuneration Committee	Key focus
Responsibility:	Remuneration policy
– assessing, reviewing and agreeing with the Board the remuneration policy for the Board and senior management excluding the Non-executive Directors;	– Setting appropriate targets for bonus and long term incentive schemes having regard to the long term value creation objectives of the Group.
– assessing and reviewing the remuneration policy and benefit structure for Group employees; and	– Bringing the executive Directors' pension arrangements into line with best practice by 31 December 2022.
– monitoring the share incentive plans including participation and exceptional circumstances and amending the design of the plans in line with best practice.	

Nominations Committee	Key focus
Responsibility:	
– reviewing the structure, size, skills and experience of the Board and making recommendations regarding any changes;	– Reviewing the performance of the Chairman and the executive Directors.
– considering succession planning for Directors and other senior executives; and	– Implement recommendations from that the Board effectiveness evaluation which was conducted in the previous financial year.
– making recommendations to the Board for candidates to fill Board vacancies when they arise or to fulfil the need for additional Directors, normally using the services of professional consultants in the search.	– Reviewing succession plans to ensure the Board can operate effectively and add value to the Group.

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

www.reddenorthgate.com



Board of Directors



Avril Palmer-Baunack
Non-executive Chairman



Joined Board August 2019

Key areas of expertise

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

Current external appointments

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

Previous experience

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



Martin Ward
Chief Executive Officer

Joined Board February 2020

Key areas of expertise

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

Current external appointments

None.

Previous experience

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



Philip Vincent
Chief Financial Officer

Joined Board July 2018

Key areas of expertise

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

Current external appointments

None.

Previous experience

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



John Pattullo OBE
Senior Independent Director and
Remuneration Committee Chairman



Joined Board January 2019

Key areas of expertise

John was appointed to the Board as a Non-executive Director in January 2019, Senior Independent Director in September 2019 and Chairman of the Remuneration Committee in May 2022 and has a wide range of experience in a number of executive roles in the consumer goods and logistics sectors and non-executive roles across a range of other industries.

Current external appointments

None.

Previous experience

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

Key

- Chairman of Committee
- Member of Committee

- Ⓐ Audit Committee
- Ⓡ Remuneration Committee
- Ⓝ Nominations Committee

Board of Directors continued



Mark Butcher

Non-executive Director and
Audit Committee Chairman



Joined Board September 2019

Key areas of expertise

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

Current external appointments

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

Previous experience

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



Bindi Karia

Non-executive Director



Joined Board May 2022

Key areas of expertise

Bindi was appointed to the Board as a Non-executive Director in May 2022. Bindi brings deep experience in technology and innovation having held senior board, investment and advisory roles across the technology ecosystem in Europe.

Current external appointments

Bindi is currently a Venture Partner at Molten Ventures Plc, a European Technology Venture Capital Fund. Bindi is also an Advisory Board Member of CognitionX, Humanity Health and Wrisk Ltd and a World Economic Forum Member for the Digital Leaders of Europe. Bindi also serves on the University of East London Board of Governors, where she is also Chair of the Ethics Advisory Committee.

Previous experience

Bindi has previously held a variety of senior technology roles, including as a Digital Advisory Board member at The Very Group and Centrica, as well as senior roles at Silicon Valley Bank, Microsoft Ventures and PwC.



Mark McCafferty

Non-executive Director

Joined Board February 2020

Key areas of expertise

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

Current external appointments

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

Previous experience

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



Board diversity by gender

Male **5**
Female **2**



Board balance

Executive **2**
Non-executive **5**

The Directors of the Company who were in office at the date of signing the financial statements are as noted within these pages.

Corporate governance

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

1. Board leadership and Company purpose

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

Section 172

The Board is committed in its duties in relation to Section 172 of the Companies Act to promote the success of the Company. The Board seeks to understand the views of the Company's key stakeholders and how their interests and the matters set out in Section 172 are considered in Board discussions and decision making. A description on how the Board has evidenced this is included in the Section 172 statement on pages 52 to 53.

How the Board monitors culture

The Board recognises that delivering for all our stakeholders, in line with our purpose and vision to be the leading supplier in mobility solutions, is underpinned by our culture.

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

- Through interaction with executives, members of the leadership team, and other colleagues in Board meetings.
- Through regular Board agenda items and supporting papers, covering culture indicators such as risk management, Group

Internal Audit reports and follow-up actions, customer engagement, health and safety, whistleblowing, modern slavery and regulatory breaches.

- Through receipt of reports from executives on a range of indicators, including staff engagement, retention, absence, gender pay, diversity, and the results of employee surveys.

During the year, the Board was satisfied that the policy, practices and behaviour of the Board and Group employees aligned with the Company's purpose, values and strategy and that no correction was required by management. The Board reinforces our culture and values through its decisions, ensuring that decisions made are within the approved risk appetite of the Group and aligned with the Group's strategy.

Shareholder engagement

Shareholders play a valuable role in safeguarding the Group's governance through means such as annual re-election of Directors, monitoring and compensating Director performance and constructive dialogue with the Board. Redde Northgate engages actively with analysts and investors and is open and transparent in its communications. The Board is updated regularly on the views of shareholders through briefings and reports from those who have interacted with shareholders, including the Directors and the Company's brokers.

The Board and the Redde Northgate investor relations team engage directly with investors through a variety of communication channels to ensure prompt and effective communication:

- The AGM, which allows shareholders the opportunity to engage with the Directors and Chairs of each of the Board Committees.
- Presentations and briefings given by the CEO and CFO, particularly at the time of announcing the Company's half year and full year results.
- One-to-one meetings with institutional shareholders on a regular basis by the Chairman and Senior Independent Director.

- CEO and CFO meet with shareholders following six monthly results announcements or in the intervening period if necessary.
- Direct shareholder consultations when considering matters of material impact to the Group, such as consultation on Remuneration report and policy, or indirect engagement such as engaging specialists to interview shareholders for the development of our ESG strategy as outlined on pages 36 to 50.
- Annual and interim reports and results presentations which are available to all shareholders and also include the contact details for the Company Secretary.
- Our corporate website, which has a dedicated investor relations section and contact details.

The Group's results and other news releases are published via the London Stock Exchange's Regulatory News Service or another Regulatory Information Service. In addition, these news releases are published in the Investor Relations section of the Group's website at:

www.reddenorthgate.com



Shareholders and other interested parties can subscribe to receive these news updates by email by registering online via the website.

2. Division of responsibilities

The business is managed by the Board of Directors, currently comprising two executive and five Non-executive Directors. You can find more information about the members of the Board on pages 56 and 57. The offices of the Chairman and CEO are separate. An overview of the leadership of the Group, including the responsibilities and activities of each component, is outlined on pages 54 and 55.

Information and communication

The Chairman ensures that all Directors are appropriately briefed so that they can discharge their duties effectively. Management accounts are prepared and submitted to the Board monthly. Before each Board meeting

appropriate documentation on all items to be discussed is circulated. The Company Secretary is available to the Non-executive Directors and can facilitate Board training events whenever required. The Non-executive Directors meet without the executive Directors present and the Senior Independent Director leads the evaluation of the Chairman.

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

Independence

Pursuant to those provisions of the Companies Act 2006 relating to conflicts of interest and in accordance with the authority contained in the Company's Articles of Association, the Board has put in place procedures to deal with the notification, authorisation, recording and monitoring of Directors' conflicts of interest and these procedures have operated effectively throughout the year and to the date of signing of this Annual Report and Accounts.

Following the Merger, Mark McCafferty and John Davies joined the Group Board. Prior to the Merger, they had completed 10 and 8 years' service respectively on the Redde Board; constituting "a material business relationship with the company within the last three years" as set out in provision 10 of the Code as a matter that is relevant to the Board's determination of independence. Upon assessment against this criteria, Mark McCafferty and John Davies are not considered to be independent.

The Company is committed to good governance, but acknowledges that the Board has not complied with the requirement for at least half of the Board (excluding the Chairman)

Corporate governance continued

to be independent Non-executive Directors, in accordance with provision 11 of the Code, as well as provisions 17, 24 and 32 for the Committees to be made up of independent Non-executive Directors.

The Board remains of the opinion that Mark and John were objective throughout the year despite their previous relationship with the Redde business. In May 2022, John Davies had stepped down from the Board and at the same time Bindi Karia joined. Following this change, the Group will be compliant with aspects of the independence requirement for FY2023.

3. Composition, succession and evaluation

The Nominations Committee report (page 61) sets out its activities during the year, including information on succession planning, diversity and inclusion. There were no Board changes during the year. As previously noted, in May 2022, John Davies left the Board and Bindi Karia joined.

The Nominations Committee are confident the Board is equipped with right mix of skills and experience to deliver long term strategic objectives. The Directors have sufficient time to execute their duties. The Committee met twice in the year satisfying its terms of reference.

Board evaluation

In the prior year, Korn Ferry was engaged to perform a Board Effectiveness Review evaluating the Board, each Director and the Board's Committees. Korn Ferry also provided advice on talent and reward in the prior year through a separate team. The Board remains satisfied that Korn Ferry was objective and independent in its assessment.

The review concluded that the Board had operated "effectively and efficiently" given the broader COVID-19 context, and that the Board is "characterised by mutual trust in which all

Directors contribute to the success of the business". The findings and recommendations of the review focused upon three key areas, as laid out below. Each area, both reflected and guided the Group in the transition away from a focused integration mode to the next phase of growth, and away from socially distanced interactions to an environment that allows for physical interactions within the Board and the wider business.

Our progress to date against the recommendations is outlined as below:

Area of focus	Recommendations	Progress to date
Moving to "business as usual"	<p>There is the opportunity to shift focus from successful completion of short term integration issues to a medium and long term strategic debate.</p> <p>Ensure that the Board settles back into a regular rhythm for discussing strategy as physical meetings return, and that the strategy day becomes an ongoing feature of the Board calendar moving forward.</p> <p>As the Board moves forward from the Merger, the risk register and the identification of key risks will be an area of focus with greater discussion around risk appetite, including deep dives on critical areas such as IT risk.</p>	<p>Board and Committee meetings have returned to face-to-face meetings throughout the year.</p> <p>Focus on long term value creation for the business, diversifying into complementary markets and development of ESG strategy.</p> <p>Resetting of the risk appetite for the enlarged Group in the year – developments in the year include detailed appraisals of IT systems and planned investments (for further details see pages 30 to 34).</p>
Board learning and development	<p>As restrictions are lifted, opportunities should be identified for Board Members to gain an "on the ground" understanding of each of the business's divisions via:</p> <ul style="list-style-type: none"> – arranged site visits in varying locations; and – presentations to the Board, from time to time, by the members of the wider management team. <p>The Remuneration Committee will continue to engage with investors and utilise external advisers where suitable, remaining cognisant of investor expectations and broader trends.</p> <p>The Board could make use of external experts to provide deep dives and stimulate debate on critical themes such as ESG, EV transition and other trends in the sector.</p>	<p>Site visits by the Executive Directors resumed throughout the year including travel to our branches in UK and Spain. Management have been invited to present at Board meetings throughout the year.</p> <p>Continued engagement with investors by the Remuneration Committee Chairman. External advisors engaged for compliance reviews.</p> <p>External experts engaged for the development of our ESG strategy and net zero strategy, providing valuable insight to the Board as to the matters which matter the most to our stakeholders.</p>
Succession planning	<p>The work of the Nominations Committee could focus on succession planning in the organisation and consider how best to increase the visibility of management below the Group Management Boards, for example through a rotation of management presentations and site visits, as noted above.</p> <p>As part of a return to business as usual, the Nominations Committee should actively review the aggregate competencies of the Board, adding skills and expertise as appropriate and in line with the Company's evolving strategy.</p> <p>The Board should continue to recognise the importance of maintaining a continued focus on diversity and inclusion on the Board, as it is in the business.</p>	<p>Increased oversight of management including invitation to present at Board meetings.</p> <p>The Nominations Committee reviewed aggregate competencies and concluded that the Board continues to hold appropriate expertise as detailed on page 61.</p> <p>Diversity is recognised as an important attribute to Company success. This is discussed in further detail within this report.</p>

Corporate governance continued

During the current year, the Directors have reviewed the effectiveness of the Board as a whole and its Committees, and have considered the results of the prior year assessments, concluding that, overall, the Board and its committees continue to operate in an effective and constructive way.

Diversity

The Board has considered the recommendations of the Davies Review and the Hampton-Alexander Review into women on boards in the light of the provisions of the Code, with which we are compliant, and in the light of our own existing policies and procedures. The Board has also considered the findings of the Parker Review on ethnic diversity on boards and has a clear responsibility to promote diversity throughout the business and talent pipeline. Further information can be found on page 61.

The Board recognises the benefits of diversity at all levels of the business, endorsing Group values which recognise and promote equality, ensuring that, as a Board and as a Group, we act with integrity and honesty, and we encourage and respect diversity.

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

As at the date of this report, 29% of Board members, 23% of the senior management team and 33% of all employees were female (2021: 14% of Board members, 25% of the senior management team and 34% of all employees).

Attendance

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

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

* By invitation when attending Audit Committee.

** By invitation when attending Committees.

*** Only meetings to which invited.

All Directors in office at that time were present at the AGM held on 20 September 2021, either in person (Chairman/CEO) or remotely and able to participate.

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

4. Audit, risk and internal control

The Audit Committee report on pages 62 to 66 describes the work of the Committee and how it discharges its roles and responsibilities.

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

The Group's systems of risk management and internal control ensure that our businesses operate within risk appetite levels approved by the Board. These are set out in the Identifying and managing risk report from page 28.

Internal control

Although no system of internal controls can provide absolute assurance against material misstatement or loss, the Group's own system is designed to provide the Directors with reasonable assurance that, should any problems occur, these are identified on a timely basis and dealt with appropriately. Confirmation that the Board has performed an assessment of the risk management and internal control systems of the Group, as required by the Code, is contained in the Identifying and managing risk report on pages 28 to 29.

5. Remuneration

The Remuneration Committee report on pages 67 to 79 describes the work of the Committee during the year. It sets out how executive remuneration is aligned to the Company's purpose, values and strategy. It also shows how workforce remuneration and related policies have been considered in its decision making regarding executive remuneration.

Compliance with the Code

The Group has complied with the provisions of the Code throughout the year, with the exception of the following areas:

- Provision 11 of the Code, for at least half of the Board to be independent, as explained above.
- Provision 17 for the Nominations Committee to comprise of at least three independent Non-executive Directors.
- Provision 24 for the Audit Committee to comprise of at least three independent Non-executive Directors.
- Provision 32 for the Remuneration Committee to comprise of at least three independent Non-executive Directors.

We will be compliant with the provisions above in FY2023 due to John Davies stepping down from the Board and Bindi Karia's appointment in May 2022.

- Provision 38 in respect to pension rates for Executive Directors being aligned to wider workforce averages; we will be aligned by 31 December 2022 as detailed in the Remuneration report pages 67 to 79.
- Provision 41 regarding specific engagement with the workforce explaining how executive remuneration aligns with wider Company pay policy. While during the year we have not specifically consulted with employees regarding executive remuneration arrangements, The Employee Engagement Forum provides a forum in which the Company can engage with the workforce on how executive remuneration aligns with wider Group pay policy.

James Kerton

Company Secretary

6 July 2022

Report of the Nominations Committee



Avril Palmer-Baunack
Committee Chairman

Committee membership

The members of the Committee are shown in the table below. Details of their experience and qualifications are shown on pages 56 and 57:

Avril Palmer-Baunack
Mark Butcher
John Pattullo
Bindi Karia (joined the Committee on 5 May 2022)
John Davies (left the Committee on 6 May 2022)

Number of meetings	2
Avril Palmer-Baunack	2
Mark Butcher	2
John Davies	2
John Pattullo	2

Dear stakeholder,

I am pleased to present the Nominations Committee's (the Committee) report for the year ended 30 April 2022. As a Committee our core responsibilities include promoting diversity and inclusion, reviewing the structure of the Board and Committees, recommending new Board appointments, and ensuring adherence to formal, rigorous selection, appointment and induction processes for new Directors.

Committee purpose

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

The Committee's role, authority, responsibilities and scope are set out on page 55 and in detail in its terms of reference which are available on the Governance section of our website:

www.reddenorthgate.com

Operation of the Nominations Committee

The Committee keeps the overall structure, size and composition of the Board under continuous review, and is responsible for evaluating the balance of skills, knowledge and experience of the Board and its Committees.

Board recruitment

During the year, in order to support the execution of our strategic objectives, the search for a new Non-executive Director commenced. We are pleased to announce that as of May 2022, Bindi Karia joined the Board.

As part of the recruitment process conducted for the appointment of Bindi, the Group engaged Korn Ferry as a search agency to facilitate this appointment. Korn Ferry were also engaged as advisors on matters of

remuneration. The recruitment process was performed by an independent team to the advisors on remuneration matters.

When seeking to appoint a new Non-executive Director, the Committee prepares a description of the role and the attributes required in the candidates, which will include a job specification and an estimate of the time commitment expected. The Committee then compiles a shortlist taking account of known candidates and candidates suggested by the Group's advisers and/or appointed recruitment consultants. Only executive search firms that have committed to the Voluntary Code of Conduct on gender and ethnic diversity are engaged in the recruitment process. The appointments process takes account of the benefits of diversity of the Board, including gender diversity, and in identifying suitable candidates from a range of backgrounds. Appointments are made on the merit of the skills and experience of the candidate with no bias towards gender or ethnicity.

Board succession planning

The current Board was brought together following the Merger and the combination of the most appropriate skills and talent, with relevant industry experience and knowledge to form the most effective Board to ensure the execution of Group strategy and ensure optimal integration and achievement of synergies. On an annual basis, the Nominations Committee considers the composition of the Board and its Committees in terms of its balance of skills, experience, length of service, knowledge of the Group and wider diversity considerations.

Diversity and inclusion

We are committed to seeking opportunities to enhance the breadth and skills of the Board for the benefit of the Group's stakeholders. Redde and Northgate merged in 2020, and initially we maintained a Board taken from both businesses to ensure appropriate governance and continuity. In 2021, we launched a full

search process to identify a new Non-executive Director with the requisite skills and strategic experience for the combined business, with a particular focus on digital transformation.

The Company announced on 6 May 2022, that Bindi Karia had joined our Board as a Non-executive Director. Bindi brings deep experience in technology and innovation, as well as in governance. At the same time, John Davies stepped down, after making a significant and longstanding contribution as a Non-executive Director and our Remuneration Committee Chairman over ten years at both Redde and then Redde Northgate.

Following these changes to the composition of our Board, just under 30% of the Board is female (including the Chair) and Board's ethnic diversity is in line with the recommendations of the Parker Review. The Company actively continues to seek to enhance the breadth and diversity of the Board, and is targeting being in line with the FCA's recent policy statement on diversity and inclusion on listed company Boards and executive management by the end of FY2023.

The Board remains committed to ensuring diversity is embedded not only in the Board, but throughout the entire Group – this is why we actively work to attract, retain and develop employees to improve our talent pipeline (further information on pages 49 and 50).

Future priorities

In FY2023, the Committee intends to continue reviewing succession plans for the consolidated Board to make sure it can operate effectively and add value to the Group.

Avril Palmer-Baunack
Chairman

6 July 2022

Report of the Audit Committee



Mark Butcher
Chairman of Audit Committee

Committee membership

The members of the Audit Committee are shown below.

Mark Butcher
John Pattullo
Bindi Karia (joined the Committee on 5 May 2022)
John Davies (left the Committee on 6 May 2022)

Number of meetings	4
Mark Butcher	4
John Davies	4
John Pattullo	4

The Code requires that at least one member of the Committee should have recent and relevant financial experience. Currently, the Chairman of the Committee fulfils this requirement. All members of the Committee are expected to be and are financially literate. Relevant information on the skills and experience of our Board members is outlined on pages 56 and 57.

Supporting Group integration and ensuring integrity of financial reporting

Dear stakeholder,

On behalf of the Audit Committee (the Committee) and the Board, I am pleased to present the report of the Committee for the year ended 30 April 2022. The objective of this report is to provide an understanding of the work undertaken by the Committee during the year to ensure that the interests of the Company's stakeholders are protected through a robust system of internal controls, risk management and transparent financial reporting.

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

Recognising the importance of risk management and the setting of risk appetite and the review of the risk register are items reserved for the Board. During the year, the Committee supported the Board by focusing on improving risk management within the Group through standardising processes across the businesses, ensuring that risk factors arising from restricted vehicle availability and inflationary pressures were adequately captured, challenged and managed. Additionally, the Committee continued to focus on its core areas of responsibility, namely protecting the interests of the Group, our shareholders and our stakeholder base through ensuring the integrity of the Group's financial information, audit quality and the effectiveness of internal controls throughout the year.

Role

The Committee's role, authority, responsibilities and scope are set out on page 55 and in detail in its terms of reference which are available on the Governance section of our website:

www.reddenorthgate.com



Meetings

The Committee is required to meet at least three times a year. Details of attendance at meetings held in the year ended 30 April 2022 are detailed in this report. Due to the cyclical nature of its agenda, which is linked to events in the Group's financial calendar, the Committee meet four times during the year. The other Directors, together with the Group Head of Internal Audit and the external auditors, are commonly invited to attend all meetings.

Key focus

A key focus of the Audit Committee and the Board in the year under review has been managing standardisation of the risk management processes within the business. This included the resetting of the Group's risk appetite, with varying tolerances depending on the impact category as further explained within pages 28 and 39. The Group's risk assessment procedures ensure the safeguarding of the Group's long term viability. The Audit Committee reviewed management's assessment of the long term viability of the Group, taking into account downside sensitivities, and challenged those assumptions. The Committee is satisfied that the Group is viable in the long term, with further details provided within the viability statement found on page 35.

In the current year, the Committee has also given due consideration to the uncertainties surrounding supply chain restrictions, and the impact that these may have on the ageing

of the fleet balanced with high residual values experienced in the used vehicles market. Such factors are important variables in the determination of appropriate depreciation rates for vehicles available for hire.

The Committee challenged and debated management's assessment of future residual values, and whilst acknowledging that this is a significant area of judgement, the Committee agreed with management's proposals with respect to depreciation rates on new vehicle purchases and those applied to the existing vehicle fleet.

Management have proposed to reduce depreciation rates on a component of the fleet from May 2022 in response to expected high residual values in the short to medium term period.

The approach towards assessing depreciation rates on new vehicles to be purchased in the next financial year has been consistently applied. This requires management to set depreciation rates based on their assessment of future residual values anticipated at the point of disposal.

Following recent acquisitions, the Committee continues to support the Board through the embedding of the Group's governance framework, financial reporting systems, risk management processes and internal controls.

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

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

Report of the Audit Committee continued

Activity

Since May 2021, the Committee has:

- reviewed the financial statements for the years ended 30 April 2021 and 2022 and the half yearly report issued in December 2021. As part of this review process, the Committee received reports from PwC;
- reviewed and agreed the scope of the audit work to be undertaken by PwC and agreed its fees;
- reviewed the effectiveness of external audit;
- had discussions with the external audit partner in the absence of management;
- presented bi-annual risk reports of key risks to the Board;
- reviewed and approved the Group wide risk assessment process;
- reviewed the effectiveness of the Group's system of internal controls;
- set the programme of internal audits;
- received regular reports from the Group Head of Internal Audit;
- had discussions with the Group Head of Internal Audit in the absence of other management;
- reviewed the progress made by management in implementing the internal control improvements recommended by Group Internal Audit;
- reviewed the Group's corporate taxation arrangements and recommended that the Board approve the Group tax strategy;
- reviewed the Group's treasury arrangements and policies;
- reviewed and confirmed endorsement of the Group's non-audit fee policy;
- reviewed the Group's depreciation policy and depreciation rates adopted within this policy;
- reviewed a management paper on items classified as exceptional within the income statement;
- reviewed a management paper on the accounting consideration of the recoverability of contract assets within Redde;
- reviewed and approved the Group's "Fair, Balanced and Understandable" statement; and
- reviewed managements assessment of going concern and viability.

Significant matters considered in relation to the financial statements

During the year the Committee reviewed the significant matters set out in this report in relation to the Group's financial statements for the year ended 30 April 2022. We discussed these issues at various stages with management during the financial year and during the preparation and approval of the financial statements.

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

Risk management

The Committee is responsible for overseeing the adequacy of internal controls and the work of Group Internal Audit. In this capacity, the Committee oversee risk management activity of the Group.

The Board determines the extent and nature of the risks it is prepared to take in order to achieve the Group's strategic objectives. Further information on the Group's risk management processes can be found on pages 28 and 29.

The Board has responsibility for the Company's overall approach to risk management and internal control which includes ensuring the design and implementation of appropriate risk management and internal control systems. The Board ensures that the Group is identifying, considering and as far as practicable mitigating the risks for the business. The Board assesses the effectiveness of the Company's risk management and internal control

systems through ongoing monitoring activities as well as separate evaluations performed by Internal Audit. Procedures for monitoring control effectiveness are embedded into the normal operations of the business in addition to regular reporting on internal controls. The Board considers the findings in the reports throughout the year and encourages open and frank conversations between management and the Committee on matters of risk and controls. These reviews and the results of Internal audit evaluations provide reasonable assurance that the risk management and internal control systems are appropriate.

During the year, the Board monitored the Group's risk management processes and business continuity procedures. The Group Risk Committee meets quarterly and reports to the Board on a biannual basis. Both external and internal risks are reviewed and their effect on the Group's strategic aims considered.

The Board also reviewed the Group's emerging risks, following a bottom up assessment throughout business units and top down review by the Group Risk Committee. The Board also reviewed the status of key risk indicators throughout the year against risk appetite, focusing on any which were outside optimal ranges. The Board gave particular attention to the risks relating to vehicle supply constraints, the potential impact of the conflict in Ukraine, global and domestic inflationary pressures, and the long term impact of climate change.

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

During the course of its review for the year ended 30 April 2022, and to the date of this report, the Committee has not identified, nor been advised of, a failing or weakness which it has determined to be significant.

Report of the Audit Committee continued

Internal financial controls

On an ongoing basis, the Audit Committee reviews the adequacy and effectiveness of the Group's system of internal financial controls, which are described briefly in the table on this page.

The Committee received detailed reports on the operation and effectiveness of the internal financial controls from members of the senior management team. The outcome of the external audit at year end and the half year review are considered in respect to our internal controls. The Committee also receives updates on the policies and procedures in place and how these are being communicated to and complied with by our staff.

Overview of internal financial controls

Governance framework

Our governance framework supports effective internal control through an approved schedule of matters reserved for decision by the Board and the Group Management Boards, supported by defined responsibilities, levels of authority and supporting committees.

Financial review and internal procedures

Comprehensive systems of financial reporting and forecasting which are conducted frequently and include both sensitivity and variance analysis. A budgeting exercise and strategic review is conducted annually. Sensitivity analyses are included in both the strategic review and the rolling forecasts.

Tax and Treasury procedures

Taxation is a complex area and is subject to frequent external review. Regular oversight of tax governance is provided by the Audit Committee, covering implementation of the Group's tax strategy, compliance, and all significant commercial transactions. We maintain an open relationship with HMRC and have a "low risk" tax status.

The Treasury function ensures that all transactions are checked and monitored as well as the continual monitoring of the Group's debt facilities to ensure sufficient access to capital. All complex or large transactions are discussed in advance with the Board and executive Directors.

Risk management

The Board regularly reviews the Group's risk register, the schedule of key controls and key risk indicators. The Board also assesses the impact of emerging risks to the Group. Our risk management procedures are robust and can be viewed on pages 28 to 34.

External verification

During the year, no significant deficiencies had been raised by PwC through the course of the annual audit nor through the work carried out by Group Internal Audit.

Report of the Audit Committee continued

Significant financial judgements, key assumptions and estimates

Any key accounting issues or judgements made by management are monitored and discussed with the Committee throughout the year. The table below provides information on the key issues discussed with the Committee during the year and the judgements adopted.

Matter	Key consideration	Progress to date	Conclusion
Determining appropriate depreciation rates for vehicles available for hire	Ensuring that depreciation rates are set appropriately.	<p>The Committee reviews trends in vehicle residual values on a regular basis. In addition, we reviewed papers prepared by management at each reporting date which included a quantitative and qualitative assessment of the current and forecast trends in the used vehicle market, benchmarking of the Group's depreciation policy, and recommendations for changes in depreciation rate accounting estimates.</p> <p>After due challenge and debate, the Committee was content with the assumptions and judgements made and accepted management's conclusions with respect to the proposed depreciation rates for new vehicle purchases and that a prospective reduction in depreciation rates on certain vehicles should be applied in FY2023.</p>	We agreed with management's proposal for depreciation rates on new vehicle purchases and also agreed with the proposed reduction in depreciation rates on certain fleet vehicles to be applied in FY2023.
Claims due from insurance companies and self-insuring organisations	Ensuring that the carrying value of insurance claims represents the best estimate of the net claim value to be recovered.	<p>The Committee reviewed papers prepared by management at each reporting date which included management's assessment of the expected net claim values at each reporting date.</p> <p>We challenged the underlying assumptions and significant areas of judgement and were satisfied with management's assessments.</p>	We concluded that the judgements made in determining net claim values as at 30 April 2022 are appropriate.
Financial statements and other information	Fair and balanced presentation of financial statements and other information including use of appropriate alternative performance measures.	<p>The Committee considered the presentation of the financial statements, including the presentation of reported results between underlying and statutory performance, as well as evaluating how financial results and alternative performance measures were used as part of the Strategic report.</p> <p>The Committee reviewed papers prepared by management at each reporting date which outlined management's judgement in assessing which items should be classified as exceptional items or otherwise excluded from underlying results to ensure that the judgements made were reasonable and were in line with stated policy.</p>	We concluded that the annual report and accounts, taken as a whole, were fair, balanced and understandable, and that the usage of alternative performance measures was appropriate.

Report of the Audit Committee continued

External auditors

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

The Committee confirmed compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, having last carried out a competitive tender and appointed PwC as Group auditors in 2015. Jonathan Greenaway became the lead audit partner for the year ended 30 April 2022, following the rotation of the previous partner after their five year tenure. The Company is required to have a mandatory audit tender after 10 years and, as the Audit Committee considers the relationship with the auditors to be working well and remains satisfied with their effectiveness and the quality of audit work, their geographical and professional capabilities, the Audit Committee does not currently anticipate that it will conduct an audit tender before it is required to do so in 2025. This Committee will continue to monitor this annually to ensure the timing for the audit retender remains appropriate, taking into account the effectiveness and independence of the auditors.

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

Non-audit fees for services provided by PwC for the year amounted to £57,000 related to the review of the interim financial statements as required by regulation. As this work was required by legislation there were no non-audit services conducted for the purposes of comparison to the 70% cap included in the FRC's guidance.

The Committee reviewed the effectiveness and independence of the external auditors, both in terms of the engagement team and the firm as a whole. In order to perform this assessment, the following criteria are considered:

- the auditor's independence letter which annually confirms their independence and compliance with the FRC Ethical Standard;
- the operation, and compliance with, the Group's policy on non-audit work being performed by the auditors;
- how the auditors identified risks to audit quality and how these were addressed, including the network level controls the auditors relied upon;
- how the auditors demonstrated professional scepticism and challenged management's assumptions where necessary; and
- the outcome of the FRC's inspection of PwC's audit quality.

In assessing how the auditors demonstrated professional scepticism and challenged management's assumptions, the Committee considered the depth of discussions held with the auditor, particularly in respect to challenging the Group's approach to its significant judgements and estimates. The Committee has been pleased with the challenge raised by the new audit partner and the team during the year.

The Committee concluded that the audit process was operating effectively. Consequently, the Committee has recommended the reappointment of PwC as external auditor at the AGM in September 2022.

Group Internal Audit

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

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

The Committee concluded that the Group internal audit process had been conducted effectively and that the quality of audit and reporting was rated highly.

Looking forward

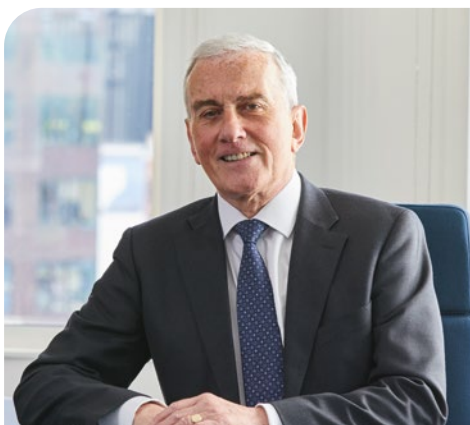
In FY2023, the Committee will continue to support the Board through integration of the business as it continues to grow organically and inorganically, embedding the Group's governance framework, financial reporting systems, risk management processes and internal controls.

Mark Butcher

Chairman of Audit Committee

6 July 2022

Remuneration report



John Pattullo
Chairman of Remuneration
Committee

Committee membership

Members of the Remuneration Committee are shown below:

John Pattullo (Chairman from 6 May 2022)

Mark Butcher

Avril Palmer-Baunack

Bindi Karia (joined the Committee on 5 May 2022)

John Davies (Chairman until leaving the Committee on 6 May 2022)

Number of meetings	5
John Pattullo	5
Mark Butcher	5
Avril Palmer-Baunack	5
John Davies	5

Dear stakeholder,

I am delighted to introduce the Directors' Remuneration report for the year ended 30 April 2022.

This report is comprised of this introduction, the Remuneration policy report (page 69) and the annual report on remuneration (page 73). This year, the decisions of the Committee were made in a positive context of strong Group trading and financial performance throughout the year.

Remuneration for the year ended 30 April 2022

Base salary and fees

As disclosed in the 2021 Directors' Remuneration report, the executive Directors' salaries for the year were raised by 2%, in line with the wider workforce, and Philip Vincent received an additional £20,000 increase in base salary, reflecting his development in the role and the increased scope of his role following the integration of Redde with Northgate.

Annual bonus

The maximum annual bonus opportunity for the year was 125% of salary for the CEO and 100% of salary for the CFO. Both the CEO and CFO received a maximum award based on outcomes against financial and strategic objectives, as outlined further in the main body of the report. With respect to financial objectives, this approach is in line with the award outcome for those in the wider workforce who participate in Group bonus schemes.

Long term incentive plans

As disclosed in the 2021 Annual Report, Martin Ward and Philip Vincent received awards in the year in line with the Remuneration Policy equating to 150% of salary with a three year performance period ending April 2024.

Discretion

The Committee reviewed the formulaic incentive outcomes for FY2022 and is comfortable that the payouts reflect the underlying performance of the Company. The Committee did not exercise any discretion in the award of Directors' remuneration in the year.

The Committee is comfortable that the policy operated as intended.

Responding to shareholder feedback

Last year's AGM

The Committee notes that the advisory vote to approve the Remuneration report at the 2021 AGM was approved by a clear majority, although there was a significant minority vote against the resolution. The Company engaged with shareholders prior to and following the 2021 AGM.

As part of this engagement, the Committee engaged with shareholders who voted against the resolution and understands that they did so because of the Company's decision to pay bonuses to executive Directors but not to repay the furlough monies the Company received in FY2021. For FY2022, the Company has taken the decision to repay all furlough monies received in the year.

Board engagement with wider workforce

The Group has enhanced employee engagement across the business through the launch of an Employee Engagement Forum, chaired by a senior member of the Group Management Boards, to help the Board and the Group Management Boards to understand the views of the workforce and to ensure feedback between the workforce and the Board on an ongoing basis.

The Employee Engagement Forum comprises members from across the Group's businesses to ensure a balanced representation of the workforce, and it meets at different locations across the Group to promote accessibility. The CEO has also attended the forum.

The Employee Engagement Forum has met on six occasions during the year, and has agreed a set of guiding principles and a roadmap for how the Employee Engagement Forum should work. The Employee Engagement Forum also provides a forum in which the Company can engage with the workforce on how executive remuneration aligns with wider Group pay policy.

Key areas of focus have been:

- (i) ensuring the effectiveness of internal communications and enhanced employee engagement across the business through the delivery of key messaging communication channels, for example a "Getting to Know Redde Northgate" video series. This responds to insights from the Group's Employee Engagement survey in FY2021;
- (ii) promoting engagement by all employees in the FY2022 Employee Engagement Survey, resulting in a very positive overall response rate of 71.4% of the 6,709 colleagues invited to participate in the survey between 23 March 2022 and 6 April 2022;
- (iii) inputting ideas and suggestions into the new Employee Benefits Hub that the Group has launched to the workforce, resulting in the introduction of nine new benefits, with £114,000 spent by employees in the Employee Benefits Hub, achieving discount savings for colleagues and over 1,500 colleagues taking up 9 additional benefits;

Remuneration report continued

- (iv) input into the workforce car salary sacrifice scheme, which has now been successfully launched; and
- (v) sharing an overview of business performance and the long term strategy for the business. This helped us achieve a record employee engagement score for "understanding business direction" in the FY2022 Employee Engagement Survey.

Board changes

Bindi Karia joined the Board as an Independent Non-executive Director and a member of the Company's Remuneration Committee, Audit Committee and Nominations Committee on 5 May 2022. Bindi brings deep experience in technology and innovation, having held senior board, investment and advisory roles across the technology ecosystem in Europe. Further to the announcement by the Company on 6 May 2022, John Davies has stepped down as a Non-executive Director of the Company. John Davies received a payment of £17,796 in accordance with the terms of his appointment and the remuneration policy. No other remuneration payment, nor any payment for loss of office will be made by the Company to John Davies. Further information will be disclosed in the FY2023 Annual Report.

Operation of policy for FY2023

There are no significant changes proposed to the implementation of the remuneration policy for FY2023.

Base salary

The executive Directors' salaries have been increased by 3% in line with increases given to the wider workforce to £609,348 for the CEO and £393,563 for the CFO.

Annual bonus

In line with the decisions taken last year, the annual bonus maximum opportunity for FY2023 remains at 125% of salary for the CEO and 100% of salary for the CFO. The maximum opportunity permitted under the remuneration policy is 150% of salary for the CEO and 100% for the CFO.

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

As with previous years, due to the commercial sensitivity of the performance targets, the targets will be disclosed retrospectively.

Up to 100% of salary, half of any bonus earned and all of any bonus earned in excess of 100% of salary net of taxes will be used by the executive Directors to purchase shares, which will be subject to a three year holding period and cannot be sold during that time. The shares will be subject to recovery provisions.

Executive pensions

As reported last year, executive Director pensions will be aligned to the majority of the UK workforce (currently 3.59% of salary) by 31 December 2022.

Long term incentive plans

The Committee intends to grant LTIP awards of 150% of salary for the executive Directors in line with the normal maximum award under the remuneration policy. The awards will be based on three year EPS and PBT targets. The measures and weightings for the 2022 awards and the targets are set out in the main body of this report.

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

Conclusion

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

The Committee will be undertaking a consultation with shareholders ahead of its 2023 AGM at which it will put forward its Remuneration Policy for shareholder approval.

John Pattullo

Chairman

6 July 2022

Remuneration report continued

Remuneration policy report

This part of the Directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with the relevant law and regulations. The full policy can be found within the 2020 Annual Report on the Company's website:

www.reddenorthgate.com



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

When implementing the remuneration policy, the Remuneration Committee considers the six factors listed under Provision 40 of the UK Corporate Governance Code:

- Clarity – a summary of the remuneration policy is set out below in a clear and transparent manner.
- Simplicity – remuneration structures are simple and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance.
- Risk:
 - The remuneration policy has been shaped to discourage inappropriate risk. Awards under the remuneration policy are subject to malus and clawback provisions. The performance conditions are reviewed annually to ensure that they remain suitable and do not incentivise risk taking.
 - To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No executive Director or other member of management is present when their own remuneration is under discussion.
- Predictability – incentives are capped in the remuneration policy.
- Proportionality – the link between each element of policy and Company strategy is noted in the table below. Variable pay is subject to a combination of financial and non-financial measures that are linked to Company strategy.
- Alignment to culture – we seek to align of incentives to our Group values (see page 39 for more information about our values).

The table below summarises the key aspects of that policy.

Purpose and link to strategy	Operation	Maximum opportunity
Base salary To recruit and reward executives of a suitable calibre for the role and duties required.	Reviewed annually by the Committee, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader UK population. Reference is also made to remuneration levels within relevant FTSE and industry comparator companies. The Committee considers the impact of any basic salary increase on the total remuneration package.	Salary increases for executive Directors will not normally exceed the general increase for the broader UK employee population but on occasions may need to recognise, for example, changes in the scale, scope, complexity or responsibility of the role, and/or specific retention issues, and to allow the base salary of newly appointed executives to increase in line with their experience and contribution. Details of the outcome of the most recent salary review are provided in the annual Remuneration report.
Benefits To provide market competitive benefits to ensure the wellbeing of executives.	The Company typically provides: <ul style="list-style-type: none"> – a car or cash allowance in lieu; – medical insurance; – death in service benefits; – critical illness insurance; and – other ancillary benefits, including relocation expenses (as required). Executive Directors are also entitled to 30 days' leave per annum. Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role including tax thereon where a business expense is deemed taxable by HMRC.	The value of benefits is based on the cost to the Company and is not predetermined. It is a relatively small part of the overall value of the total remuneration package.

Remuneration report continued

Purpose and link to strategy	Operation	Maximum opportunity
Pension To provide market competitive retirement benefits.	A Company contribution to a Group personal pension plan or provision of cash allowance in lieu at the request of the individual.	Up to 18% of salary for the current executive Directors save that pension benefits for the current Directors will be aligned to the applicable workforce rate (currently 3.59%) by 31 December 2022. New appointments will receive a Company contribution not exceeding that applicable to the workforce in the country in which they are based.
Annual bonus To encourage and reward delivery of the Company's operational objectives and to provide alignment with shareholders through the deferred share element.	<p>The annual bonus is based on performance against one or more financial targets. A proportion (not exceeding 25%) may also be based on non-financial strategic KPIs.</p> <p>Details of the performance measures, weightings and targets (where these are not considered commercially sensitive) set for the year under review is provided in the Annual report on remuneration.</p> <p>Up to 100% of salary, half of any bonus earned and all of any bonus earned in excess of 100% of salary net of taxes will be used by the executive Directors to purchase shares which will be subject to a three year holding period and cannot be sold during that time. The shares will be subject to recovery provisions.</p> <p>For unvested deferred share awards the Committee has the discretion to permit the payment of dividend equivalents arising over the period between grant and the vesting date. These would be paid in shares and only exceptionally in cash.</p> <p>The Committee has the discretion to adjust the formulaic outcome of the bonus where it considers it is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience.</p> <p>Recovery and withholding provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the Committee determines.</p>	<p>Maximum: 150% of salary for CEO; 100% of salary for other executives.</p> <p>Target: No greater than 50% of maximum.</p> <p>Threshold: No greater than 25% of maximum.</p> <p>For performance below threshold, no bonus is payable.</p>

Remuneration report continued

Purpose and link to strategy	Operation	Maximum opportunity
<p>Long term incentives (EPSP)</p> <p>To encourage and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares.</p>	<p>Annual awards of performance shares (or nil cost options) to executive Directors.</p> <p>Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years.</p> <p>The Committee will select the performance measures for awards that it considers best support the Company's medium to long term objectives. If the Committee considers that the changes it is making in selecting alternative measures or weightings for a new award are substantive it will consult with the Company's major shareholders prior to making any changes.</p> <p>Awards will vest, subject to performance, on the third anniversary of grant and will be subject to an additional two year holding period post vesting, during which time awarded shares may not be sold (other than to meet tax or social security obligations).</p> <p>The terms of the EPSP rules provide the Committee with the discretion to grant and/or settle all or part of an EPSP award in cash. In practice this discretion would only be used in exceptional circumstances for executive Directors or to enable the Company to settle any tax or social security withholding which may apply.</p> <p>The Committee has the discretion to permit the payment of dividend equivalents arising over the period between grant and the vesting date. These would be paid in shares and only in exceptional circumstances cash.</p> <p>The Committee has the discretion to adjust the formulaic outcome of the bonus where it considers it is not appropriate taking into account matters such as the underlying performance of the Company, investor experience or wider employee reward experience.</p> <p>Recovery and withholding provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, corporate failure, serious reputational damage, misrepresentation or such other exceptional circumstances as the Committee determines.</p>	<p>The maximum grant limit in the plan rules is 150% of salary (face value of shares at grant) although exceptionally 250% may be used, e.g. in recruitment.</p> <p>The normal grant policy is 150% of salary for each executive Director.</p> <p>No greater than 25% of the grant vests for threshold performance increasing progressively to 100% for maximum performance.</p> <p>If performance is below threshold for a measure, then the proportion of the award subject to that measure will lapse.</p>
<p>All employee share scheme</p> <p>All employees including executive Directors are encouraged to become shareholders through the operation of an all employee share scheme. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders.</p>	<p>The SAYE has standard terms under which all employees can participate.</p>	<p>Employees can elect to save (through a recognised financial institution) up to a maximum amount determined by the Company and within the statutory limits for SAYEs per month from post tax salary in return for options to buy shares in the Company at the end of the (typically) three year savings period.</p>
<p>Non-executive Director fees</p> <p>To attract and retain a high calibre Chairman and Non-executive Directors by offering a market competitive fee level.</p>	<p>The Chairman is paid a single fee for all his/her responsibilities. The Non-executive Directors are paid a basic fee. The chairmen of the main Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities.</p> <p>Additional fees may be paid for new roles and/or additional responsibilities.</p> <p>The level of these fees is reviewed periodically by the Committee and CEO for the Chairman and by the Chairman and executive Directors for the Non-executive Directors within the overall limit set by the Articles of Association and with reference to market levels in comparably sized FTSE companies, time commitment and responsibilities of the Non-executive Directors. Fees are paid in cash.</p>	<p>The maximum aggregate amount is currently £700,000 as provided in the Articles of Association.</p>

Remuneration report continued

Share ownership requirements

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

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

Service contracts and letters of appointment

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

	Date of appointment	Date of current contract/letter of appointment	Notice from the Company	Notice from the individual	Unexpired period of service contract/letter of appointment
Executive Directors					
M Ward ¹	21 February 2020	22 December 2010	12 months	12 months	Rolling contract
P Vincent	16 July 2018	16 July 2018	6 months	6 months	Rolling contract
Non-executive Directors					
A Palmer-Baunack	12 August 2019	12 August 2019	6 months	6 months	Rolling contract ³
J Pattullo	1 January 2019	18 December 2020	3 months	3 months	Rolling contract ³
M Butcher	9 October 2019	18 September 2019	3 months	3 months	Rolling contract ³
J Davies ²	21 February 2020	21 February 2020	3 months	3 months	Rolling contract ³
B Karia	5 May 2022	5 May 2022	3 months	3 months	Rolling contract ³
M McCafferty	21 February 2020	21 February 2020	3 months	3 months	Rolling contract ³

¹ Redde plc (as it was) contract rolled over.

² John Davies stepped down as Non-executive Director and Chairman of the Remuneration Committee on 6 May 2022.

³ The Non-executive Directors' contracts are typically entered into for an anticipated term of three years, which is extended by the Board for further terms as appropriate.

Annual report on remuneration

The Remuneration Committee

The members of the Committee during the year are listed below. The attendance of the members of the Committee at meetings during the year are shown below.

	Number of meetings attended out of potential maximum
John Davies (Chairman)	5 of 5
Mark Butcher	5 of 5
Avril Palmer-Baunack	5 of 5
John Pattullo	5 of 5

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

Korn Ferry provided independent advice to the Committee during FY2022 having been appointed by the Committee in FY2019.

The Committee is advised by Korn Ferry on certain remuneration matters. The total fees paid to Korn Ferry in respect of its services to the Committee during the year were £12,993 excluding VAT. The fees are predominantly charged on a time spent basis.

Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct. Korn Ferry provides advice on talent and reward matters and Board appointments to the Group through separate teams and has no other connection to the Company or Directors. The Committee is satisfied that the advice that it receives is objective and independent.

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

www.reddenorthgate.com



The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman and the executive Directors of the Company, as well as the Company Secretary and under the new Code the most senior executives below Board level in the UK, Spain and Ireland. The Committee also reviews remuneration policies and practices generally throughout the Group. In accordance with the Company's Remuneration Policy the Committee has sought to ensure that the incentive structure will not raise ESG risks by inadvertently motivating irresponsible behaviour and will take account of ESG matters generally in determining overall Remuneration Policy and structure, and the Remuneration Committee is able to consider corporate performance on ESG issues when setting the executive Directors' annual objectives and remuneration.

Statement of shareholder voting and shareholder feedback

The following table sets out the votes received from shareholders for the Directors' Remuneration report at the 2021 AGM:

Directors' Remuneration report – Resolution 3	Total number of votes	Approve the report on remuneration
% of votes cast		
For	119,548,493	62.36
Against	72,170,628	37.64
Total votes cast (excluding votes withheld)	191,719,121	
Votes withheld	4,711,475	
Total votes cast (including votes withheld)	196,430,596	

The Committee notes that the advisory vote to approve the Remuneration report at the 2021 AGM was approved by a majority; however, there was a significant minority vote against the resolution. The Company engaged with shareholders prior to and following the 2021 AGM. As discussed on page 67, the Committee engaged with shareholders who voted against the resolution and understands that they did so on the basis of the Company's decision to award executive Directors their bonuses but not to repay the furlough monies the Company received in FY2021. For FY2022, the Company has taken the decision to repay all furlough monies received in FY2022.

The following table sets out the votes received from shareholders for the Directors' Remuneration Policy at the 2020 AGM:

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

Votes withheld are not included in the final proxy figures as they are not recognised as a vote in law.

Annual report on remuneration continued

Remuneration for the year ended 30 April 2022 (audited)

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2022 (and for long term incentive awards' performance periods ending in the year) and in the year ended 30 April 2021.

£000		Salary and fees ¹	Taxable benefits	Annual bonus	Long term incentive	Pension	Total	Total Fixed	Total Variable
M Ward	2022	592	19	740	–	89	1,440	700	740
	2021	514	17	580	–	89	1,200	620	580
P Vincent	2022	382	14	382	–	69	847	465	382
	2021	339	13	355	–	63	770	415	355
Chairman									
A Palmer-Baunack	2022	200	–	–	–	–	200	200	–
	2021	167	–	–	–	–	167	167	–
Non-executive Directors									
J Pattullo	2022	65	–	–	–	–	65	65	–
	2021	63	–	–	–	–	63	63	–
M Butcher	2022	65	–	–	–	–	65	65	–
	2021	63	–	–	–	–	63	63	–
J Davies	2022	65	–	–	–	–	65	65	–
	2021	63	–	–	–	–	63	63	–
M McCafferty	2022	55	–	–	–	–	55	55	–
	2021	53	–	–	–	–	53	53	–

¹ In FY2021, due to the business disruption of COVID-19, all Directors with continuing service agreed to a 20% reduction in salary and fees between 1 April 2020 and 30 June 2020, with the exception of Avril Palmer-Baunack, who agreed to a 100% waiver in fees over the same period.

Pension and taxable benefits

A breakdown of the taxable benefits received by Executive Directors is set out in the table below:

	M Ward £000	P Vincent £000
Car	15	12
Medical insurance	4	2

The executive Directors are eligible for membership of a Group personal pension plan. In view of the Annual Allowance cap, part or all of their entitlements were paid to them in cash. Philip Vincent received an entitlement of 18% of base salary and Martin Ward received an entitlement of 15% of base salary.

Annual bonus for the year ended 30 April 2022 (audited)

Total opportunity

The maximum bonus opportunity for the CEO was 125% of salary and for the CFO was 100% of salary. The bonus was based 75% on Group PBT and 25% on strategic objectives. No bonus was payable if PBT was below the threshold level of £110m, 50% of the bonus was payable for a PBT of £115m and the full bonus was payable if PBT was £120m. The targets, performance against them and resulting payment are set out in the tables below.

	PBT element at % maximum	Strategic objective % maximum	Total bonus % maximum	Total bonus % salary	Bonus payable £000
M Ward	75	25	100	125	296 cash 444 deferred in shares
P Vincent	75	25	100	100	191 cash 191 deferred in shares

Total award

As stated above the total bonus award was based 75% on Group PBT and 25% on strategic objectives.

Financial objectives

Awarded at maximum of 75% of the total bonus opportunity (93.75% of salary for M Ward and 75% of salary for P Vincent) as follows:

PBT performance	Threshold performance	Target performance	Maximum performance	Actual PBT performance
PBT 75% of total bonus	£110m	£115m	£120m	£151m
M Ward			93.75% salary	93.75% salary 100% max
P Vincent			75% salary	75% salary 100% max

Annual report on remuneration continued

Strategic objectives

Awarded at maximum of 25% of the total bonus opportunity (31.25% of salary for M Ward and 25% of salary for P Vincent) as set out below. The directors' strategic objectives were set by the Remuneration Committee at the beginning of the financial year and were based on a robust framework of clear objectives directly aligned to the Board's strategic priorities for the year. The strategic objectives and the performance against them for each of the executive Directors for FY2022 are set out below:

M Ward	Performance/achievement	Max scoring %
To deliver core values and a strategic vision plan evidenced against strategic delivery.	Fully met. The Focus, Drive and Broaden strategic framework was used to create a detailed plan that set out the Group's purpose, aims and vision as described further (including how we have delivered against the plan and our future priorities) on page 15.	5%
Enhance employee engagement by key messaging, communication channels, employee presentations and roadshows and the Employee Engagement Forum.	Fully met. As described elsewhere in the Annual Report, the launch of our Employee Engagement Forum, the 74% engagement score, the level of participation in our annual colleague survey and other employee events reflects a significant enhancement in this area.	5%
Deliver succession plans for Group Management Board members in the UK and Spain.	Fully met. The implementation of this objective was significant for the Group given the importance of succession planning following the Group's merger in 2020. Accordingly, this formed a material component of the Group's Board and governance agenda for FY2022 and the Remuneration Committee was satisfied that the CEO's performance fully met the objective	5%
Develop new business continuity plans.	Fully met. The implementation of this objective was identified by the Board as an area of key focus for the Group in light of macro events. Accordingly, this formed a material component of the Group's Board and governance agenda for FY2022 and the Remuneration Committee was satisfied that the CEO's performance fully met the objective.	5%
Develop a financial five year business plan.	Fully met. Undertook an extensive strategic review during the year in the context of the long term opportunities for the Group following the Merger and in order to develop with the business a five year strategic plan for the Board to enhance the Group's proposition as an integrated mobility solutions provider, taking account of mobility trends, segment growth opportunities and organic and inorganic growth initiatives	5%
Total		25% out of 25%

P Vincent	Performance/achievement	Max scoring %
Develop and deliver medium-term funding strategy.	Fully met. As described in the Financial review, the Group's financing strategy and capital structure was enhanced in the year to mitigate future refinancing risk and benefit from market conditions. This expanded the Group's funding facilities and lowered funding costs, as further described in the Financial review on pages 21 to 25, allowing the Group scope to invest further in the business and to take advantage of inorganic growth opportunities as they arise.	6.25%
Develop financial reporting and analysis to support the strategic vision to promote the business strategy to stakeholders.	Fully met. Developed and implemented enhanced financial reporting and analysis. Improved strategic commentary relating to the Group's business, products and services and enhanced the Group's funding model.	6.25%
Develop a financial five year business plan with key initiatives for organic growth.	Fully met. Undertook an extensive strategic review during the year in the context of the long term opportunities for the Group following the Merger and in order to develop with the business a five year strategic plan for the Board to enhance the Group's proposition as an integrated mobility solutions provider, taking account of mobility trends, segment growth opportunities and organic and inorganic growth initiatives	6.25%
Executing corporate strategy; including maintaining good headroom in financial covenants; improving working capital and ROCE.	Fully met. Drove focus on financial management with improvements in working capital and ROCE and maintenance of good headroom in financial covenants	6.25%
Total		25% out of 25%

Based on performance to 30 April 2022, the annual bonus outcomes for executive Directors during the year are shown overleaf. The Committee is satisfied that no adjustments to the pay-outs are required, and that the outcome is reflective of underlying performance.

Annual report on remuneration continued

A summary of the bonus outcome is as follows:

Executive	% of maximum	% of salary	Bonus outcome	Awarded in cash	Awarded in shares
M Ward	100	125	740	296	444
P Vincent	100	100	382	191	191

Fifty percent of the bonus and any amount in excess of 100% of salary will be used to purchase shares. Shares are subject to a minimum holding period of three years and are not subject to continued employment.

Vesting of LTIP awards

As noted in the prior year, 198,994 of Philip Vincent's LTIP awards made in 2018 and 2019 with original performance periods ending on 30 April 2021 and 30 April 2022 respectively were forfeited due to the Merger as the performance conditions would not be capable of being measured on the same basis and the remaining 54,187 options were permitted to vest on their respective, original vesting dates subject only to the remaining service conditions detailed under the outstanding awards section below. As Martin Ward joined the Board in February 2020, his first awards were granted in August 2020 and will be eligible to vest subject to performance to 30 April 2023. Therefore, no LTIP awards were due to vest based on performance to 30 April 2022.

LTIP awards made during the year (audited)

On 9 August 2021, the following LTIP awards were granted to executive Directors:

Type of award		Basis of award granted	Share price for award	Number of shares over which award was granted	Face value of award (£)	% of face value that would vest on threshold performance	Vesting determined by performance over
M Ward	Nominal cost option	150% of salary of £591,600	429p	206,853	887,400	25%	Three financial years to 30 April 2024
P Vincent	Nominal cost option	150% of salary of £382,100	429p	133,601	573,150	25%	As above

The share price for award was calculated based on a three day average prior to the award grant.

These awards are subject to the following performance targets, which were set in the context of uncertainty regarding COVID recovery:

	Weighting	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
PBT	50%	£130m	£145m	Final year of the performance period
EPS	50%	39.60p	44.20p	Final year of the performance period

Percentage change in remuneration levels

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

	Average percentage change 2021–2022			Average percentage change 2020–2021		
	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus
M Ward	15%	12%	28%	620%	387%	n/a
P Vincent	13%	8%	8%	2%	(14%)	n/a
A Palmer-Baunack	20%	n/a	n/a	31%	n/a	n/a
J Pattullo	3%	n/a	n/a	5%	n/a	n/a
M Butcher	3%	n/a	n/a	65%	n/a	n/a
J Davies	3%	n/a	n/a	504%	n/a	n/a
M McCafferty	3%	n/a	n/a	466%	n/a	n/a
Company employees	44%	(70%)	2015%	(6%)	11%	(87%)

The above table shows the movement in the salary, benefits and annual bonus for Directors compared to that for the average employee of the Company as required under legislation. It does not reflect the total average for the Group. As there are only a small number of employees in the Company, the average pay calculation is meaningless as it can be easily skewed by a change in composition of staff and this is the reason for the increase in average salary and bonus during the year. The average increase in salary for the wider UK workforce was 3%.

The average percentage changes in remuneration in FY2022 included the impact of the pay waivers accepted by the Directors during the COVID-19 period in the prior year and as previously disclosed.

Annual bonus for Company employees is the amount paid in each year, whereas the Directors' bonus is the amount earned in each period as the information on Company employees' bonus amounts is not available at the date of this report.

Payments to past Directors

There were no payments to past Directors during FY2022.

Payments for loss of office

There were no payments for loss of office during FY2022.

CEO to employee pay ratio

The table on page 77 sets out the ratio of the CEO's single figure of total remuneration to the total remuneration of the 25th percentile, median (50th percentile), and 75th percentile remuneration of our UK employees.

The Committee has chosen to use the average UK employees as a comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the Group's total wage bill which can be distorted by movements in the number of employees and variations in wage practices in Spain.

Annual report on remuneration continued

Option A of the Companies (Miscellaneous Reporting) Regulations 2018 has been used to calculate the ratio as it was considered to provide the most accurate basis of calculation. Full-time equivalent remuneration for all UK employees for the financial year has been used for pay periods across the year as adjusted for joiners and leavers. Total remuneration has been prepared using the same methodology as the single figure table with the exception of the bonus. The bonus figure for employees is based on the amount paid in each year as the information on employees bonus amounts is not available at the date of this report whereas the bonus included in the single figure table is the amount earned in each period.

Financial Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	63:1	51:1	35:1
2021	Option A	57:1	45:1	30:1
2020	Option A	64:1	53:1	37:1
2019	Option A	47:1	38:1	26:1

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

	CEO £000	25th percentile £000	Median £000	75th percentile £000
2022				
Salary	£592	£20	£25	£33
Total remuneration	£1,440	£23	£28	£41

The employees at the 25th, 50th and 75th percentile have been determined by reference to average employee pay across the Group for the financial year being reported on.

The ratio of total remuneration of the CEO compared to the UK workforce has widened in the year due to the bonus achievement of the CEO. The CEO's salary has increased in line with the wider workforce.

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

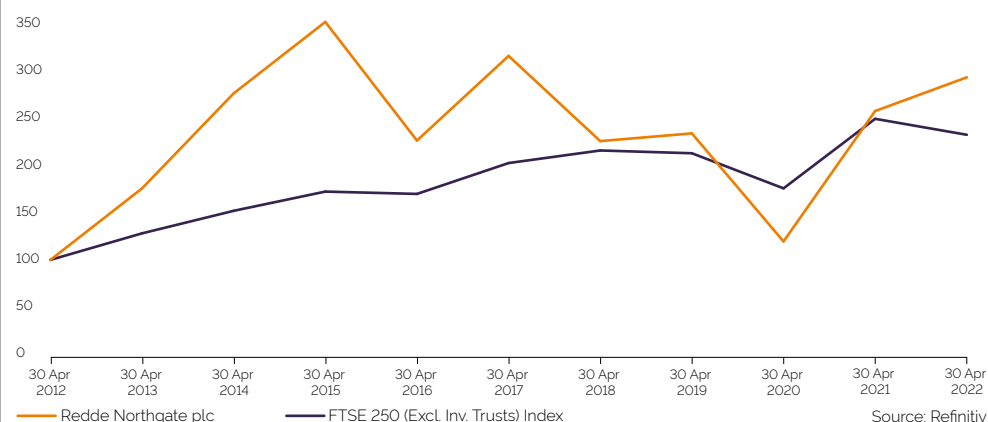
Performance graph measured by TSR

The graph below illustrates the performance of Redde Northgate plc measured by Total Shareholder Return (share price growth plus dividends reinvested in shares) against a 'broad equity market index' over the last ten years from 30 April 2012 to 30 April 2022. As the Company has been a constituent of the FTSE SmallCap index for the majority of that time, that index (excluding investment companies) is considered to be the most appropriate benchmark. Consistent with the approach adopted in previous years, we show performance against the FTSE 250. The mid-market price of the Company's Ordinary shares at 30 April 2022 was 397p (30 April 2021: 364p). The range during the year was 345p to 443p.

Total shareholder return

The graph shows the value, at 30 April 2022, of £100 invested in Redde Northgate plc on 30 April 2012, compared with the value of £100 invested in the FTSE 250 index (excl. investment trusts) on the same date. The other points plotted are the values at intervening financial year ends. The

FTSE 250 index (excl. investment trusts) is considered an appropriate comparison as Redde Northgate plc is a constituent of the index. In previous years, the FTSE SmallCap (excl. investment trusts) was also included in the graph. However, as Redde Northgate plc is no longer a constituent of this index, it is not considered appropriate to include this index in the graph. This data is sourced from Refinitiv.



Total remuneration for CEO

The total remuneration figure for the CEO during each of the previous ten financial years is as follows:

Year ended 30 April	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration £000	859	628	1,138	1,214	821	490	1,032	1,319	1,200	1,440
Annual bonus (% of maximum)	-	43.6	90.3	34.1	-	-	72.4	-	100	100
Long term incentive (EPSP) vesting* (% of maximum)	33.3	-	47.9	79.2	61.8	-	-	-	-	-

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

Relative importance of spend on pay

	2021	2022	% increase
Staff costs £000	195,074	227,744	17%
Dividends £000	24,928	43,897	76%
Share buybacks £000	-	7,493	N/A

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

Annual report on remuneration continued

Outstanding share awards

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

M Ward

Scheme	Grant date	Exercise price (p)	Shares at 30 April 2021	Number of shares granted during the year	Vested during year	Exercised during year	Lapsed during year	Forfeited during year	Number of shares at 30 April 2022	End of original performance period	Vesting date	Exercise period
EPSP ³	13.08.20	Nil	778,315	–	–	–	–	–	778,315	30.04.23	13.08.23	13.08.23 – 13.08.30
EPSP ¹	09.08.21	Nil	–	206,853	–	–	–	–	206,853	30.04.24	09.08.24	09.08.24 – 09.08.31
Total			778,315	206,853	–	–	–	–	985,168			

P Vincent

Scheme	Grant date	Exercise price (p)	Shares at 30 April 2021	Number of shares granted during the year	Vested during year	Exercised during year	Lapsed during year	Forfeited during year	Number of shares at 30 April 2022	End of original performance period	Vesting date	Exercise period
EPSP ²	27.07.18	Nil	27,995	–	27,995	–	–	–	27,995	30.04.21	27.07.21	27.07.21 – 27.07.28
EPSP ²	24.09.19	Nil	26,192	–	–	–	–	–	26,192	30.04.22	24.09.22	24.09.22 – 24.09.29
EPSP ³	13.08.20	Nil	476,382	–	–	–	–	–	476,382	30.04.23	13.08.23	13.08.23 – 13.08.30
EPSP ¹	09.08.21	Nil	–	133,601	–	–	–	–	133,601	30.04.24	09.08.24	09.08.24 – 09.08.31
Total			530,569	133,601	–	–	–	–	664,170			

¹ Performance targets as set out above.

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

³ Performance targets set out in prior year Annual Report.

All outstanding awards are structured as nil-cost options.

SAYE

The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and therefore introduced a SAYE in 2020 with the first saving period commencing in February 2021. The SAYE provides an effective way of achieving that aim at no financial risk to employees.

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

Options over 2,003,552 shares were granted in February 2021, with 1,161 employees contributing at an average saving rate of £102 per month. The next offer to take part in the SAYE scheme is expected to be made after the announcement of the FY2022 financial results.

The executive Directors are entitled to participate in the SAYE scheme but the Non-executive Directors cannot participate in this scheme.

Executive Directors were not granted any SAYE awards during FY2022.

Sourcing of shares

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

Overall plan limits and clawback

All the Company's share schemes operate within the following limits: in any 10 calendar year period, the Company may not issue (or grant rights to issue) more than:

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

The dilution position as at 30 April 2022 was 1.5% under the EPSP, MPSP and DABP, and 2.6% under all schemes.

In line with current best practice guidelines, the Committee has introduced recovery and withholding provisions into the rules of all discretionary schemes, which can be invoked in the event of a number of situations including error, financial misstatement, gross misconduct, reputational damage, failure of risk management and corporate failure, with the last three events applying to awards granted from 2020 only.

Annual report on remuneration continued

Directors' shareholding and share interests

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

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

Share interests (audited)

Number of shares:

	Beneficially owned at 30 April 2022	Vested but not exercised EPSP	Not vested EPSP	% shareholding guideline achieved at 30 April 2022
M Ward	1,647,308	–	985,168	fully met
P Vincent	59,301	27,995	636,175	31% unmet
A Palmer-Baunack	110,442	–	–	N/A
J Pattullo	30,000	–	–	N/A
M Butcher	24,676	–	–	N/A
J Davies	–	–	–	N/A
M McCafferty	11,007	–	–	N/A

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

Philip Vincent has not yet met the shareholding guideline given the levels of variable pay awards vesting since his appointment on 16 July 2018. The Committee normally expects the guideline to be achieved within five years of appointment.

Martin Ward's shareholding includes 38,329 of shares awarded in July 2021 under the EAB annual bonus scheme. Philip Vincent's shareholding includes 23,460 of shares awarded in July 2021 and 15,674 of shares awarded in September 2020 under the EAB annual bonus scheme. The EAB shares vested immediately but are held in trust for three years following the date of award in accordance with the scheme rules.

No changes in the above interests have occurred between 30 April 2022 and the date of this report.

Operation of policy for FY2023

There are no significant changes to the implementation of the policy proposed for FY2023.

Base salaries

The executive Directors' salaries will be revised as follows.

	Salary as at 1 May 2021	Salary as at 1 May 2022	Increase
M Ward	591,600	609,348	3%
P Vincent	382,100	393,563	3%

The proposed increases in salary are in line with increases for the wider workforce of 3%.

Annual bonus

For FY2023, the annual bonus maximum opportunity is 125% of salary for CEO and 100% of salary for the CFO.

In line with previous years, the bonus will be determined as to:

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

The Committee has chosen not to disclose, in advance, the performance targets for the annual bonus as these include items which the Committee considers commercially sensitive. Full retrospective disclosure of the targets and performance against them will be provided in next year's annual report on remuneration.

The Committee will have the discretion under the new policy to adjust the bonus outcome if it is not deemed appropriate, for example, in terms of the underlying performance of the Company.

EPSP awards to be granted in 2022

Award levels for 2022 will be made at 150% of salary for the CEO and CFO (150% in the prior year) and will be made after release of the preliminary results.

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

Fees for the Chairman and Non-executive Directors

The fees for the Non-executive Directors have been reviewed with effect from 1 May 2022. Non-executive Directors' base fees have been increased by 3%, with the exception of Avril Palmer-Baunack, who has waived this increase. The fees are as set out below.

	Fee as at 1 May 2021	Fee as at 1 May 2022	Increase
Chairman	£200,000	£200,000	0%
Base fee	£55,000	£56,650	3%
Senior Independent Director	£10,000	£10,000	0%
Audit Committee Chairman	£10,000	£10,000	0%
Remuneration Committee Chairman	£10,000	£10,000	0%

Approval

This annual report on remuneration has been approved by, and signed on behalf of, the Board of Directors.

John Pattullo

Chairman of the Remuneration Committee

6 July 2022

Report of the Directors

The Directors present their report and the audited consolidated accounts for the year ended 30 April 2022.

Results and preparation

Details on financial performance and dividends can be found in the Strategic Report from pages 1 to 53.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure Guidance and Transparency Rule (DTR) 4. This section, together with the Strategic Report, the Corporate Governance section on pages 54 to 84 and the other sections of the Annual Report as referred to herein, fulfils the requirements of the Directors' report.

Strategic Report

The Strategic Report on pages 1 to 53 was approved by the Board on 6 July 2022 and is incorporated into this Directors' report by reference.

Close company status

So far as the Directors are aware, the close company provisions of the Income and Corporation Taxes Act 2010 do not apply to the Company.

Articles of Association

Articles of Association (the Articles) may only be amended by special resolution of the shareholders. With regard to the appointment and replacement of Directors, the Company is governed by the Articles, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The powers of Directors are set out in the Articles.

Share capital

Details of the issued share capital, together with details of any movements during the year, are shown in Note 25 to the financial statements. The Company has one class of Ordinary share which carries no right to fixed income. Each Ordinary share carries the right to one vote at general meetings of the Company.

The Company has also issued cumulative Preference shares of 50p each that entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The cumulative Preference shares do not entitle the holders to any further or other participation in the profits or assets of the Company.

The percentage of the issued nominal value of the Ordinary shares is 98.3% (2021: 98.3%) of the total issued nominal value of all share capital.

Share rights

No shareholder shall be entitled to vote at a general meeting, either in person or by proxy, in respect of any share held by them unless all monies presently payable by them in respect of that share have been paid. In addition, no shareholder shall be entitled to vote, either in person or by proxy, if they have been served with a notice under section 793 of the Companies Act 2006 (concerning interests in those shares) and has failed to supply the Company with the requisite information.

Other than restrictions considered to be standard for a UK listed company (for example, restrictions on partly paid certificated shares), there are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association (the Articles) and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration report. Shares held by the Company's Share Schemes Trustees are voted on the instructions of the employees on whose behalf they are held. Shares in the Guernsey Trust are voted at the discretion of the Trustees.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Directors' interests

Details of the Directors' interests in shares are set out in the Remuneration Report on pages 67 and 79. No company in the Group was, during or at the end of the year, party to any contract of significance in which any Director was materially interested. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a change of control.

Authority to issue shares

Subject to the provisions of the Companies Act 2006 and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

The authority conferred on the Directors at last year's AGM to allot shares in the Company up to a maximum nominal amount of £40,974,222 (representing 33.3% of the issued share capital of the Company (excluding treasury shares) as at the latest practicable date before publication of the Notice of the Company's last AGM) and, in connection with a pre-emptive offer to existing shareholders by way of a rights issue, to allot an additional shares in the Company up to a maximum nominal amount of £40,974,222 (representing a further 33.3% of the issued share capital of the Company (excluding treasury shares) as at the latest practicable date before publication of the Notice of the Company's last AGM), expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to allot shares at the forthcoming AGM.

The authority conferred on the Directors at last year's AGM to allot shares in the Company and/or to sell ordinary shares held by the Company as treasury shares for cash as if the pre-emption provisions of Section 561(1) of the Companies Act 2006 did not apply, limited to:

- firstly, an aggregate nominal amount of £6,152,285, representing approximately 5% of the current issued Ordinary share capital; and
- secondly, a further 5% of the Company's Ordinary share capital, provided that this additional power is only used in connection with acquisitions and specified capital investments which are announced contemporaneously with the issue or which have taken place in the preceding six month period and are disclosed in the announcement of the issue, will expire at the end of the Company's next AGM or, if earlier, at the close of business on 20 November 2022. The Company will seek a similar authority at its next AGM.

Report of the Directors continued

Authority to purchase shares

The authority for the Company to purchase in the market up to 24,609,142 of its ordinary shares (representing 10% of the issued share capital of the Company as at the latest practicable date before publication of the Notice of the Company's last AGM) granted at the Company's last AGM, expires on the date of the forthcoming AGM. Shareholders will be asked to give a similar authority to purchase shares at the forthcoming AGM.

Shares purchased by the Company

The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth. Reflecting this approach and in light of the Company's substantial headroom under its facilities and target leverage, on 15 March 2022 the Company launched a share buyback programme of the Company's Ordinary shares for up to a maximum aggregate consideration of £30m (the Programme). The Company has entered into an agreement with Numis pursuant to which it is intended that Numis will purchase up to a maximum of 24 million Ordinary shares on the Company's behalf. Under the Programme the repurchased Ordinary shares will be held in treasury. It is expected that the Programme will be completed by 15 September 2022.

As at 30 April 2022, in furtherance of the Programme, the Company had bought 1,825,991 of its Ordinary shares of 50p each (having an aggregate nominal value of £912,995.50 and representing 0.0074% of the called-up share capital of the Company as at 30 April 2022) for an aggregate consideration of £7,478,022, which was also the maximum number (and nominal value) of Ordinary shares so acquired and held at any time by the Company during the year. No such Ordinary shares were disposed of or cancelled by the Company.

Interests in shares

As at 30 April 2022, the Company is aware of the following persons who, either directly or indirectly, hold 3% or more of the issued share capital of the Company:

	30 April 2022	%
FIL Limited*	20,300,963	8.24
Richard Griffiths	17,784,481	7.28
Aberforth Partners*	17,451,690	7.14
Schroders plc*	16,024,709	6.56
Lombard Odier Investment Management*	15,630,425	6.39
BlackRock*	13,207,116	5.40
Artemis Investment Management LLP*	11,944,882	4.89
Vanguard Group*	11,256,874	4.61
JO Hambro Capital Management*	10,219,378	4.18
Dimensional Fund Advisors*	8,798,638	3.60
Janus Henderson Investors*	7,902,593	3.23

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

Directors

Details of the present Directors are listed on pages 56 and 57. Resolutions to reappoint each of the Directors in office at the date of this report will be proposed at the AGM. Termination provisions in respect of executive Directors' contracts can be found in the Remuneration report, starting on page 67.

Directors' indemnities

As permitted by the Company's Articles, qualifying third party indemnities for each Director of the Company were in place throughout their periods of office during the year and, for those currently in office, remained in force as at the date of signing of this report.

The Company's Articles are available on the Company's website:

www.reddenorthgate.com



Employee consultation and disabled employees

The disclosures surrounding employee engagement and disabled employees are included within our ESG report on pages 36 to 50.

Employee and other stakeholder engagement

Details of Directors' engagement with employees and other stakeholders are included within the Strategic Report, as part of our ESG report, on pages 36 and 50.

Details on how the Directors have discharged their duties under Section 172(1) of the Companies Act 2006 are included on pages 52 to 53.

Future developments

Details of likely future developments affecting the Group are included within the CEO review on pages 4 to 10 and included within Our strategy on pages 15 to 18.

Dividends

Subject to approval, the Directors are recommending a final dividend of 15.0p per share (2021: 12.0p) which will be paid on 30 September 2022 to shareholders on the register as at close of business on 2 September 2022.

Political donations

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

Subsidiaries

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

There are no overseas branches.

Significant agreements

The Group's financing facilities are subject to change of control provisions (see Note 21 in the financial statements).

Research and development

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

Energy & carbon reporting

The disclosures regarding greenhouse gas emissions, energy consumption and energy efficiency actions included in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 are included in the Impact focus section of the Strategic Report on page 41.

Remuneration report

The Directors' Remuneration report contains:

- a statement by John Pattullo, Chairman of the Remuneration Committee;
- the Directors' remuneration policy; and
- the annual report on remuneration, which sets out payments made in the financial year ended 30 April 2022.

The statement by the Chairman and Annual report on remuneration will be put to an advisory shareholder vote by ordinary resolution.

The Directors' Remuneration report can be found on pages 67 to 79 and is incorporated in this Directors' report by reference.

Disclosure of information under Listing Rule 9.8.4

Dividend waiver arrangements are in place for the employee trusts.

Report of the Directors continued

Length of notice of general meetings

The minimum notice period permitted by the Companies Act 2006 for general meetings of listed companies is 21 days, but the Act provides that companies may reduce this period to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. A separate notice of AGM has been issued to all shareholders which includes details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

A resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs will be proposed at the AGM. The approval will be effective until the Company's next AGM, when it is intended that the approval be renewed.

It is the Board's intention that this authority would not be used as a matter of routine but only when merited by the circumstances of the meeting and in the best interests of shareholders.

Financial instruments

Details of the Group's use of financial instruments are given in the Financial review on pages 21 to 25 and in Note 31 to the financial statements.

Important events

Details of important events affecting the Company since the end of the financial year are set out in Note 33 of the financial statements on page 142.

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 Companies Act 2006.

A resolution for the appointment of PwC as auditors of the Company will be proposed at the forthcoming AGM. This proposal is supported by the Audit Committee.

The Directors' Report, comprising the Corporate Governance Report and the reports of the Audit and Remuneration Committees, has been approved by the Board and signed on its behalf.

By order of the Board

James Kerton
Company Secretary

6 July 2022

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

Directors' confirmations

- The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.
- Each of the Directors, whose names and functions are listed in the Corporate Governance section confirm that, to the best of their knowledge:
- The Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- The Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

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

By Order of the Board

Martin Ward

Chief Executive Officer

6 July 2022

Independent auditors' report to the members of Redde Northgate plc

Report on the audit of the financial statements

Opinion

In our opinion, Redde Northgate plc's Group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2022 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Company balance sheets as at 30 April 2022; the consolidated income statement, the Group and Company statements of comprehensive income, the Group and Company cash flow statements, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

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

Our audit approach

Overview

Audit scope

- The Group is organised into 12 reporting components and the Group financial statements are a consolidation of these reporting components.
- Of the 12 components we identified three which, in our view, required a full scope audit either due to their size or risk characteristics, one of these was audited by the Group engagement team.
- There is one significant component based overseas, Northgate España Renting Flexible S.A, and one other in the UK, Auxillis Services Limited, which have been audited by PwC component auditors.
- Specific audit procedures were performed over a further 3 reporting components due to their contributions to the financial statement line items in the Group financial statements. These include procedures over cash and bank balances, external loans, interest costs, dividends paid, property, plant and equipment, lease liabilities, operating expenses and payroll costs.
- As a result of this scoping we obtained coverage over 81% of the consolidated revenues and 86% of the consolidated profit before tax, exceptional items and amortisation on acquired intangible assets.
- In addition, as part of our audit we made enquiries of management to understand the process they adopted to assess the potential impact of climate change risk on the consolidated financial statements. Management have included their assessment of the impact of climate change within their goodwill impairment assessment as explained in Note 13. We used our knowledge of the Group to evaluate management's assessment and based on our assessment we have not identified any findings that would impact our key audit matters. We discussed with management the ways in which climate change disclosures should continue to evolve as the Group continues to develop its response to the impact of climate change. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

Key audit matters

- Determining appropriate depreciation rates for vehicle assets held for hire (Group)
- Claims due from insurance companies and self-insuring organisations, incorporating revenue recognition (Group)
- Recoverability of investments in subsidiary undertakings and amounts owed by subsidiary undertakings (Parent)

Materiality

- Overall group materiality: £7,500,000 (2021: £4,700,000) based on 5% of profit before tax, exceptional items and amortisation on acquired intangible assets.

Independent auditors' report to the members of Redde Northgate plc continued

- Overall company materiality: £15,000,000 (2021: £2,500,000) based on 1% of total assets, (2021: the company was a full scope component of the group audit and its materiality was capped due to group materiality allocation). A number of financial statement line items in the company, that are in-scope for the Group consolidation, are audited to a capped allocated component materiality of a lower amount.
- Performance materiality: £5,625,000 (2021: £3,525,000) (Group) and £11,250,000 (2021: £1,900,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The recoverability of investments in Group undertakings and amounts receivable from Group undertakings is a new key audit matter this year. Impact of COVID-19, which was a key audit matter last year, is no longer included because of the improved situation since the issuance of the previous annual report, including the proven effectiveness of the vaccine and the appetite of the current administration towards further lockdowns, which suggests the continued impact of COVID-19 will be minimal. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

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

The Group has a total of £888.9m (2021: £893.3m) of vehicle assets held for hire with a depreciation charge totalling £158.7m (2021: £161.2m). The Group adopts an accounting policy that uses depreciation rates based on estimated useful lives with the anticipation that the net book value of these vehicle assets approximates to their market value at the time of disposal. This policy seeks to minimise any significant gains or losses upon disposal of the vehicle assets. This policy requires management to make an estimate of what the residual value will be at the time of disposal. Determining likely residual values for future vehicle disposals is judgemental and requires a number of judgments and estimates to be made, including the age, condition, the method of selling a vehicle and expected future market conditions, such as forecast levels of supply and demand. Further explanation is included in the Group's critical accounting judgements and key sources of estimation uncertainty in Note 3 and the Report of the Audit Committee on pages 62 to 66. The disclosures in respect of vehicle assets held for hire are shown in Notes 2, 3 and 15.

We have obtained management's model to support the depreciation rates selected and confirmed its mathematical accuracy. We examined management's assumptions of expected future market values of hire vehicles, taking into account the various judgements used in the calculation of future residual values by reference to an external third-party industry data point for current prices, and testing management's adjustments from this. In addition we performed sensitivities on the residual values used by management. We performed detailed testing of the calculations supporting the estimates and judgements taken by management, including comparison to recent actual market prices achieved on disposal of similar vehicles, assessing the remaining impact of previous depreciation rate changes, and performing sensitivities using alternative depreciation rates. We have assessed management's assumptions in respect of the future changes to the vehicle hire fleet, including expected infleets, defleets and purchase pricing. We also considered the adequacy of the Group's disclosures in respect of the estimation uncertainty in setting appropriate depreciation rates. Based on the procedures performed, we were able to obtain sufficient audit evidence in respect of the judgements and estimates applied by management in determining the depreciation rates used.

Independent auditors' report to the members of Redde Northgate plc continued

Key audit matter

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

Within the Redde operating segment the Group recognises contract assets amounting to £193.8 million (2021: £144.7 million) on claims due from insurance companies and self-insuring organisations which are subject to the insurance claims being settled. As such, revenue recognised in respect of these claims represents variable consideration and is subject to a variable consideration adjustment which takes into account the settlement risk. This includes historical and expected collection rates, as well as the aged profile of amounts due. The assumptions underlying the calculation of the variable consideration adjustment, as well as the adjustments made, involve significant judgement and therefore impact both the carrying value of the associated assets and revenue recognised in relation to the associated claims. We determined that the valuation of outstanding claims, which incorporates the variable consideration adjustment, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Further explanation of the estimation uncertainty is included in the critical accounting judgements and key sources of estimation uncertainty in Note 3 and the Report of the Audit Committee on pages 62 to 66.

Recoverability of investments in subsidiary undertakings and amounts owed by subsidiary undertakings (parent)

The Company has significant investments in respect of acquisitions made across various subsidiaries amounting to £445.6m (2021: £443.5m) and amounts owed from subsidiary undertakings amounting to £1,053.6m (2021: £995.2m). The recoverable amount of the subsidiary is impacted by various factors, a number of which are outside of Redde Northgate's control, which could affect whether results are in line with expectations. Where a subsidiary has been subject to poor historical performance, there is a risk around the recoverability of this investment. There is inherent uncertainty and judgement in forecasting future cash flows which are above more recent results, and therefore this is a particularly judgement area of the audit. Amounts due from Group undertakings are considered as part of management's IFRS 9 expected credit loss assessment. The disclosures in respect of investments in subsidiary undertakings and amounts owed by subsidiary undertakings are shown in Notes 2, 16 and 19.

How our audit addressed the key audit matter

We assessed the accounting policy and approach to recognising revenue to ensure it was consistent with the principles of IFRS 15 'Revenue from contracts with customers' and in particular variable consideration. We reperformed the calculation within the model from the input data such as the ageing and recovery rates. We assessed and challenged the key assumptions used by management to derive the variable consideration adjustment, taking into account historical collection rates for individual insurers for each category of claim and any outliers within the data. We assessed whether there was any contradictory evidence which could call in question the assumptions made and we corroborated explanations provided to supporting information or evidence. We formed an independent view of the adequacy of the variable consideration adjustment, by obtaining invoice and settlement data since January 2016. We used this data to analyse the historical collection performance of monthly cohorts of invoices for each category of claim and derive an expectation of the potential settlement of claims outstanding at the balance sheet date. We also requested management perform a look back test, by assessing the outcome of cash settlements in the period against the assumptions made in determining the variable consideration adjustment at the previous balance sheet date. Using the historical recovery rates and aging profiles we calculated an auditors range as of the expected provision required. The results of this look back test have been disclosed in the financial statements within Note 19, receivables and contract assets. We have considered the adequacy of the disclosures in respect of estimation uncertainty included within the financial statements. Based on the procedures above, we concluded that the level of the provision held at the balance sheet date was reasonable.

We evaluated management's process for assessing impairment triggers for investments in subsidiary undertakings and management's IFRS 9 expected credit loss model in respect of amounts owed by subsidiary undertakings.

We have undertaken the following in respect of the investment in subsidiary undertakings:

- Compared historical performance to historical forecasts to assess accuracy in the budget process;
 - Key inputs are assessed, for example discount rates, inflation and forecast revenues and costs;
 - We engaged with PwC experts to assess the discount rate; and
 - We performed sensitivity analysis on the forecasts, including downside scenarios to assess headroom.
- Assessed the Group's budgeting procedures as a basis for value in use calculations;

We have considered management's approach to the expected credit loss assessment of each of the counterparty balances, agreeing inputs to counterparty entity accounting records and considering the risk of default. We have also considered the adequacy of the disclosures in respect of investments in subsidiary undertakings and amounts receivable from subsidiary undertakings. We are satisfied with management's conclusion on the carrying value of investments and amounts due from subsidiary undertakings.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the company, the accounting processes and controls, and the industry in which they operate.

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

Audit procedures were performed over a further 3 reporting components due to their contributions to the financial statement line items in the group financial statements. These include procedures over cash and bank balances, external loans, interest costs, dividends paid, property, plant and equipment, lease liabilities, operating expenses and payroll costs. All other audit work was completed by the Group audit team. On the remaining components we performed analytical procedures to respond to any potential risks of material misstatement to the Group.

Our audit scope was determined by considering the significance of each component's contribution to profit before tax, exceptional items and amortisation on acquired intangible assets, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks. As a result of this scoping we obtained coverage over 81% of the consolidated revenues and 86% of the consolidated profit before tax, exceptional items and amortisation on acquired intangible assets. The Group engagement team were significantly involved at all stages of the component audits by virtue of numerous communications throughout, including the issuance of detailed audit instructions and review and discussions of the audit approach and findings, in particular

Independent auditors' report to the members of Redde Northgate plc continued

over our areas of focus. The Group audit team met with local management and the component audit teams and attended their clearance meetings. In addition, we reviewed the component team reporting results and their supporting working papers, which together with the additional procedures performed at group level, gave us the evidence required for our opinion on the financial statements as a whole. Our audit procedures at the group level included the audit of the consolidation, goodwill and other intangible assets, investments in associates, taxes and certain aspects of IFRS 16 'Leases'. The Group engagement team also performed the audit of the Company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Name	Financial statements – group	Financial statements – company
Overall materiality	£7,500,000 (2021: £4,700,000).	£15,000,000 (2021: £2,500,000).
How we determined it	5% of profit before tax, exceptional items and amortisation on acquired intangible assets	1% of total assets. A number of financial statement line items in the company, that are in-scope for the Group consolidation, are audited to a capped allocated component materiality of a lower amount. In 2021 the company was a full scope component of the group audit and its materiality was capped due to group materiality allocation.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax, exceptional items and amortisation on acquired intangible assets is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. We have chosen this as our benchmark as it is a key performance measure disclosed to users of the financial statements. This figure takes prominence in the Annual Report, as well as the communications to both the shareholders and the market, and an element of management remuneration is linked to this performance measure. Based on this it is considered appropriate to use the adjusted profit before tax figure for the year as an appropriate benchmark	We believe that total assets are considered to be appropriate as it is not a profit oriented company. The Company is a holding company only and therefore total assets is deemed a generally accepted auditing benchmark. As mentioned above, a number of financial statement line items related to cash and cash equivalents, loans, interest costs and dividends of the company are included in the scope of the Group audit and were audited to a lower capped materiality. However, we determined that the company did not require a full scope audit of its complete financial information for the purposes of the Group audit.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £3m and £5.5m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £5,625,000 (2021: £3,525,000) for the Group financial statements and £11,250,000 (2021: £1,900,000) for the Company financial statements.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £375,000 (Group audit) (2021: £230,000) and £750,000 (Company audit) (2021: £230,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- We obtained from management their latest assessments supporting their conclusions with respect to the going concern basis of preparation of the financial statements;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- We evaluated management's base case forecast and downside scenarios, and challenged the adequacy and appropriateness of the underlying assumptions;
- In conjunction with the above we have also reviewed management's analysis of both liquidity, including the group's available financing and maturity profile, and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment;

Independent auditors' report to the members of Redde Northgate plc continued

- We reviewed management accounts for the financial period to date and checked that these were consistent with the starting point of management's forecasts, and supported the key assumptions included in the assessment; and
- We have reviewed the disclosures made in respect of going concern included in the financial statements.

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

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 30 April 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Directors' Remuneration

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

Corporate governance statement

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

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

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and

Independent auditors' report to the members of Redde Northgate plc continued

– The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

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

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate revenue and financial performance and management bias included within accounting judgements and estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors are included within this report:

- Review of board minutes, discussions with management, internal audit and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including to revenue;
- Assessing management's significant judgements and estimates in particular to those relating to the determination of depreciation rates for vehicles held for hire and claims due from insurance companies and self-insuring organisations; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

Independent auditors' report to the members of Redde Northgate plc continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 17 June 2015 to audit the financial statements for the year ended 30 April 2016 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 30 April 2016 to 30 April 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Jonathan Greenaway (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
6 July 2022

Financial Statements



Consolidated income statement

For the year ended 30 April 2022

	Note(s)	2022 £000	2021 £000
Revenue: hire of vehicles	5	563,288	515,566
Revenue: sale of vehicles	5	149,939	229,809
Revenue: claims and services	5	530,330	364,124
Total revenue	5	1,243,557	1,109,499
Cost of sales		(897,349)	(856,955)
Gross profit		346,208	252,544
Administrative expenses (excluding exceptional items and amortisation on acquired intangible assets)		(182,204)	(147,092)
Exceptional administrative expenses: impairment of property, plant and equipment	15, 29	–	(4,341)
Exceptional administrative expenses: reversal of previous impairment of property, plant and equipment	15, 29	2,998	1,304
Exceptional administrative expenses: other costs	29	(690)	(4,980)
Amortisation on acquired intangible assets	14	(19,778)	(19,513)
Total administrative expenses		(199,674)	(174,622)
Operating profit	6	146,534	77,922
Share of net profit of associates accounted for using the equity method	17	3,866	4,364
Gain on bargain purchase	4, 29	355	1,489
EBIT	5	150,755	83,775
Finance income		34	164
Finance costs	8	(18,100)	(16,760)
Profit before taxation		132,689	67,179
Taxation	9	(31,144)	(1,613)
Profit for the year		101,545	65,566
Profit for the year is wholly attributable to owners of the Parent Company. All results arise from continuing operations.			
Earnings per share			
Basic	11	41.3p	26.6p
Diluted	11	40.4p	26.2p

Throughout this report we refer to underlying results in order to allow management and other stakeholders to better compare the performance of the Group between periods. For a reconciliation of underlying to reported results see pages 26 and 27.

Statements of comprehensive income

For the year ended 30 April 2022

	Note	Group		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
Amounts attributable to the owners of the Parent Company					
Profit attributable to the owners		101,545	65,566	47,189	58,028
Other comprehensive (expense) income					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings		(16,347)	338	–	–
Net foreign exchange differences on long term borrowings held as hedges		11,904	(2,019)	–	–
Foreign exchange difference on revaluation reserve	28	(41)	(1)	–	–
Net fair value gains on cash flow hedges		–	184	–	184
Deferred tax charge recognised directly in equity relating to cash flow hedges		–	(35)	–	(35)
Total other comprehensive (expense) income		(4,484)	(1,533)	–	149
Total comprehensive income for the year		97,061	64,033	47,189	58,177

All items will subsequently be reclassified to the consolidated income statement. Profit attributable to the owners of the Parent Company includes amortisation of intangible assets.

Balance sheets

As at 30 April 2022

	Note	Group		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
Non-current assets					
Goodwill	13	114,926	114,503	–	–
Other intangible assets	14	151,312	170,830	–	10
Property, plant and equipment	15	1,161,915	1,083,920	–	–
Deferred tax assets	24	3,175	4,826	1,589	1,068
Investments	16	–	–	445,600	443,546
Interest in associates	17	5,843	6,047	–	–
Total non-current assets		1,437,171	1,380,126	447,189	444,624
Current assets					
Inventories	18	18,696	21,545	–	–
Receivables and contract assets	19	359,053	302,349	1,054,052	996,113
Current tax assets		7,432	–	–	–
Cash and bank balances		24,561	11,169	35	–
Total current assets		409,742	335,063	1,054,087	996,113
Total assets		1,846,913	1,715,189	1,501,276	1,440,737
Current liabilities					
Trade and other payables	20	246,833	229,666	369,091	332,738
Current tax liabilities		3,327	562	–	–
Lease liabilities	22	52,524	32,375	–	–
Short term borrowings	21	21,007	12,159	8,265	4,200
Total current liabilities		323,691	274,762	377,356	336,938
Net current assets		86,051	60,301	676,731	659,175
Non-current liabilities					
Trade and other payables	20	4,509	3,848	–	–
Lease liabilities	22	111,755	96,093	–	–
Long term borrowings	21	421,822	400,885	421,822	401,028
Deferred tax liabilities	24	38,375	31,472	–	–
Total non-current liabilities		576,461	532,298	421,822	401,028
Total liabilities		900,152	807,060	799,178	737,966
Net assets		946,761	908,129	702,098	702,771

Balance sheets continued

As at 30 April 2022

	Note	Group		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
Equity					
Share capital	25	123,046	123,046	123,046	123,046
Share premium account	26	113,510	113,510	113,510	113,510
Treasury shares reserve	27	(7,493)	–	(7,493)	–
Own shares reserve	27	(16,439)	(6,460)	–	–
Translation reserve	28	(8,633)	(4,190)	–	–
Other reserves	28	330,435	330,476	325,030	325,030
Retained earnings					
At 1 May		351,747	310,282	141,185	105,555
Profit for the financial year		101,545	65,566	47,189	58,028
Other changes in retained earnings		(40,957)	(24,101)	(40,369)	(22,398)
At 30 April		412,335	351,747	148,005	141,185
Total equity		946,761	908,129	702,098	702,771

Total equity is wholly attributable to the owners of the Parent Company (Company number 00053171). A profit of £47,189,000 (2021: £58,028,000) is dealt with in the financial statements of the Company. The financial statements on pages 92 to 142 were approved by the Board of Directors and authorised for issue on 6 July 2022.

They were signed on its behalf by:

Philip Vincent
Chief Financial Officer

Cash flow statements

For the year ended 30 April 2022

	Note	Group		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
Net cash generated from (used in) operations	(a)	127,643	137,878	(10,276)	(24,731)
Investing activities					
Interest received		34	164	1,418	666
Dividends received from subsidiary undertakings		–	–	73,542	78,521
Loans (to) from subsidiary undertakings		–	–	(38,625)	84,640
Distributions from associates	17	4,070	4,325	–	–
Acquisitions of business	4	(853)	(10,823)	–	–
Cash acquired on acquisitions		371	–	–	–
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment		2,683	35,919	–	–
Purchases of other property, plant and equipment		(52,369)	(7,460)	–	–
Purchases of intangible assets		(1,373)	(1,834)	–	–
Net cash (used in) generated from investing activities		(47,437)	20,291	36,335	163,827
Financing activities					
Dividends paid		(43,897)	(24,928)	(43,897)	(24,928)
Receipt of bank loans and other borrowings		318,056	27,195	318,056	–
Repayments of bank loans and other borrowings		(277,617)	(109,712)	(281,817)	(61,495)
Debt issue costs paid		(5,428)	(520)	(5,428)	(520)
Exceptional finance costs		(1,435)	–	–	–
Principal element of lease payments under IFRS 16		(27,959)	(16,994)	–	–
Principal element of lease payments under HP obligations		(15,700)	(37,814)	–	–
Payments to acquire treasury shares		(7,493)	–	(7,493)	–
Payments to acquire own shares for share schemes		(9,933)	(5,073)	(9,933)	(5,073)
Net cash (used in) financing activities		(71,406)	(167,846)	(30,512)	(92,016)
Net increase (decrease) in cash and cash equivalents		8,800	(9,677)	(4,453)	47,080
Cash and cash equivalents at 1 May		6,821	16,780	(4,200)	(50,853)
Effect of foreign exchange movements		148	(282)	423	(427)
Cash and cash equivalents at 30 April	(b)	15,769	6,821	(8,230)	(4,200)

Notes to the cash flow statements

For the year ended 30 April 2022

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

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Operating profit (loss)	146,534	77,922	(12,474)	(7,054)
Adjustments for:				
Depreciation of property, plant and equipment	197,162	191,609	–	–
Net impairment of property, plant and equipment	(2,998)	3,037	–	–
Amortisation of intangible assets	20,771	20,198	10	19
Loss on disposal of vehicles for credit hire and other property, plant and equipment	581	195	–	–
Loss on disposal of intangible assets	34	31	–	–
Share options fair value charge	3,695	2,518	3,695	2,518
Operating cash flows before movements in working capital	365,779	295,510	(8,769)	(4,517)
Increase in non-vehicle inventories	(1,169)	(1,407)	–	–
(Increase) decrease in receivables	(54,400)	(69)	11,019	4,570
Increase (decrease) in payables	22,253	(9,011)	98	(11,795)
Decrease in provisions	–	(4,577)	–	–
Cash generated from (used in) operations	332,463	280,446	2,348	(11,742)
Income taxes paid, net	(27,382)	(12,678)	–	–
Interest paid	(13,275)	(14,945)	(12,624)	(12,989)
Net cash generated from (used in) operations before purchases of and proceeds from disposal of vehicles for hire	291,806	252,823	(10,276)	(24,731)
Purchases of vehicles for hire	(292,935)	(303,537)	–	–
Proceeds from disposals of vehicles for hire	128,772	188,592	–	–
Net cash generated from (used in) operations	127,643	137,878	(10,276)	(24,731)

Additions in relation to vehicles for hire are recognised within net operating cash. Additions in relation to other property, plant and equipment are recognised as investing activities.

(b) Cash and cash equivalents

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash and cash equivalents comprise:				
Cash and bank balances	24,561	11,169	35	–
Bank overdrafts	(8,792)	(4,348)	(8,265)	(4,200)
Cash and cash equivalents	15,769	6,821	(8,230)	(4,200)

Cash and bank balances are stated gross of arrangements that exist with lenders to pool accounts and offset balances.

Statements of changes in equity

For the year ended 30 April 2022

(b) Cash and cash equivalents continued

Group	Share capital and share premium ¹ £000	Treasury shares reserve ² £000	Own shares reserve ² £000	Hedging reserve £000	Translation reserve £000	Other reserves ³ £000	Retained earnings £000	Total £000
Total equity at 1 May 2020	236,556	–	(3,090)	(149)	(2,509)	330,477	310,282	871,567
Share options fair value charge	–	–	–	–	–	–	2,518	2,518
Share options exercised	–	–	–	–	–	–	(1,703)	(1,703)
Dividends paid	–	–	–	–	–	–	(24,928)	(24,928)
Net purchase of shares	–	–	(5,073)	–	–	–	–	(5,073)
Transfer of shares on vesting of share options	–	–	1,703	–	–	–	–	1,703
Deferred tax on share based payments recognised in equity	–	–	–	–	–	–	12	12
Total comprehensive income (expense)	–	–	–	149	(1,681)	(1)	65,566	64,033
Total equity at 30 April 2021 and 1 May 2021	236,556	–	(6,460)	–	(4,190)	330,476	351,747	908,129
Share options fair value charge	–	–	–	–	–	–	3,695	3,695
Share options exercised	–	–	–	–	–	–	(588)	(588)
Dividends paid	–	–	–	–	–	–	(43,897)	(43,897)
Net purchase of shares	–	(7,493)	(10,567)	–	–	–	–	(18,060)
Transfer of shares on vesting of share options	–	–	588	–	–	–	–	588
Deferred tax on share based payments recognised in equity	–	–	–	–	–	–	(167)	(167)
Total comprehensive income (expense)	–	–	–	–	(4,443)	(41)	101,545	97,061
Total equity at 30 April 2022	236,556	(7,493)	(16,439)	–	(8,633)	330,435	412,335	946,761

Company	Share capital and share premium £000	Hedging reserve £000	Treasury shares reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2020	236,556	(149)	–	325,030	105,555	666,992
Share options fair value charge	–	–	–	–	2,518	2,518
Dividends paid	–	–	–	–	(24,928)	(24,928)
Deferred tax on share based payments recognised in equity	–	–	–	–	12	12
Total comprehensive income	–	149	–	–	58,028	58,177
Total equity at 30 April 2021 and 1 May 2021	236,556	–	–	325,030	141,185	702,771
Share options fair value charge	–	–	–	–	3,695	3,695
Net purchase of shares	–	–	(7,493)	–	–	(7,493)
Dividends paid	–	–	–	–	(43,897)	(43,897)
Deferred tax on share based payments recognised in equity	–	–	–	–	(167)	(167)
Total comprehensive income	–	–	–	–	47,189	47,189
Total equity at 30 April 2022	236,556	–	(7,493)	325,030	148,005	702,098

¹ Further details can be found within Note 25 and 26.² Further details can be found within Note 27.³ Other reserves comprise the other reserve, capital redemption reserve, revaluation reserve and merger reserve, further details of which can be found within Note 28.

Notes to the financial statements

1 General information

Redde Northgate plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 145 of this report. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 53.

The financial statements are presented in UK Sterling because this is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 2.

2 Principal accounting policies

Statement of compliance

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Basis of preparation

The financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. Redde Northgate plc transitioned to the UK-adopted International Accounting Standards in its Company financial statements on 1 May 2021. This change constitutes a change in accounting framework. However, there is no impact recognition, measurement or disclosure in the period reported as a result of the change in framework. The financial statements of Redde Northgate plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards.

With the exception of new accounting standards outlined below, all other accounting policies have been applied consistently.

The recognition and measurement of assets and liabilities considers the impact of climate-related matters which could reasonably be assumed to impact their value including in the assessment of potential impairment of assets (Note 13).

Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of approval, having reassessed the principal and emerging risks facing the Group and determined that there are no material uncertainties to disclose.

The Directors' assessment of the Group's ability to continue as a going concern includes an assessment of cash flow forecasts which incorporate an estimated impact of the current macroeconomic environment on the Group. This includes the consideration of a number of severe but plausible scenarios recognising the degree of uncertainty that continues to exist. Over the COVID period in 2020 and 2021, overall profitability and cash generation of the Group increased due to the resilience of the business model. A separate COVID type scenario has therefore not been included as a downside case.

In November 2021, the Group issued €375m of loan notes expiring between November 2027 and November 2031 and repaid the existing €100m loan notes. At the same time the Group extended its banking facilities maturity date from November 2023 to November 2025, which provides committed facilities of £475m. At 30 April 2022, there was £382m of headroom against the Group's borrowing facilities.

Changes in accounting policy

The following new standards, interpretations and amendments to standards are mandatory for the Group for the first time for the year ended 30 April 2022:

Amendments to the following standards:

- IFRS 7, IFRS 4 and IAS 16 "Interest rate benchmark reform – phase 2"
- IFRS 4 "Insurance Contracts – deferral of IFRS 9"
- IFRS 16 "Leases – COVID-19 related rent concessions"

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

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

Notes to the financial statements continued

2 Principal accounting policies continued

Basis of consolidation

Subsidiary undertakings are entities controlled by the Group. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 April 2021 and 30 April 2022.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary undertaking are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiary undertakings to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Hire of vehicles

Revenue from the hire of vehicles is recognised under IFRS 16 and as such is recognised evenly over the hire period.

Other Group revenue is measured and recognised in accordance with IFRS 15 at the fair value of consideration received or receivable from contracts with customers in respect of sale of used vehicles, the supply of related goods and services in the normal course of business and claims and services net of value added tax and discounts.

Sale of vehicles

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

Claims and services

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

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

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

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

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

Notes to the financial statements continued

2 Principal accounting policies continued

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

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

Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute, and are therefore considered to be variable consideration. On initial recognition, this consideration is adjusted to exclude any revenue at significant risk of reversal. As described above, the Group records revenue net of potential reversal on the settlement of claims, which reflects the Group's estimate of the expected recoverable amounts from insurers. The Group reassesses the amounts of variable consideration at the balance sheet date reflecting the latest information available on the settlement of claims in the period.

The Group's estimation of the amounts of revenue arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. Although in principle this is determined by reference to individual cases, in practice the homogeneous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claim.

Contract assets – Claims due from insurance companies and self-insuring organisations

Credit hire and credit repair contract assets and claims in progress are stated at the expected net claim value, which is after a variable consideration adjustment for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under protocol agreements and an estimation of the expected adjustments arising on the settlement of claims. At the end of each reporting period the Group updates the estimated claim values, to reflect the Group's most recent estimation of amounts ultimately recoverable. Any further variable consideration adjustments arising from such subsequent vision of the Group's expected claim values are recorded in the income statement against revenue.

Government grants

Government grants are recognised when there is reasonable assurance that we will comply with the conditions attached, and that the grant will be received. Government grants are recognised in the income statement on a systematic basis over the period in which the related costs, which they are intended to compensate, are recognised as expenses.

In the prior year, the Group had utilised the Coronavirus Job Retention Scheme, in which the UK Government reimbursed 80% of the wages of certain employees who were asked to stop working (furloughed) during COVID-19, but who were retained as employees. These grants had been credited against Staff costs (Note 7).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the income statement as incurred.

At the acquisition date, the provisional identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively; and
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date.

Hindsight adjustments to the provisional identifiable assets acquired and the liabilities assumed are recognised within 12 months from the date of acquisition if necessary.

Notes to the financial statements continued

2 Principal accounting policies continued

Goodwill

Goodwill represents amounts arising on acquisition of subsidiary undertakings and is the difference between the fair value of consideration of the acquisition and the fair value of the net identifiable assets and liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses identified through annual or other tests for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Where the fair value of consideration is less than the fair value of the net identifiable assets and liabilities acquired this gain on bargain purchase is recognised immediately in the income statement.

Intangible assets – arising on business combinations

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful lives are as follows:

Customer relationships	5 to 13 years
Brands	3 to 15 years
Software	3 to 10 years

Intangible assets – other

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Software assets are amortised on a straight line basis over their estimated useful lives, which range from 3 to 10 years.

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

Interest in associates

The Group's interests in associates, being those entities over which it has significant influence, and which are not subsidiaries, are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, the interest in associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in the value of individual investments. The Group income statement reflects the share of the associates' results after tax.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and any provision for impairment. Certain properties were revalued prior to the adoption of IFRS. These valuations were treated as deemed cost at the time of adopting IFRS for the first time. Depreciation is provided so as to write off the cost of assets to residual values on a straight line basis over the assets' useful estimated lives as follows:

Freehold buildings	50 years
Leasehold buildings	50 years or over the life of the lease, whichever is shorter, unless the entity expects to use the assets beyond the lease term
Plant, equipment and fittings	3 to 10 years
Vehicles for hire	3 to 12 years
Vehicles for credit hire	1 to 3 years
Motor vehicles	3 to 6 years

Vehicles for hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between 3 and 12 years, averaging around 6 years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles.

Notes to the financial statements continued

2 Principal accounting policies continued

Vehicles for credit hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between one and three years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are sold are in line with the open market values for those vehicles.

The Group is required to review its depreciation rates and estimated useful lives regularly to ensure that the net book values of disposals of tangible assets are broadly equivalent to their market values net of directly attributable selling costs.

Freehold land is not depreciated. On the subsequent sale or retirement of properties revalued prior to the adoption of IFRS, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. The residual value, if not insignificant, is reassessed annually.

Investments in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment.

Impairment

At each balance sheet date, the Group and Company reviews the carrying amounts of their tangible and intangible assets, including investments in subsidiaries, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss has been recognised in an earlier period, the Group reassesses whether there are any indications that such impairment has decreased or no longer exists. If an impairment has decreased or no longer exists, an impairment reversal on assets other than goodwill is recognised in the income statement to the extent required.

Inventories

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

Other inventories comprise spare parts and consumables and are valued at the lower of cost and net realisable value using the first in, first out (FIFO) costing method.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year and any amounts outstanding in relation to previous years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Current and deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also dealt with in equity.

Notes to the financial statements continued

2 Principal accounting policies continued

Financial instruments and hedge accounting

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

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

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

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

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

The Group uses derivative financial instruments to hedge its exposure to interest and foreign exchange rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold nor issue derivative financial instruments for trading purposes.

Derivative financial instruments are stated at fair value. Any gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for hedge accounting, where recognition of the resultant gain or loss depends on the nature of the items being hedged.

The fair value of interest rate derivatives is the estimated amount that the Group would receive or pay to terminate the derivative at the balance sheet date, taking into account current interest rates and the current creditworthiness of the derivative counterparties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and the ineffective portion is recognised in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting for cash flow hedges is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement as a net profit or loss for the period.

Changes in the fair value of derivative financial instruments that are designated, and effective as net investment hedges are recognised directly in equity and the ineffective portion is recognised in the income statement. Exchange differences arising on the net investment hedges are transferred to the translation reserve.

No derivative assets and liabilities are offset. Certain customer rebates, which will be settled in cash, are offset against the trade receivables balance until such time as these are settled.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and bank overdrafts. Cash at bank and in hand and bank overdrafts are shown gross irrespective of where accounts have a right of offset within the same banking facility.

Notes to the financial statements continued

2 Principal accounting policies continued

Bank loans, other loans, loan notes and issue costs

Bank loans, other loans and loan notes are stated initially at fair value – the amount of proceeds after deduction of issue costs – and then subsequently at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement on an accruals basis.

Foreign currencies

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

The net assets of overseas subsidiary undertakings are translated into UK Sterling at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is recognised directly in equity. The results of overseas subsidiary undertakings are translated into UK Sterling using average exchange rates for the financial period and variances compared with the exchange rate at the balance sheet date are recognised directly in equity. All other translation differences are taken to the income statement with the exception of exchange differences on foreign currency borrowings that provide a hedge against Group equity investments in foreign enterprises, which are recognised directly in equity, together with the exchange difference on the net investment in these enterprises.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity. They are denominated in the functional currency of the foreign entity and translated at the exchange rate prevailing at the balance sheet date, with any variances reflected directly in equity.

All foreign exchange differences reflected directly in equity are shown in the translation reserve component of equity.

Leased assets

As Lessee:

For any new contracts entered into, the Group considers whether a contract is, or contains a lease.

A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short term leases and leases of low value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

Notes to the financial statements continued

2 Principal accounting policies continued

As Lessor:

Motor vehicles and equipment hired to customers are included within property, plant and equipment. Income from such leases is taken to the income statement evenly over the period of the lease agreement.

For other assets leased to third parties, like the sub-lease of property, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Retirement benefit costs

The Group operates defined contribution pension schemes. Contributions in respect of defined contribution arrangements are charged to the income statement in the period they fall due. Pension contributions in respect of one of these arrangements are held in trustee administered funds, independently of the Group's finances.

The Group also operates Group personal pension plans. The costs of these plans are charged to the income statement as they fall due.

Employee share schemes and share based payments

The Group issues equity settled awards to certain employees.

Equity settled employee schemes, including employee share options and deferred annual bonuses, provide employees with the option to acquire shares of the Company. Employee share options and deferred annual bonuses are generally subject to performance or service conditions.

The fair value of equity settled payments is measured at the date of grant and charged to the income statement over the period during which performance or service conditions are required to be met or immediately where no performance or service criteria exist. The fair value of equity settled payments granted is measured using the Black-Scholes or the Monte Carlo model. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to the original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Group also operates a share incentive plan under which employees each have the option to purchase an amount of shares annually and receive an equivalent number of free shares. The Group recognises the free shares as an expense evenly throughout the period over which the employees must remain in employment of the Group in order to receive the free shares.

The Group operates a share save scheme under which employees have the option to convert savings to shares at an agreed exercise price. The Group recognises the option value evenly over the savings period.

Interest income and finance costs

Interest income and finance costs are recognised in the income statement using the effective interest rate method.

Exceptional items and amortisation of acquired intangible assets

Items are classified as exceptional gains or losses where they are considered to be material or which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. Restructuring and exceptional costs are considered on a case by case basis as to whether they meet the exceptional criteria. The presentation is consistent with the way financial performance is measured by management and reported to the Board.

Amortisation of acquired intangible assets is not classed as an exceptional item as it is recurring in nature. However, it is excluded from underlying results as it is considered non-operational and would otherwise not present a clear understanding of underlying performance, as growth of the business is achieved organically and inorganically. The revenue and costs attached to those acquisitions are included within underlying results.

Dividends

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

Notes to the financial statements continued

2 Principal accounting policies continued

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Own shares

The Group makes open market purchases of its own shares in order to satisfy the requirements of the Group's existing share schemes. Own shares are recognised at cost as a reduction in shareholder equity. The carrying values of own shares are compared with their market values at each reporting date and adjustments are made to write down the carrying value of own shares when, in the opinion of the Directors, there is a significant market value reduction.

Treasury shares

The Group makes open market purchases of its own shares in order to fund future investment. When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. The acquired shares are initially recognised at historical cost and then at each reporting date, adjustments are made to write down the carrying value of own shares when, in the opinion of the Directors, there is a significant market value reduction. When treasury shares are sold, reissued, or transferred to the own shares reserve subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in Note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements that will have an impact on the next 12 months.

Depreciation – vehicles for hire

Vehicles for hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between 3 and 12 years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles, after taking account of costs required to sell the vehicles.

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

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

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

A 5% increase or decrease in the price of vehicles sold in the year would have had a £7.5m impact on the adjustment to depreciation charge for vehicles sold in the year. If the vehicles sold in the year had been three months older at the point of removing from the fleet for sale, it is estimated that the adjustment to depreciation charge for vehicles sold in the year would have been £2.7m higher.

The impact of changes made to depreciation rates is outlined in the Financial review on pages 21 to 25.

Contract assets – claims due from insurance companies and self-insuring organisations

A key source of estimation uncertainty affecting the Group's financial statements relates to the expected variable consideration adjustments arising on settlement of insurance claims.

Claims due from insurance companies and self-insuring organisations are stated at the expected net claim value, which is stated after allowance for an estimation of expected adjustments arising on settlement of such claims.

Where necessary, the estimation of the expected adjustment arising on settlement of claims is revised, at each balance sheet date, to reflect the Group's most recent estimation of variable consideration amounts ultimately recoverable, which is constrained to exclude any revenue at significant risk of reversal. The estimation of any such expected adjustment represents a critical judgement made by the Directors.

Notes to the financial statements continued

3 Critical accounting judgements and key sources of estimation uncertainty continued

The Group's estimation of the expected adjustment arising on settlement of claims is calculated with reference to judgements made on a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the portfolio of cases. Settlement risk arises on claims due from insurance companies and self-insuring organisations due to their magnitude and the nature of the claims settlement process. The Group recovers its charges for vehicle hire and the cost of repair of customers' vehicles from the insurer of the at-fault party to the associated accident or, in a minority of claims, from the at-fault party direct where they are a self-insuring organisation. However, by their very nature, claims due from motor insurance companies can be subject to dispute which may result in subsequent adjustment to the Group's original estimate of the amount recoverable.

The carrying value of contract assets for claims from insurance companies at 30 April 2022 was £193,834,000 (2021: £144,738,000). A 3% difference between the carrying amount of claims in the balance sheet and the amounts finally settled would lead to a £5.8m charge or credit to the income statement in subsequent periods, which the Directors consider to be the estimation uncertainty that will impact results in the next 12 months.

The Group manages this risk by ensuring that vehicles are only supplied and remain on hire and repairs to customers' vehicles are carried out after a validation process that ensures to the Group's satisfaction that liability for the accident rests with another party. In the normal course of its business the Group uses three principal methods to conclude claims: through the use of protocol agreements, by negotiation with the insurer of the at-fault party where the claim is not covered by a protocol agreement and where a claim fails to settle because negotiations have been fruitless, by litigation. The vast majority of these claims settle before or on the threat of litigation, but where they do not, formal proceedings are issued.

In view of the tripartite relationship between the Group, its customer and the at-fault party's insurer and the nature of the claims process, claims due from insurance companies and self-insuring organisations do not carry a contractual "due date", nor does the expected adjustment arising on settlement represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS 7 on provision for credit loss are not provided.

Instead, the Directors review claims due from insurance companies and self-insuring organisations according to the age of the claim based upon the date that the claim was presented to the relevant insurer. The Group's strategy is that claims due should be collected by normal in-house processes including collections made under protocol arrangements with insurers and only then transferred to the Group solicitor process or other external solicitors as appropriate in specific circumstances pertaining to a case.

4 Acquisitions

On 9 July 2021, the Group acquired 100% of the equity interests of Charged Electric Vehicles Limited. Purchase consideration of £0.6m was transferred for the provisional fair value of net assets acquired of £0.2m, resulting in goodwill on acquisition of £0.4m recognised in the balance sheet.

On 28 March 2022, the Group acquired 100% of the equity interests of GRG Public Resources Limited. Purchase consideration of £0.3m was transferred for the provisional fair value of net assets acquired of £0.4m, resulting in a gain on bargain purchase of £0.1m recognised in the income statement.

During the prior year, on 4 September 2020 the Group acquired certain businesses and assets of Nationwide Accident Repair Services by way of a purchase from administrators. Details of this business combination were disclosed in Note 4 to the Group's annual financial statements for the year ended 30 April 2021.

Purchase consideration of £11.1m was transferred for the fair value of net assets acquired of £12.6m, resulting in a gain on bargain purchase of £1.5m recognised in the income statement, with a further £0.3m recognised in the current year in respect of contingent consideration which was not payable. No further adjustments were made to the fair values of net assets acquired during the 12 month hindsight period following the acquisition.

Notes to the financial statements continued

5 Segmental reporting

Management have determined the operating segments based upon the information provided to the Board of Directors which is considered to be the chief operating decision maker. The Group identifies three reportable segments, namely Northgate UK&I, Northgate Spain and Redde. The Group is managed and reports internally on a basis consistent with its three main operating divisions and is satisfied that the IFRS 8 aggregation criteria have been met. The principal activities of these divisions are set out in the Strategic Report.

	Northgate UK&I 2022 £000	Northgate Spain 2022 £000	Redde 2022 £000	Corporate 2022 £000	Eliminations 2022 £000	Total 2022 £000
Revenue: hire of vehicles	342,733	220,555	–	–	–	563,288
Revenue: sale of vehicles	111,802	38,137	–	–	–	149,939
Revenue: claims and services	–	–	530,330	–	–	530,330
External revenue	454,535	258,692	530,330	–	–	1,243,557
Intersegment revenue	3,886	–	13,354	–	(17,240)	–
Total revenue	458,421	258,692	543,684	–	(17,240)	1,243,557
Timing of revenue recognition:						
At a point in time	111,802	38,137	178,896	–	–	328,835
Over time	342,733	220,555	351,434	–	–	914,722
External revenue	454,535	258,692	530,330	–	–	1,243,557
Underlying operating profit (loss)	97,957	43,888	31,769	(9,610)	–	164,004
Share of net profit of associates accounted for using the equity method	–	–	3,866	–	–	3,866
Underlying EBIT*	97,957	43,888	35,635	(9,610)	–	167,870
Exceptional items (Note 29)						2,308
Amortisation on acquired intangible assets (Note 14)						(19,778)
Gain on bargain purchase (Note 4)						355
EBIT						150,755
Interest income						34
Finance costs (Note 8)						(18,100)
Profit before taxation						132,689
Other information						
Capital expenditure	167,514	135,076	121,901	–	–	424,491
Depreciation	82,164	88,647	26,351	–	–	197,162
Reportable segment assets	651,680	466,485	718,141	–	–	1,836,606
Income tax assets						10,607
Total assets						1,846,913
Reportable segment liabilities	253,062	224,994	380,395	–	–	858,451
Income tax liabilities						41,701
Total liabilities						900,152

* Underlying EBIT stated before amortisation on acquired intangible assets and exceptional items is the measure used by the Board of Directors to assess segment performance.

Notes to the financial statements continued

5 Segmental reporting continued

	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Redde 2021 £000	Corporate 2021 £000	Eliminations 2021 £000	Total 2021 £000
Revenue: hire of vehicles	310,066	205,500	–	–	–	515,566
Revenue: sale of vehicles	161,417	68,392	–	–	–	229,809
Revenue: claims and services	–	–	364,124	–	–	364,124
External revenue	471,483	273,892	364,124	–	–	1,109,499
Intersegment revenue	1,530	–	7,604	–	(9,134)	–
Total revenue	473,013	273,892	371,728	–	(9,134)	1,109,499
Timing of revenue recognition:						
At a point in time	161,417	68,392	140,266	–	–	370,075
Over time	310,066	205,500	223,858	–	–	739,424
External revenue	471,483	273,892	364,124	–	–	1,109,499
Underlying operating profit (loss)	76,800	33,700	3,358	(8,406)	–	105,452
Share of net profit of associates accounted for using the equity method	–	–	4,364	–	–	4,364
Underlying EBIT*	76,800	33,700	7,722	(8,406)	–	109,816
Exceptional items (Note 29)						(8,017)
Amortisation on acquired intangible assets (Note 14)						(19,513)
Gain on bargain purchase (Note 4)						1,489
EBIT						83,775
Interest income						164
Finance costs (Note 8)						(16,760)
Profit before taxation						67,179
Other information						
Capital expenditure	200,845	142,342	64,485	–	–	407,672
Depreciation	86,173	87,672	17,764	–	–	191,609
Reportable segment assets	639,544	473,626	597,193	–	–	1,710,363
Income tax assets						4,826
Total assets						1,715,189
Reportable segment liabilities	262,136	236,051	276,839	–	–	775,026
Income tax liabilities						32,034
Total liabilities						807,060

* Underlying EBIT stated before amortisation on acquired intangible assets and exceptional items is the measure used by the Board of Directors to assess segment performance.

Segment assets and liabilities exclude current and deferred tax assets and liabilities, since these balances are not included in the segments' assets and liabilities as reviewed by the chief operating decision maker.

Notes to the financial statements continued

5 Segmental reporting continued

Geographical information

Revenues are attributed to countries on the basis of the Company's location.

	Revenue 2022 £000	Non-current assets 2022 £000	Revenue 2021 £000	Non-current assets 2021 £000
United Kingdom and Ireland	984,865	988,099	835,607	929,136
Spain	258,692	445,897	273,892	446,164
	1,243,557	1,433,996	1,109,499	1,375,300
		United Kingdom and Ireland 2022 £000	Spain 2022 £000	Total 2022 £000
Revenue from contracts with customers		335,802	38,137	373,939
Revenue from other sources		649,063	220,555	869,618
		984,865	258,692	1,243,557
		United Kingdom and Ireland 2021 £000	Spain 2021 £000	Total 2021 £000
Revenue from contracts with customers		310,516	68,392	378,908
Revenue from other sources		525,091	205,500	730,591
		835,607	273,892	1,109,499

There are no external customers from whom the Group derives more than 10% of total revenue.

6 Operating profit

	2022 £000	2021 £000
Operating profit is stated after charging (crediting):		
Depreciation of property, plant and equipment (Notes 15)		
Owned	165,632	168,478
Relating to IFRS 16 (leases)	27,285	16,371
Relating to HP (leases)	4,245	6,760
Impairment of property, plant and equipment (Notes 15 and 29)	–	4,341
Reversal of previous impairment of property, plant and equipment (Notes 15 and 29)	(2,998)	(1,304)
Amortisation of intangible assets (Note 14)	20,771	20,198
Staff costs (Note 7)	227,744	195,074
Cost of inventories recognised as an expense	185,611	264,508
Net impairment of trade receivables (Note 31)	8,255	8,722
Auditor's remuneration for audit services (overleaf)	1,047	1,083
Auditor's remuneration for non-audit services (overleaf)	57	54

Notes to the financial statements continued

6 Operating profit continued

	2022 £000	2021 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	385	356
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	662	727
Total audit fees	1,047	1,083
Audit related assurance services (Review of interim Financial Statements)	57	54
Total non-audit fees	57	54

Fees payable to PwC and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements disclose such fees on a consolidated basis.

A description of the work of the Audit Committee is set out on pages 62 to 66 and includes an explanation of how auditor objectivity and independence are safeguarded when non-audit services are provided by the auditor.

7 Staff costs

	2022 Number	2021 Number
The average monthly number of persons employed by the Group:		
By geography:		
United Kingdom and Ireland	4,783	5,600
Spain	1,238	1,221
	6,021	6,821
By function:		
Direct operations	4,880	5,728
Administration	1,141	1,093
	6,021	6,821
	2022 £000	2021 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	194,845	166,201
Social security costs	23,401	21,201
Other pension costs – defined contribution plans	5,803	5,154
Share based payments	3,695	2,518
	227,744	195,074

Included in the above are amounts credited to the related costs for grants received under the Coronavirus Job Retention Scheme of £nil (2021: £17,191,000).

Wages and salaries include £1,279,000 (2021: £7,324,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the Remuneration report on pages 67 to 79.

Notes to the financial statements continued

8 Finance costs

	2022 £000	2021 £000
Interest on bank overdrafts and loans	10,683	11,670
Amortisation of arrangement fees	1,951	1,645
Interest arising on leased assets following adoption of IFRS 16	3,223	2,064
Interest arising on other lease obligations	739	1,058
Preference share dividends	25	25
Other interest	16	298
Finance costs (excluding exceptional items)	16,637	16,760
Costs incurred on termination of loan notes (Note 29)	1,435	-
Amortisation of arrangement fees	28	-
Exceptional finance costs	1,463	-
Finance costs	18,100	16,760

9 Taxation

	2022 £000	2021 £000
Current tax:		
UK corporation tax	17,413	12,661
UK adjustment in respect of prior years (including exceptional release of uncertain tax provisions)	(2,073)	(11,196)
Foreign tax (including adjustment in relation to prior year)	7,470	811
	22,810	2,276
Deferred tax:		
Origination and reversal of timing differences	(1,087)	(1,346)
Adjustment in respect of prior years	714	683
Movement due to change in tax rates	8,707	-
	8,334	(663)
Total tax charge	31,144	1,613

Notes to the financial statements continued

9 Taxation continued

UK corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

The net charge for the year can be reconciled to the profit before taxation as stated in the income statement as follows:

	2022 £000	2022 %	2021 £000	2021 %
Profit before taxation	132,689		67,179	
Tax at the UK corporation tax rate of 19% (2021: 19%)	25,211	19.0	12,764	19.0
Tax effect of expenses that are not deductible in determining taxable profit	703	0.5	1,337	2.0
Tax effect of income not taxable in determining taxable profit	(1,396)	(1.1)	(1,467)	(2.2)
Difference in tax rates in overseas subsidiary undertakings	1,514	1.1	954	1.4
Net movement on uncertain tax provisions	(563)	(0.4)	(9,276)	(13.8)
Overseas available reliefs	(1,614)	(1.2)	(1,081)	(1.6)
Adjustment to tax charge in respect of prior years	(1,418)	(1.1)	–	–
Rate change	8,707	6.6	(1,618)	(2.4)
Tax charge and effective tax rate for the year	31,144	23.5	1,613	2.4

In addition to the amount charged to the income statement, a net deferred tax amount of £167,000 has been charged (2021: £12,000) directly to equity.

During the year, £2,508,000 of uncertain tax provisions was released in respect of the Group financing structure (2021: £10,008,000). There are no deferred tax assets which are not recognised in the balance sheet in the current or prior year.

Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 25% and 19% in the UK, depending on whether the charge is to reverse within or after 12 months, and 25% in Spain.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%. On 24 May 2021, the proposal to increase the rate to 25% had been substantively enacted, therefore this rate change has been reflected in Group tax balances for the year ended 30 April 2022.

10 Dividends

An interim dividend of 6.0p per Ordinary share was paid in January 2022 (2021: 3.4p). The Directors propose a final dividend for the year ended 30 April 2022 of 15.0p per Ordinary share (2021: 12.0p), which is subject to approval at the annual general meeting and has not been included as a liability as at 30 April 2022. Based upon the shares in issue at 30 April 2022, this equates to a final dividend payment of £37m (2021: £29.5m). No dividends have been paid between 30 April 2022 and the date of signing the financial statements.

Notes to the financial statements continued

11 Earnings per share

	2022 £000	2021 £000
Basic and diluted earnings per share		
The calculation of basic and diluted earnings per share is based on the following data:		
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to the owners of the Parent Company	101,545	65,566
Number of shares		
Weighted average number of Ordinary shares for the purposes of basic earnings per share	245,997,303	246,091,423
Effect of dilutive potential Ordinary shares – share options	5,242,307	4,081,514
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	251,239,610	250,172,937
Basic earnings per share	41.3p	26.6p
Diluted earnings per share	40.4p	26.2p

The calculated weighted average number of Ordinary shares for the purposes of basic earnings per share includes a reduction of 94,120 shares (2021: nil) relating to treasury shares acquired during the year.

12 Result of the Parent Company

A profit of £47,189,000 (2021: £58,028,000) is dealt with in the financial statements of the Company. The Directors have taken advantage of the exemption available under Section 408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

13 Goodwill

	£000
At 1 May 2020	116,105
Hindsight adjustment to fair value of assets acquired	(1,602)
At 30 April 2021 and 1 May 2021	114,503
Acquired through business combinations (Note 4)	423
At 30 April 2022	114,926

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. In the current year, the acquisition of Charged Electric Vehicles Limited has been included within Northgate Vehicle Hire (UK) CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The allocation of goodwill by CGU as follows:

	2022 £000	2021 £000
Northgate Vehicle Hire (UK)	4,012	3,589
Auxillis	74,827	74,827
FMG	31,078	31,078
NewLaw	5,009	5,009
	114,926	114,503

Notes to the financial statements continued

13 Goodwill continued

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are aligned to UK GDP growth rate forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The current year impairment assessment was based on risk adjusted cash flow forecasts derived from a business plan, approved by the Directors in April 2022. The approved business plan includes the three year strategic plan of the Group and a forecast for a further two years. It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged.

The business plan and growth rate applied to terminal values include management's assessment of the impacts of climate-related issues which could reasonably be assumed to impact the future cash generation of each CGU.

The value in use assessment is sensitive to changes in the key assumptions used, most notably the discount rate and growth rates as follows:

	Goodwill 2022 £000	Pre-tax discount rate %	Growth rate applied to terminal values %	Impact of 1% increase in discount rate on recoverable amount £m	Impact of 1% reduction in growth rate applied to terminal values on recoverable amount £m
Northgate Vehicle Hire (UK)	4,012	9.9%	2.0%	(96.6)	(89.1)
Auxillis	74,827	9.9%	2.0%	(65.6)	(59.4)
FMG	31,078	9.9%	2.0%	(6.9)	(6.2)
NewLaw	5,009	9.9%	2.0%	(3.3)	(3.0)
	114,926				

The above sensitivity analysis, with no further reasonable changes in assumptions, would not result in an impairment charge to the carrying value of goodwill in any of the recognised CGUs.

In the prior year, impairment assessment was based on risk adjusted cash flow forecasts derived from a business plan approved by the Directors in May 2021 using a pre-tax discount rate of 8.8% and pre-tax growth rate of 2.0% for all CGUs. It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged.

Notes to the financial statements continued

14 Other intangible assets

	Group			Company	
	Customer relationships £000	Other software £000	Brand names £000	Total £000	Other software £000
Cost:					
At 1 May 2020	169,600	35,706	12,800	218,106	135
Acquisition	1,000	2,100	450	3,550	–
Additions	–	1,834	–	1,834	–
Disposals	–	(15,536)	–	(15,536)	–
Exchange differences	–	(44)	–	(44)	–
At 30 April 2021 and 1 May 2021	170,600	24,060	13,250	207,910	135
Acquisition (Note 4)	50	–	100	150	–
Additions	–	1,373	–	1,373	–
Disposals	–	(334)	–	(334)	–
Exchange differences	–	(194)	–	(194)	–
At 30 April 2022	170,650	24,905	13,350	208,905	135
Amortisation:					
At 1 May 2020	2,884	29,358	154	32,396	106
Charge for the year	17,370	1,888	940	20,198	19
Disposals	–	(15,505)	–	(15,505)	–
Exchange differences	–	(9)	–	(9)	–
At 30 April 2021 and 1 May 2021	20,254	15,732	1,094	37,080	125
Charge for the year	17,416	2,337	1,018	20,771	10
Disposals	–	(167)	–	(167)	–
Exchange differences	–	(91)	–	(91)	–
At 30 April 2022	37,670	17,811	2,112	57,593	135
Carrying amount:					
At 30 April 2022	132,980	7,094	11,238	151,312	–
At 30 April 2021	150,346	8,328	12,156	170,830	10
Weighted average remaining amortisation period (years)	8	3	12		–
				2022 £000	2021 £000
Intangible amortisation:					
Included within underlying EBIT				993	685
Excluded from underlying EBIT*				19,778	19,513
				20,771	20,198

* Amortisation of intangible assets excluded from underlying EBIT relates to intangible assets recognised on business combinations. Amortisation of acquired intangible assets is not classed as an exceptional item as it is recurring in nature. However, it is excluded from underlying results as it is considered non-operational and would otherwise not present a clear understanding of underlying performance as growth of the business is achieved organically and inorganically. The revenue and costs attached to those acquisitions are included within underlying results.

Notes to the financial statements continued

15 Property, plant and equipment

Group	Vehicles for hire £000	Vehicles for credit hire £000	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:						
At 1 May 2020	1,263,488	52,384	147,845	40,750	3,030	1,507,497
Acquisition	–	–	6,828	3,117	–	9,945
Additions	329,377	38,983	30,446	4,653	2,379	405,838
Exchange differences	(795)	–	(65)	(90)	–	(950)
Transfer	357	–	–	–	(357)	–
Transfer to inventories	(276,153)	–	–	–	–	(276,153)
Disposals	–	(36,910)	(6,871)	(1,285)	(1,371)	(46,437)
At 30 April 2021 and 1 May 2021	1,316,274	54,457	178,183	47,145	3,681	1,599,740
Acquisition	–	–	–	3	–	3
Additions	294,739	83,784	37,747	5,025	1,823	423,118
Exchange differences	(22,498)	–	(2,346)	(969)	–	(25,813)
Transfer	168	–	–	–	(168)	–
Transfer to inventories	(190,761)	–	–	–	–	(190,761)
Disposals	–	(10,969)	(4,728)	(837)	(1,603)	(18,137)
At 30 April 2022	1,397,922	127,272	208,856	50,367	3,733	1,788,150
Depreciation:						
At 1 May 2020	378,777	1,344	38,872	25,479	1,265	445,737
Charge for the year	161,247	11,898	11,352	6,116	996	191,609
Impairment (Note 29)	–	–	4,341	–	–	4,341
Impairment reversal (Note 29)	–	–	(1,036)	(268)	–	(1,304)
Exchange differences	(630)	–	(105)	(56)	–	(791)
Transfer	192	–	–	–	(192)	–
Transfer to inventories	(116,654)	–	–	–	–	(116,654)
Disposals	–	(2,783)	(2,772)	(751)	(812)	(7,118)
At 30 April 2021 and 1 May 2021	422,932	10,459	50,652	30,520	1,257	515,820
Charge for the year	158,666	15,971	15,409	5,831	1,285	197,162
Impairment reversal (Note 29)	–	–	(2,998)	–	–	(2,998)
Exchange differences	(7,708)	–	(693)	(626)	–	(9,027)
Transfer	77	–	–	–	(77)	–
Transfer to inventories	(64,989)	–	–	–	–	(64,989)
Disposals	–	(7,247)	(826)	(519)	(1,141)	(9,733)
At 30 April 2022	508,978	19,183	61,544	35,206	1,324	626,235
Carrying amount:						
At 30 April 2022	888,944	108,089	147,312	15,161	2,409	1,161,915
At 30 April 2021	893,342	43,998	127,531	16,625	2,424	1,083,920

At 30 April 2022, the Group had entered into total contractual commitments amounting to £25,561,000 (2021: £26,189,000).

Notes to the financial statements continued

15 Property, plant and equipment continued

Land & buildings include the following:

	2022 £000 NBV	2021 £000 NBV
Land and buildings by category:		
Freehold and long leasehold	50,988	54,114
Short leasehold	96,324	73,417
	147,312	127,531

Short leasehold properties include £90,016,000 of leases following the adoption of IFRS 16 (2021: £66,158,000). Property, plant and equipment include the following right of use leased assets:

Group	Vehicles for hire £000	Vehicles for credit hire £000	Other property, plant and equipment £000	Total £000
Cost:				
At 1 May 2020	–	52,384	62,311	114,695
Additions	11,860	38,983	30,018	80,861
Exchange differences	–	–	(43)	(43)
Disposals	–	(36,910)	(4,738)	(41,648)
At 30 April 2021 and 1 May 2021	11,860	54,457	87,548	153,865
Additions	6,077	37,586	38,191	81,854
Reclassification to owned assets (not held under leases)	–	(7,368)	–	(7,368)
Exchange differences	–	–	(842)	(842)
Disposals	(190)	(9,659)	(4,562)	(14,411)
At 30 April 2022	17,747	75,016	120,335	213,098
Depreciation:				
At 1 May 2020	–	1,344	8,053	9,397
Charge for the year	1,411	11,898	9,822	23,131
Impairment	–	–	3,305	3,305
Exchange differences	–	–	(80)	(80)
Disposals	–	(2,783)	(1,481)	(4,264)
At 30 April 2021 and 1 May 2021	1,411	10,459	19,619	31,489
Charge for the year	3,810	13,842	13,878	31,530
Impairment reversal	–	–	(2,998)	(2,998)
Reclassification to owned assets (not held under leases)	–	(2,254)	–	(2,254)
Exchange differences	–	–	(228)	(228)
Disposals	(36)	(6,912)	(1,400)	(8,348)
At 30 April 2022	5,185	15,135	28,871	49,191
Carrying amount:				
At 30 April 2022	12,562	59,881	91,464	163,907
At 30 April 2021	10,449	43,998	67,929	122,376

Notes to the financial statements continued

16 Investments

Company	Shares in subsidiary undertakings £000	Loans in subsidiary undertakings £000	Total £000
Cost and carrying amount:			
At 1 May 2020	394,895	47,000	441,895
Capital contribution	1,651	–	1,651
At 30 April 2021 and 1 May 2021	396,546	47,000	443,546
Capital contribution	2,054	–	2,054
At 30 April 2022	398,600	47,000	445,600

At 30 April 2022, a full list of subsidiaries of the Group, for all of which the Ordinary shares were wholly owned, was as follows:

Name	Company number*	Registered office
Angel Assistance Limited [^]	03902646	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Auxillis Limited [^]	02948256	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Auxillis Services Limited*	02686430	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Cab Aid Limited [^]	05013600	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Car Monster Limited (formerly HHFS Limited) [^]	03217696	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Charged Electric Vehicles Limited	12702971	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
FMG Finance Limited [^]	9347579	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
FMG Group Holdings Limited [^]	9341508	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
FMG Legal LLP [^]	OC378834	Helmont House, Churchill Way, Cardiff, CF10 2HE
FMG Repair Services Ltd [^]	05120241	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
FMG Support (FIM) Limited [^]	2658067	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
FMG Support (HO) Limited [^]	3576057	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
FMG Support (RRRM) Limited [^]	2762997	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
FMG Support Group Limited [^]	6489429	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
FMG Support Limited [^]	3813859	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
Goode Durrant Administration Limited [^]	00059051	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
GRG Public Resources Limited*	2946432	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
HAS Accident Management Solutions Limited [^]	03198299	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Helphire EBT Trustee Limited [^]	03852243	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Moco Group Limited (formerly Rose Bidco Limited) [^]	9713395	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
NewLaw Legal Limited*	07200038	Helmont House, Churchill Way, Cardiff, CF10 2HE
NewLaw Trustees Limited [^]	08702402	Helmont House, Churchill Way, Cardiff, CF10 2HE
NG Finance Limited*	00545062 (Ireland)	6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland
NLS Trustees Limited [^]	SC427064	7th Floor Delta House, 50 West Nile Street, Glasgow, G1 2NP

Notes to the financial statements continued

16 Investments continued

Name	Company number ⁺	Registered office
Northgate (CB) Limited [^]	07233528	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (CB2) Limited [^]	07983969	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Europe) Limited [^]	05932194	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Malta) Limited [*]	C39845 (Malta)	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate (MT) Limited [*]	C39847 (Malta)	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate España Renting Flexible S.A. [*]	CIF A-28659423 (Spain)	Avd Isaac Newton, 3 Parque Empresarial La Carpetania, 28906 Getafe, Madrid, Spain
Northgate Holdings Limited [^]	12366193	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate Vehicle Hire (Ireland) Limited [*]	00333586 (Ireland)	6th Floor, South Bank House, Barrow Street, Dublin 4, Ireland
Northgate Vehicle Hire Limited	01434157	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate Vehicle Sales Limited [^]	02337128	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Principia Law Limited [*]	08305964	Bowland House, Gadbrook Business Centre, Rudheath, Northwich, Cheshire, CW9 7TN
Recovery Management Services Limited [*]	2948091	Broad Lea House, Dyson Wood Way, Bradley, Huddersfield, West Yorkshire, HD2 1GZ
Redde Limited [^]	03120010	Pinesgate, Lower Bristol Road, Bath, BA2 3DP
Total Accident Management Limited [^]	03156157	Pinesgate, Lower Bristol Road, Bath, BA2 3DP

^{*} Interest held indirectly by the Company.

[^] The members of the Company have elected to take the exemption from audit available under S479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 April 2022. A guarantee has or will be provided by Redde Northgate plc as the ultimate parent company.

⁺ UK unless stated otherwise.

Notes to the financial statements continued

17 Interest in associates

The Group has interest in associates, which comprise a minority participation in five (2021: five) active Limited Liability Partnerships (LLPs) registered and situated in the United Kingdom. All of the LLPs are engaged in the processing of legal claims and are regulated by the Solicitors Regulation Authority. The LLPs are businesses over which the Group is deemed to have significant influence but which it does not control.

Interest in associates is as follows:

	£000
At 1 May 2020	6,008
Group's share of:	
Profit from continuing operations	4,364
Distributions from associates	(4,325)
At 30 April 2021 and 1 May 2021	6,047
Group's share of:	
Profit from continuing operations	3,866
Distributions from associates	(4,070)
At 30 April 2022	5,843

Details of the Group's associates, being interests in the following LLPs of which a Group company is a designated Principal Member, at 30 April 2022 are as follows:

Name	Registered office
Ageas Law LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
Carol Nash Legal Services LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
H&R Legal LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
Interresolve Law LLP (Dormant)	Helmont House, Churchill Way, Cardiff, CF10 2HE
RCN Law LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE
Your Law LLP	Helmont House, Churchill Way, Cardiff, CF10 2HE

The Group, through NewLaw Legal Limited (NewLaw), is a designated member of each of the above LLPs (which are considered to be joint operations) and has contributed 50% of the capital for each of those LLPs (usually amounting to £1 for each LLP). NewLaw supplies legal processing services to each LLP. Each member firm of the LLPs is required to appoint individuals to the management board of the LLPs but NewLaw does not appoint or control the majority of individuals to these boards who are ultimately responsible for the day to day operations, decision making and strategic development of the LLPs and therefore NewLaw is not considered to have overall control of the LLPs. Accordingly, the Group only accounts for the results of these joint operations as associated company income based upon the (variable) share of the net income generated by way of profit share after the deduction of any other fixed allocations of such income.

Notes to the financial statements continued

18 Inventories

Group	2022 £000	2021 £000
Vehicles held for resale	11,926	14,762
Spare parts and consumables	6,770	6,783
	18,696	21,545

Replacement cost is considered not to significantly differ from carrying value as stated above.

19 Receivables and contract assets

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade receivables	97,223	98,391	–	–
Contract assets – claims due from insurance companies and self-insuring organisations	193,834	144,738	–	–
Amounts due from subsidiary undertakings	–	–	1,053,582	995,192
Other taxes	–	–	114	426
Other receivables and prepayments	67,996	59,220	356	495
	359,053	302,349	1,054,052	996,113

Allowances for estimated irrecoverable amounts and the Group's credit risk are considered in Note 31.

The Directors consider that the carrying amount of receivables and contract assets approximates to their fair value due to their short term nature. Amounts due from subsidiary undertakings are non-interest bearing and repayable on demand.

Contract assets – claims due from insurance companies and self-insuring organisations

An analysis of claims from insurance companies is given below:

	Group			
	2022 £000	2021 £000	2022 %	2021 %
Pending claims	23,985	3,902	13	3
Between 1 and 120 days old	70,451	42,647	36	29
More than 120 days old	99,398	98,189	51	68
Total	193,834	144,738	100	100

Risk is spread primarily across the major UK based motor insurance companies in proportion to their respective share of the market. No credit insurance is taken out, given the regulated nature of these entities. The Group does not have a significant concentration of credit risk, with exposure spread across a large number of insurer counterparties. The most significant five insurers represented 38% (2021: 27%) of contract assets. The measurement of contract assets changes from period to period due to the estimation uncertainty.

The carrying value of contract assets, in relation to insurance claims of £193,834,000 (2021: £144,738,000), has increased mainly as a result of new business volumes recovering to approximately 90% of pre-COVID-19 levels. An adjustment of £2.0m was made in the 12 months to 30 April 2022 for claims that were settled at a higher net amount than the carrying value at 30 April 2021 (2021: £1.0m for claims that were settled at a lower net amount than the carrying value at 30 April 2020).

Notes to the financial statements continued

20 Trade and other payables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade payables	99,122	96,187	55	438
Amounts due to subsidiary undertakings	–	–	362,308	328,318
Social security and other taxes	16,106	29,227	215	178
Accruals and deferred income	136,114	108,100	6,513	3,804
	251,342	233,514	369,091	332,738
Less than one year	246,833	229,666	369,091	332,738
In one year to five years	3,070	3,077	–	–
More than five years	1,439	771	–	–
Total due in more than one year	4,509	3,848	–	–

The Directors consider that the carrying amount of trade and other payables approximates to their fair value due to their short term nature.

Amounts due to subsidiary undertakings includes £221,230,000 (2021: £197,496,000) non-interest bearing and repayable on demand, a term loan repayable in June 2023 of £131,009,000 (2021: £130,822,000) which bears interest at 1.95% above SONIA (2021: 1.85% above LIBOR) and a loan repayable in April 2025 of £10,069,000 (2021: £nil) which bears interest at a fixed rate of 3.25%.

21 Borrowings

The Directors consider that the carrying amounts of the Group's borrowings approximate to their fair value.

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Bank loans and overdrafts	127,365	325,339	115,323	317,911
Loan notes	314,264	86,817	314,264	86,817
Cumulative Preference shares	500	500	500	500
Confirming facilities	700	388	–	–
	442,829	413,044	430,087	405,228

Notes to the financial statements continued

21 Borrowings continued

The borrowings are repayable as follows:

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	20,307	11,771	8,265	4,200
Confirming facilities	700	388	–	–
	21,007	12,159	8,265	4,200
In the second year				
Bank loans	–	77,795	–	77,795
Loan notes	–	86,863	–	86,863
	–	164,658	–	164,658
In the third to fifth years				
Bank loans	114,563	240,069	114,563	240,069
	114,563	240,069	114,563	240,069
Due after more than five years				
Loan notes	314,655	–	314,655	–
Cumulative Preference shares	500	500	500	500
	315,155	500	315,155	500
Unamortised finance fees relating to the bank loans and loan notes	(7,896)	(4,342)	(7,896)	(4,199)
Total borrowings	442,829	413,044	430,087	405,228
Less: Amounts due for settlement within one year (shown within current liabilities)	21,007	12,159	8,265	4,200
Amounts due for settlement after more than one year	421,822	400,885	421,822	401,028

The UK bank loans and overdrafts, totalling £134,870,000 (gross of unamortised fees) at 30 April 2022, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £314,655,000 (gross of unamortised fees) at 30 April 2022, would have to be offered full repayment in the event of a change in control of the Group.

Bank loans and overdrafts

Bank loans and overdrafts are unsecured and bear interest at rates of 0.90% to 1.95% (2021: 0.90% to 1.85%) above the relevant interest rate index, being SONIA for Sterling denominated debt and EURIBOR for Euro denominated debt, subject to a floor of 0%. Bank loans and overdraft facilities mature in November 2025.

Loan notes

The Company has €375,000,000 (2021: €100,000,000) of loan notes which bear interest at a blended rate of 1.32% (2021: 2.38%). These are unsecured and are repayable in November 2027, November 2029 and November 2031.

Cumulative Preference shares

The cumulative Preference shares of 50p each entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The cumulative Preference shares do not entitle the holders to any further or other participation in the profits or assets of the Company. These shares have no voting rights other than in exceptional circumstances.

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2021: 1,300,000), of which 1,000,000 (2021: 1,000,000) were allotted and fully paid at the balance sheet date.

Notes to the financial statements continued

21 Borrowings continued

Confirming facilities

Spanish confirming facilities of £700,000 (2021: £388,000) are unsecured and all fall due within one year. The Group pays no interest on confirming.

Total borrowing facilities

The Group has various borrowing facilities available to it. The undrawn facilities (not including cash available to offset) at the balance sheet date, in respect of which all conditions precedent had been met at that date, are as follows:

	2022 £000	2021 £000
Less than one year	6,071	10,606
In one year to five years	360,437	287,431
	366,508	298,037

The above undrawn amounts exclude £15,769,000 (2021: £6,821,000) of net cash and overdraft balances available to offset against those facilities. The total amount permitted to be borrowed by the Company and its subsidiary undertakings in terms of the Articles of Association shall not exceed six times the aggregate of the issued share capital of the Company and Group reserves, as defined in those Articles.

Analysis of consolidated net debt

An analysis of movements in the Group's consolidated net debt is as follows:

	At 1 May 2021 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2022 £000
Bank loans	320,991	(198,481)	(3,163)	(774)	118,573
Bank overdrafts	4,348	5,025	–	(581)	8,792
Loan notes	86,817	238,919	(391)	(11,081)	314,264
Leases arising following adoption of IFRS 16	92,469	(27,959)	66,562	(628)	130,444
Leases arising under HP obligations	35,999	(15,700)	13,536	–	33,835
Cumulative Preference shares	500	–	–	–	500
Confirming facilities	388	–	329	(17)	700
	541,512	1,804	76,873	(13,081)	607,108
Cash at bank and in hand	(11,169)	(13,825)	–	433	(24,561)
Consolidated net debt	530,343	(12,021)	76,873	(12,648)	582,547

There is no material difference between the carrying amount of borrowings and their fair value. Borrowings are designated as financial liabilities carried at amortised cost.

Notes to the financial statements continued

21 Borrowings continued

	At 1 May 2020 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2021 £000
Bank loans	400,847	(82,517)	1,135	1,526	320,991
Bank overdrafts	51,063	(46,630)	–	(85)	4,348
Loan notes	86,868	–	(9)	(42)	86,817
Leases arising following adoption of IFRS 16	62,999	(16,994)	46,432	32	92,469
Leases arising under HP obligations	40,953	(37,814)	32,860	–	35,999
Cumulative Preference shares	500	–	–	–	500
Confirming facilities	479	–	(93)	2	388
	643,709	(183,955)	80,325	1,433	541,512
Cash at bank and in hand	(67,843)	56,307	–	367	(11,169)
Consolidated net debt	575,866	(127,648)	80,325	1,800	530,343

The Group calculates gearing to be net borrowings (including lease obligations) as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net borrowings comprise borrowings and lease obligations less cash and bank balances. At 30 April 2022, the gearing of the Group amounted to 85.6% (2021: 85.2%) where net borrowings (including lease obligations) are £582,547,000 (2021: £530,343,000) and shareholders' funds less goodwill and the net book value of intangible assets are £680,523,000 (2021: £622,796,000).

Financial assets

The Group's principal financial assets are cash and bank balances, and receivables and contract assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has credit insurance policies in place to partially mitigate this risk.

Treasury policies and the management of risk

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

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

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit rating agencies. Deals for material deposits are authorised only with banks with which dealing mandates have been agreed and which maintain an A rating. Individual aggregate credit exposures are limited accordingly.

Financing and interest rate risk

The Group's policy is to finance operating subsidiary undertakings by a combination of retained earnings and medium term bank loans and loan notes.

Cash at bank, and on deposit, yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being SONIA for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings is limited by having fixed rate financial instruments covering a significant proportion of borrowings. At 30 April 2022, 76.0% (2021: 27.6%) of net borrowings (including leases arising under HP obligations) were at fixed rates of interest comprising loan notes of €375,000,000, £500,000 of Preference shares, £700,000 of confirming facilities and leases arising under HP obligations of £33,835,000 (30 April 2021: loan notes of €100,000,000, £500,000 of Preference shares, £388,000 of confirming facilities and leases arising under HP obligations of £35,999,000).

Notes to the financial statements continued

21 Borrowings continued

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euros as net investment hedges against its Euro denominated investments (Note 23).

An analysis of the Group's borrowings and lease obligations by currency is given below:

Group	Sterling £000	Euro £000	Total £000
At 30 April 2022			
Bank loans	75,417	43,156	118,573
Bank overdrafts	526	8,266	8,792
Loan notes	–	314,264	314,264
Leases arising following adoption of IFRS 16	114,350	16,094	130,444
Leases arising under HP obligations	33,835	–	33,835
Cumulative Preference shares	500	–	500
Confirming facilities	–	700	700
	224,628	382,480	607,108
	Sterling £000	Euro £000	Total £000
At 30 April 2021			
Bank loans	61,153	259,838	320,991
Bank overdrafts	4,185	163	4,348
Loan notes	–	86,817	86,817
Leases arising following adoption of IFRS 16	73,216	19,253	92,469
Leases arising under HP obligations	35,999	–	35,999
Cumulative Preference shares	500	–	500
Confirming facilities	–	388	388
	175,053	366,459	541,512

Notes to the financial statements continued

22 Leases

As lessee

Lease liabilities are presented in the statement of financial position as follows:

	2022 £000	2021 £000
Current	52,524	32,375
Non-current	111,755	96,093
	164,279	128,468

The tables below describe the nature of the Group's leasing activities by the type of right-of-use asset recognised:

	Number of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term (years)	Carrying value at 30 April 22 £000	Depreciation expense for period to 30 April 22 £000
At 30 April 2022					
Land and buildings	183	1-99	4	90,016	12,824
Own use vehicles	172	1-3	2	1,449	1,054
Vehicles for hire and vehicles for credit hire (IFRS 16)	6,566	1-4	2	33,232	13,407
Vehicles for hire and vehicles for credit hire (HP)	2,731	1-2	1	39,210	4,245

	Number of right-of-use assets leased	Range of remaining term (years)	Average remaining lease term (years)	Carrying value at 30 April 21 £000	Depreciation expense for period to 30 April 21 £000
At 30 April 2021					
Land and buildings	127	1-99	9	66,158	9,163
Own use vehicles	318	1-3	1	1,771	658
Vehicles for hire and vehicles for credit hire (IFRS 16)	3,599	1-4	2	18,424	6,550
Vehicles for hire and vehicles for credit hire (HP)	2,308	1-3	1	36,023	6,760

Notes to the financial statements continued

22 Leases continued

The lease liabilities are secured by the related underlying assets. Future minimum lease payments are as follows:

	<1 year £000	1-2 years £000	2-5 years £000	>5 years £000	Total £000
At 30 April 2022					
Lease payments:					
Arising following adoption of IFRS 16	32,320	30,103	39,329	47,574	149,326
Arising under HP obligations	23,743	10,731	–	–	34,474
Total lease payments	56,063	40,834	39,329	47,574	183,800
Finance charges:					
Arising following adoption of IFRS 16	3,098	2,325	4,049	9,409	18,881
Arising under HP obligations	441	199	–	–	640
Total finance charges	3,539	2,524	4,049	9,409	19,521
Net present values	52,524	38,310	35,280	38,165	164,279
At 30 April 2021					
Lease payments:					
Arising following adoption of IFRS 16	21,366	17,223	30,704	38,857	108,150
Arising under HP obligations	14,166	20,844	2,798	–	37,808
Total lease payments	35,532	38,067	33,502	38,857	145,958
Finance charges:					
Arising following adoption of IFRS 16	2,291	1,795	3,275	8,320	15,681
Arising under HP obligations	866	852	91	–	1,809
Total finance charges	3,157	2,647	3,366	8,320	17,490
Net present values	32,375	35,420	30,136	30,537	128,468

The total cash outflow for leases in 2022 was £65,000,000 (2021: £68,741,000).

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases totalling £17,379,000 (2021: £10,811,000) were expensed on a straight line basis over the lease term.

As lessor

The revenue of the Group is principally generated from the hire of vehicles under operating lease arrangements. For the majority of vehicles hired, there is no minimum contracted rental period. The revenue of the Group under these arrangements is as shown in the income statement. There are no contingent rentals recognised in income.

Notes to the financial statements continued

23 Derivative financial instruments

Net investment hedges

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euros to Sterling at each reporting date.

At 30 April 2022, the nominal amount attributable to the hedging instrument equated to £348,218,000 (2021: £342,727,000). Exchange differences arising on the borrowings and net investment hedges have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries. The hedges are considered highly effective in the current and prior year.

24 Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Group and movements thereon during the current and prior year:

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payments £000	Intangible assets £000	Losses £000	Other temporary differences £000	Total £000
At 1 May 2020	(5,724)	348	(537)	34,828	(1,135)	(599)	27,181
Acquisition	-	-	-	276	-	-	276
Acquisition hindsight adjustments	(170)	-	-	27	-	-	(143)
Charge (credit) to income	4,395	-	(468)	(3,681)	(756)	(153)	(663)
(Credit) charge to equity	-	-	(12)	-	-	35	23
Exchange differences	(16)	-	-	-	(16)	4	(28)
At 30 April 2021 and 1 May 2021	(1,515)	348	(1,017)	31,450	(1,907)	(713)	26,646
Acquisitions	(6)	-	-	29	(80)	-	(57)
Charge (credit) to income	3,544	-	(713)	5,109	634	(240)	8,334
Charge to equity	-	-	167	-	-	-	167
Exchange differences	39	(12)	-	1	16	66	110
At 30 April 2022	2,062	336	(1,563)	36,589	(1,337)	(887)	35,200

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The analysis of the deferred tax balances after offset is as follows:

	Total £000
At 30 April 2022	
Deferred tax assets	(3,175)
Deferred tax liabilities	38,375
Net deferred tax liabilities	35,200
At 1 May 2021	
Deferred tax assets	(4,826)
Deferred tax liabilities	31,472
Net deferred tax liabilities	26,646

It is expected that a £326,000 credit of the net deferred tax liability recognised at 30 April 2022 of £35,200,000 will reverse to the income statement in FY2023.

Notes to the financial statements continued

24 Deferred tax continued

In the current year, the net charge to equity of £nil (2021: £23,000 charge) in respect of other temporary differences related to derivative financial instruments recognised in the hedging reserve (Note 28).

Net deferred tax assets classified as other temporary differences are £938,000 (2021: £768,000). The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior year:

Company	Share based payments £000	Other temporary differences £000	Total £000
At 1 May 2020	(537)	(55)	(592)
(Credit) to income	(468)	(31)	(499)
Charge to equity	(12)	35	23
At 30 April 2021 and 1 May 2021	(1,017)	(51)	(1,068)
(Credit) to income	(713)	25	(688)
Charge to equity	167	–	167
At 30 April 2022	(1,563)	(26)	(1,589)

25 Share capital

Group and Company	Number of shares	£000
At 1 May 2020, 1 May 2021 and at 30 April 2022	246,091,423	123,046

26 Share premium account

Group and Company	£000
At 1 May 2020, 1 May 2021 and at 30 April 2022	113,510

27 Treasury shares and own shares reserve

Movements on the treasury shares reserve and own shares reserve are shown in the Statements of changes in equity, which can be seen on page 98. Further information on these reserves is given below:

Treasury shares reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 30 April 2022, the Group held 1,825,991 of the Company's shares (2021: nil). The total number of shares held in treasury represents 0.7% (2021: nil%) of the allotted and fully paid share capital of the Group.

Own shares reserve

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 30). At 30 April 2022, the Guernsey Trust held 4,540,552 (2021: 2,245,434) 50p Ordinary shares and the YBS Trust held 77,592 (2021: 24,855) 50p Ordinary shares. The total number of shares held by these employee trusts represents 1.9% (2021: 0.9%) of the allotted and fully paid share capital of the Group.

The results of the trusts are consolidated into the results of the Group in accordance with IFRS 10 "Consolidated Financial Statements".

Notes to the financial statements continued

28 Other reserves

Group	Capital redemption reserve	Revaluation reserve £000	Merger reserve £000	Other reserve £000
At 1 May 2020	40	1,143	67,463	261,831
Foreign exchange differences	–	(1)	–	–
At 1 May 2021	40	1,142	67,463	261,831
Foreign exchange differences	–	(41)	–	–
At 30 April 2022	40	1,101	67,463	261,831
Company	Capital redemption reserve	Revaluation reserve £000	Merger reserve £000	Other reserve £000
At 1 May 2020, 1 May 2021 and at 30 April 2022	40	–	63,159	261,831

The above shows the movements on the reserves classified as "Other reserves" on the Group's Statement of changes in equity. Movements on the hedging reserve and translation reserve are shown in the Statements of changes in equity, which can be seen on page 98. Further information on certain of these reserves is given below:

Hedging reserve

The hedging reserve represents the cumulative amount of changes in fair values of hedged interest rate derivatives that are deferred in equity, as explained in Note 2, less amounts transferred to the income statement and other components of equity.

Translation reserve

The translation reserve represents the aggregate of the cumulative exchange differences arising from the retranslation of the balance sheets of the Euro based subsidiary undertakings and the cumulative exchange differences arising from long term borrowings held as hedges.

The management of the Group's foreign exchange translation risks is detailed in Note 21.

Merger reserve

The merger reserve in the Company and Group arose from acquisitions in previous years.

Other reserve

In the year ended 30 April 2020, the consideration for the acquisition of Redde plc was settled through the issue of 112,858,905 Ordinary shares of the Company. Holders of Redde plc shares received 0.3669 shares in the Company for each Redde plc share held by them. 112,858,197 shares were issued to holders of Redde plc shares, and where there were fractions of shares that could not be allocated to the holders of Redde plc shares, the total of these fractions of shares was sold in the market. The number of these shares was 708. The other reserve represents the excess of the share price on 21 February, 282p over the nominal share price of 50p. The share premium represents the excess of the share price of 251p at the time of the sale of these shares over the nominal share price of 50p. The Company has recorded the premium for the issue of shares for the acquisition of Redde in other reserves in accordance with Section 612 of the Companies Act 2006 in respect of merger relief.

Notes to the financial statements continued

29 Exceptional items

	2022 £000	2021 £000
Impairment of property, plant and equipment	–	4,341
Reversal of previous impairment of property, plant and equipment	(2,998)	(1,304)
Other costs	690	4,980
Exceptional administrative expenses	(2,308)	8,017
Restructuring expenses	(3,545)	2,754
Acquisition expenses	–	1,088
FMG RS set up and integration costs	1,237	5,728
Legal settlement	–	(1,553)
Exceptional administrative expenses	(2,308)	8,017
Gain on bargain purchase	(355)	(1,489)
Total exceptional items included within EBIT	(2,663)	6,528
Exceptional finance costs: refinancing expenses	1,463	–
Total pre-tax exceptional items	(1,200)	6,528
Tax charge (credits) relating to exceptional items	228	(1,286)
Cash expenses	2,125	9,557
Non-cash (credits) expenses	(3,325)	(3,029)
Total pre-tax exceptional items	(1,200)	6,528

Details of exceptional items recognised in the income statement are as follows:

Restructuring expenses

The Group recognised a credit in respect to total exceptional restructuring credits of £3,545,000 (2021: cost of £2,754,000) of which a credit of £3,280,000 arose in Redde (2021: £2,151,000), a credit of £265,000 in Northgate UK&I (2021: £169,000 credit) and £nil in Northgate Spain (2021: £772,000). These costs were incurred in relation to restructuring activities that were undertaken during the period as part of the integration and reorganisation of the combined Group.

The restructuring expenses incurred during the year largely related to credits relating to reorganisation of sites of £3,653,000 offset by costs of £108,000 associated with reductions in headcount. In the prior year, there were costs associated with reduction in headcount totalling £2,734,000 and net costs incurred in relation to the closure and reorganisation of sites of £20,000, including net impairments of property, plant and equipment.

Closure and reorganisation of sites

Included within the £3,653,000 credits (2021: £20,000 cost) in relation to the closure and reorganisation of sites are credits for the reversal of previous impairments of £2,998,000 (2021: £1,304,000) due to the sublease of previously vacant properties, other credits of £655,000 (2021: £nil), provisions release credits in relation to properties of £nil (2021: £4,577,000), expenses incurred by the Group during the year of £nil (2021: £1,560,000) and impairments of property, plant and equipment of £nil (2021: £4,341,000).

Acquisition expenses

During the prior year, the Group incurred acquisition expenses of £1,088,000. These related to professional services expenses directly attributable to the acquisition of the trade and assets of Nationwide of £1,078,000 and £10,000 in relation to the Merger.

FMG RS set up and integration costs

The Group incurred costs of £1,237,000 (2021: £5,728,000) in relation to the set up of FMG RS and integration of the business, including redundancies.

Notes to the financial statements continued

29 Exceptional items continued

Legal settlement

During the prior year the Group settled a legal dispute in relation to a provider of certain IT and software development services to the Group. This resulted in a credit of £1,553,000 relating to expected costs no longer payable.

Gain on bargain purchase

A gain on bargain purchase of £355,000 (2021: £1,489,000) has been recognised to the extent that the fair value of net assets acquired from acquisitions were lower than the fair value of consideration.

Refinancing expenses

During the year, the Group incurred exceptional financing costs of £1,463,000 (2021: £nil) attributable costs incurred on termination of loan notes and amortisation of arrangement fees as a result of the refinancing which took place in November 2021.

Amortisation on acquired intangible assets

Amortisation on acquired intangible assets of £19,778,000 (2021: £19,513,000) is not classified as an exceptional item as it is recurring. However, it is excluded from underlying results in order to provide a better comparison of results between periods as the group grows through a combination of organic and inorganic growth. The revenue and operating costs of these acquisitions are included within underlying results. Amortisation of intangible assets of £993,000 (2021: £685,000) which does not relate to acquisitions is included within underlying profit.

30 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration report on pages 67 to 79.

All options granted under the DABP, MPSP, EPSP and EAB are nil cost options. Options granted under the SAYE Scheme have exercise prices ranging from £2.12 to £4.01.

The All Employee Share Scheme (AESS) has a 12 month accumulation period. Partnership shares are purchased by the employee at the end of the accumulation period from the amount contributed by the employee during that period. The Company allocates an amount of free matching shares equivalent to the number of partnership shares purchased. The vesting period for matching shares is three years.

Matching shares are forfeited if the employee either sells the related partnership shares or leaves the Group before the three years have lapsed.

The Board may make discretionary awards of free shares to eligible employees. Employees must remain in employment of the Group during the vesting period of three years in order to receive the free shares.

The SAYE Scheme has a three year savings period where employees save at an agreed rate. At the end of the savings period, employees can to choose to either exercise options or withdraw their savings.

Details regarding the plans in the year ended 30 April 2022 are outlined below:

	DABP Number of share options	MPSP Number of share options	Free shares Number of free shares	EPSP Number of share options	AESS Number of matching shares	SAYE Number of share options
At 1 May 2021	62,616	16,272	174,979	3,328,326	341,790	2,711,092
Granted/allocated during the year	–	–	–	747,752	–	–
Exercised/vested during the year	(19,762)	(6,866)	(2,499)	(75,100)	(81,621)	(61,396)
Forfeited/lapsed during the year	(3,721)	–	(23,520)	(265,351)	(37,912)	(298,452)
At 30 April 2022	39,133	9,406	148,960	3,735,627	222,257	2,351,244
Exercisable at the end of the year	39,133	9,406	–	85,725	–	13,447

Notes to the financial statements continued

30 Share based payments continued

	DABP 2022	MPSP 2022	Free Shares 2022	EPSP 2022	AESS 2022	SAYE 2022
Weighted average remaining contractual life at the end of the year	4.4 years	0.3 years	0.3 years	8.5 years	1.3 years	1.4 years
Weighted average share price at the date of exercise of options in the year	£4.11	£4.34	£4.07	£4.12	£4.22	£3.97
Date options granted/allocated during the year				August 2021		
Aggregate estimated fair value of options at the date of grant				£2,408,000		
The inputs into the Black-Scholes/Monte Carlo model were as follows:						
Weighted average share price				£4.30		
Weighted average exercise price				£nil		
Expected volatility				75.06%		
Expected life				3 years		
Risk free rate				0.31%		
Expected dividends				5.44%		

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

Details regarding the plans in the year ended 30 April 2021 are outlined below:

	DABP Number of share options	MPSP Number of share options	Free shares Number of free shares	EPSP Number of share options	AESS Number of matching shares	SAYE Number of share options
At 1 May 2020	126,737	16,272	206,094	387,039	312,249	1,027,839
Granted/allocated during the year	–	–	–	3,120,864	158,218	2,003,552
Exercised/vested during the year	(62,645)	–	(11,564)	(104,924)	(97,253)	(30,421)
Forfeited/lapsed during the year	(1,476)	–	(19,551)	(74,653)	(31,424)	(289,878)
At 30 April 2021	62,616	16,272	174,979	3,328,326	341,790	2,711,092
Exercisable at the end of the year	48,419	16,272	–	–	–	–

	DABP 2021	MPSP 2021	Free Shares 2021	EPSP 2021	AESS 2021	SAYE 2021
Weighted average remaining contractual life at the end of the year	5.2 years	1.3 years	1.3 years	9.2 years	1.9 years	2.4 years
Weighted average share price at the date of exercise of options in the year	£2.08	–	£2.30	£1.96	£2.54	£2.22
Date options granted/allocated during the year				August/ October 2021	January 2021	February 2021
Aggregate estimated fair value of options at the date of grant				£4,718,000	£263,000	£1,805,000
The inputs into the Black-Scholes/Monte Carlo model were as follows:						
Weighted average share price				£1.89	£2.54	£2.75
Weighted average exercise price				£nil	£nil	£2.12
Expected volatility				71.7%	75.0%	75.0%
Expected life				3 years	3 years	3 years
Risk free rate				(0.04%)	0.00%	0.14%
Expected dividends				5.46%	6.6%	6.6%

Notes to the financial statements continued

30 Share based payments continued

In addition, 129,346 options were awarded under the EAB in July 2019, a further 59,393 options were awarded in September 2019 and a further 61,789 options were awarded in July 2021. These all vested immediately and were valued based on the share price at the grant date for each grant. The shares will be held in trust for the required three year holding period or until the employee leaves employment with the Group, whichever is sooner.

31 Financial instruments

The following disclosures and analysis relate to the Group's financial instruments.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as 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 21, cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 25 to 28.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Net investment hedges

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euros to Sterling at each reporting date. Exchange differences arising on the borrowings and net investment hedges have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

The hedges are considered highly effective in the current and prior year.

Foreign currency sensitivity analysis

During the year, the Group has been exposed to movements in the exchange rate between Euro and Sterling, where Sterling is the functional currency of the Group.

The following tables detail the Group's sensitivity to a €0.20 (2021: €0.20) increase and decrease in the Euro/Sterling exchange rate.

A €0.20 (2021: €0.20) movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates in the near term. The sensitivity analysis only includes any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.20 (2021: €0.20) change in foreign currency rates.

	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2022			
Profit before taxation	132,689	126,728	141,084
Total equity	946,761	926,968	974,537
	As stated in Annual Report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2021			
Profit before taxation	67,179	62,897	73,320
Total equity	908,129	889,357	934,793

Notes to the financial statements continued

31 Financial instruments continued

Interest rate risk management

The Group is exposed to interest rate risk, as entities within the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts if necessary. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined on the exposure to interest rates for floating rate liabilities and related derivatives. For the floating rate liabilities, the analysis is prepared on the basis of both the average liability outstanding over the year and the average rate applicable for the year. In all instances it is assumed that any derivatives designated in hedging relationships are 100% effective.

A 1.0% (2021: 1.0%) increase or decrease has been used in the analysis and represents management's best estimate of a reasonably possible change in interest rates in the near term.

	As stated in Annual Report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2022			
Profit before taxation	132,689	130,145	135,232
Total equity	946,761	944,701	948,821
	As stated in Annual Report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2021			
Profit before taxation	67,179	63,863	70,495
Total equity	908,129	905,442	910,816

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. Included in Note 21 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Notes to the financial statements continued

31 Financial instruments continued

Liquidity and interest risk tables

The following tables detail the Group's and Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The tables include both interest and principal cash flows. All interest cash flows and the weighted average effective interest rate have been calculated using interest rate conditions prevailing at the balance sheet date.

Group 2022	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	108,201	–	–	–	108,201
Fixed interest rate instruments	1.33%	4,181	4,181	12,542	326,095	346,999
Variable interest rate instruments	2.32%	14,344	2,831	119,051	–	136,226
		126,726	7,012	131,593	326,095	591,426
Group 2021	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	100,923	–	–	–	100,923
Fixed interest rate instruments	2.40%	2,093	87,411	75	500	90,079
Variable interest rate instruments	1.84%	13,398	83,166	242,717	–	339,281
		116,414	170,577	242,792	500	530,283
Company 2022	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	229,551	–	–	–	229,551
Fixed interest rate instruments	1.33%	4,181	4,181	12,542	326,095	346,999
Variable interest rate instruments	2.58%	6,600	6,602	260,759	–	273,961
		240,332	10,783	273,301	326,095	850,511
Company 2021	Weighted average effective interest rate	<1 year £000	2nd year £000	3–5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	202,134	–	–	–	202,134
Fixed interest rate instruments	2.40%	2,093	87,411	75	500	90,079
Variable interest rate instruments	1.87%	8,457	85,648	373,954	–	468,059
		212,684	173,059	374,029	500	760,272

Notes to the financial statements continued

31 Financial instruments continued

Fair value of financial instruments

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial instruments below are categorised as Level 2. The fair values of financial assets and financial liabilities are determined as follows:

- Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates.
- The fair values of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values or, in the case of interest rate and cross currency swaps, are held at fair value.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its trade receivables. The trade receivables amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made using the simplified model applicable to trade receivables as per IFRS 9.

	2022 £000	2021 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	126,169	125,668
Allowance for doubtful receivables	(28,946)	(27,277)
	97,223	98,391
Ageing of trade receivables not impaired		
Not overdue	59,422	64,244
Past due not more than two months	24,734	20,344
Past due more than two months but not more than four months	5,944	5,402
Past due more than four months but not more than six months	7,123	8,401
Total	97,223	98,391

Before accepting any new customers, the Group will perform credit analysis to assess the credit risk on an individual basis. This enables the Group only to deal with creditworthy customers, therefore reducing the risk of financial loss from defaults. Of the trade receivables balance at the end of the year, £2,764,000 (2021: £3,268,000) is due from the Group's largest customer. There are no customers which represent more than 5% of the total balance of trade receivables.

Notes to the financial statements continued

31 Financial instruments continued

The Group has no significant concentration of credit risk as trade receivables consist of a large number of customers, spread across diverse industries and geographic areas in Northgate UK&I and Northgate Spain.

	2022 £000	2021 £000
Movement in the allowance for doubtful receivables		
At 1 May	27,277	22,884
Impairment losses recognised	12,069	10,654
Amounts written off as uncollectable	(6,048)	(4,262)
Impaired losses reversed	(3,814)	(1,932)
Exchange differences	(538)	(67)
At 30 April	28,946	27,277

Net impairment of trade receivables as at 30 April 2022 totalled £8,255,000 (2021: £8,722,000). In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and mainly unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful receivables.

Included in the allowance for doubtful receivables are trade receivables with customers which have been placed under liquidation of £1,563,000 (2021: £1,120,000).

	2022 £000	2021 £000
Ageing of impaired trade receivables		
Not overdue	1,868	1,115
Past due not more than two months	1,704	1,441
Past due more than two months but not more than four months	3,807	2,927
Past due more than four months but not more than six months	1,628	1,300
Past due more than six months	19,939	20,494
	28,946	27,277

The Directors consider that the carrying amount of receivables and contract assets approximates their fair value. The Company has no trade receivables and no intercompany receivables past due date.

Notes to the financial statements continued

32 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £2,703,000 (2021: £2,516,000) interest payable and £8,151,000 (2021: £7,470,000) royalty charges receivable.

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 19 and 20.

Transactions with associates

Details of the Group's interests in associates, which are regarded as related parties, are provided in Note 17. The Group made sales and recharges of expenses to these associates amounting to £8,448,000 (2021: £9,448,000) and made purchases of £20,000 (2021: £374,000) from those associates. At the year end, the Group was owed £1,353,000 (2021: £3,072,000) by these associates, included in trade receivables.

Transactions with other related parties

There were no transactions with other related parties in the current or prior years.

Remuneration of key management personnel

In the current and prior year, the Directors of the Company are determined to be the key management personnel of the Group. There are other senior executives in the Group who are able to influence the Company in the achievement of its goals. However, in the opinion of the Directors, only the Directors of the Company have significant authority for planning, directing and controlling the activities of the Group.

In respect of the compensation of key management personnel, the short term employee benefits, post employment (pension) benefits, termination benefits and details of share options granted are set out in the Remuneration report on pages 67 to 79.

The fair value charged to the income statement in respect of equity settled share based payment transactions with the Directors is £672,000 (2021: £563,000). There are no other long term benefits accruing to key management personnel, other than as set out in the Remuneration report.

33 Events after the reporting period

On 2 July 2022, the Group acquired 100% of the equity interests of Blakedale Limited for an initial consideration of £11m.

Glossary

Term	Definition	Term	Definition
AGM	Annual general meeting of the Company	ESG	Environmental, social and governance
Annual report on remuneration	That section of the Remuneration report which is subject to an advisory shareholder vote	EV(s)	Electric vehicle(s)
Average capital employed	A two point average of capital employed at last day of the current and previous financial years	Facility headroom	Calculated as facilities of £711m less net borrowings of £406m. Net borrowings represent net debt of £530m excluding lease liabilities of £128m and unamortised arrangement fees of £4m and are stated after the deduction of £7m of net cash and overdraft balances which are available to offset against borrowings
Auxillis	A business within the Redde operating segment providing fault and non-fault accident management assistance and related services	FCA	Financial Conduct Authority, a UK regulatory body
B2B	Business to business	FMG	A business within the Redde operating segment providing fleet management services
B2C	Business to consumer	FMG RS	The trading part of the Redde operating segment that was acquired from Nationwide providing vehicle repair services
BEIS	Department for Business Energy & Industrial Strategy, a UK government department	FNOL	First notice of loss
BVRLA	A UK trade association representing companies engaged in vehicle rental, leasing and fleet management	FRC	Financial Reporting Council
Capex	Capital expenditure	Free cash flow	Net cash generated after principal lease payments and before the payment of dividends
Capital employed	Net assets excluding net debt, goodwill and acquired intangible assets.	FY2020	The year ended 30 April 2020
Car parc	Refers to the number of cars and other vehicles registered for use in a particular country	FY2021	The year ended 30 April 2021
CDP	An organisation running a global disclosure system for investors, companies and other organisations	FY2022	The year ended 30 April 2022
CEO	Chief Executive Officer	FY2023	The year ending 30 April 2023
CFO	Chief Financial Officer	GAAP	Generally Accepted Accounting Practice: meaning compliance with IFRS
ChargedEV	Charged Electric Vehicles Limited, a business within the Group providing EV charging infrastructure and solutions	Gearing	Calculated as net debt divided by net tangible assets
Contract hire	IFRS 16 (leases) relating to vehicles where the funder retains the residual value risk	GRG Resources	GRG Public Resources Limited and its subsidiary undertaking
DABP	Deferred Annual Bonus Plan, a senior management share award scheme	Growth capex	Growth capex represents the cash consumed in order to grow the total owned rental fleet or the cash generated if the fleet size is reduced in periods of contraction
DfT	Department for Transport, a UK government department	H1/H2	Half year period: H1 being the first half and H2 being the second half of the financial year
Disposal profit(s)	This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs)	HP (leases)	Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16
EAB	Executive Annual Bonus scheme, a senior management share award scheme	ICE vehicles	Vehicles powered by an internal combustion engine
eAuction	The part of the Group which generates vehicles sales revenue through the Group's online sales platforms	IEA	The International Energy Agency providing data analysis and solutions on all fuels and technologies
EBIT	Earnings before interest and taxation. Underlying unless otherwise stated	IFRS	International Financial Reporting Standards
EBITDA	Earnings before interest, taxation, depreciation and amortisation	IFRS 16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
EPS	Basic earnings per share. Underlying unless otherwise stated	Income from associates	The Group's share of net profit of associates accounted for using the equity method
EPSP	Executive Performance Share Plan, a senior management share award scheme		

Glossary continued

Term	Definition	Term	Definition
ISO 45001	An international standard for health and safety at work	Redde	The Redde operating segment representing the insurance claims and services part of the providing a range of mobility solutions Group or the Redde plc company and its subsidiaries prior to the Merger.
KPIs	Key performance indicators	Redde Northgate	The Group
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes	Rental margin	Calculated as rental profit divided by revenue (excluding vehicle sales)
Lease principal payments	Includes the total principal payment on leases including those recognised before and after adoption of IFRS 16	Rental profits	EBIT excluding disposal profits
Listing Rules	The Listing Rules of the FCA	ROCE	Underlying return on capital employed: calculated as underlying EBIT (see GAAP reconciliation) divided by average capital employed
LTIP	Long term incentive plan, including the EPSP	RTA	Road traffic accident
MPSP	Management Performance Share Plan, a senior management share award scheme (closed to new awards from 2013)	Section 172	Referring to Section 172 of the Companies Act 2006
MSCI	An investment research firm providing stock indexes, portfolio risk and performance analytics	SASB	Sustainability Accounting Standards Board, an organisation providing standards for ESG reporting
Nationwide	Nationwide Accident Repair Services Limited trade and certain assets acquired by the Group on 4 September 2020	SAYE	The Company's all employee share saving scheme
Net replacement capex	Net capital expenditure other than that defined as growth capex	SECR	Streamlined Energy & Carbon Reporting
Net zero	As defined under The Paris Agreement, a legally binding international treaty on climate change	SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme (AESS)
NewLaw	A business within the Redde operating segment providing legal services	Steady state cash generation	Underlying EBITDA less net replacement capex
Non-GAAP	A financial metric used which is not defined under GAAP	TCFD	The Task Force on Climate-related Financial Disclosures
Non-ICE	Vehicles not powered by an internal combustion engine	The Code	The UK Corporate Governance Code
Net tangible assets	Net assets less goodwill and other intangible assets	The combined Group	The Company and its subsidiaries following the Merger
Northgate	The Northgate Spain operating segment located in Spain and providing commercial vehicle hire and ancillary services	The Company	Redde Northgate plc
Northgate Spain	The Northgate UK&I operating segment located in the United Kingdom and the Republic of Ireland providing commercial vehicle hire and ancillary services	The Group	The Company and its subsidiaries
Northgate UK&I	The Northgate UK&I operating segment representing the commercial vehicle hire part of the Group located in the United Kingdom and the Republic of Ireland	The Merger	The acquisition by the Company of 100% of the share capital of Redde plc on 21 February 2020
OEM(s)	Original equipment manufacturer(s): a reference to our vehicle suppliers	Underlying free cash flow	Free cash flow excluding growth capex
OZEV	Office for Zero Emission Vehicles, a UK government department	Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
PBT	Profit before taxation. Underlying unless otherwise stated	VOH	Vehicles on hire. Average unless otherwise stated
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposals profits (as defined), divided by the number of vehicles sold	WACC	Weighted average cost of capital calculated using the capital asset pricing model
PwC	PricewaterhouseCoopers LLP	ZEV	Zero emission vehicle

Shareholder information

Classification

Information concerning day to day movements in the price of the Company's Ordinary shares can be found on the Company's website at: www.reddenorthgate.com

The Company's listing symbol on the London Stock Exchange is REDD.

The Company's joint corporate brokers are Barclays Bank plc and Numis Securities Limited and the Company's Ordinary shares are traded on SETSmm.

The Company is registered in England and Wales.

Company number 00053171

Financial calendar

December

Publication of interim statement

January

Payment of interim dividend

July

Announcement of year end results

Report and financial statements available to shareholders

September

Annual general meeting

Payment of final dividend

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