

REDDE NORTHGATE PLC

("Redde Northgate" or the "Group" or the "Company")

ANNOUNCEMENT OF RESULTS FOR THE FULL YEAR ENDED 30 APRIL 2023

Record financial performance driven by strong demand and major contracts

Redde Northgate (LSE:REDD), the leading integrated mobility solutions platform providing services across the vehicle lifecycle, is pleased to announce its results for the full year ended 30 April 2023.

Full Year results	Reported			Underlying ¹		
12 months ended 30 April	FY 2023	FY 2022	Change	FY 2023	FY 2022	Change
	£m	£m	%	£m	£m	%
Revenue	1,489.7	1,243.6	19.8%	1,336.9	1,093.6	22.2%
EBIT	202.0	150.8	34.0%	189.2	167.9	12.7%
Profit before Tax	178.7	132.7	34.7%	165.9	151.3	9.7%
Earnings per Share	60.3p	41.3p	46.2%	55.6p	50.8p	9.5%

¹ excludes vehicle sales revenue, exceptional items, amortisation of acquired intangible assets and adjustments to underlying depreciation. See GAAP reconciliation.

Other measures	FY 2023	FY 2022	Change
	£m	£m	£m
Net debt	694.4	582.5	111.9
Steady state cash generation	191.5	216.4	(24.9)
Free cash flow	4.5	19.8	(15.3)
ROCE	14.1%	13.9%	+0.2ppt
Dividend per Share	24.0p	21.0p	3.0p

Martin Ward, CEO of Redde Northgate, commented:

"This is an excellent set of results and we are proud of what the Group and all our colleagues have achieved this year, delivering record revenue and profits and strong levels of cash generation. Our integrated mobility platform has helped to drive growth and offers significant efficiencies for ourselves and customers. Vehicle supply is improving but remains below the high levels of customer demand; our financial strength provides an ability to react quickly to supply opportunities as they arise.

Our acquisitions of two specialist vehicle providers since the start of FY2023 have taken us into new areas and broadened our UK rental customer base and we continue to review other exciting growth opportunities. The Group fleet is over 130,000 vehicles and multi-year insurer contracts are now at full run-rate. Together with our strong pipeline of new business including an additional large leasing company multi-service contract due to go live in the autumn, we are confident in continuing to deliver further stakeholder value."

Key financial highlights

- Group revenue growth of c.20%; with growth in Redde activity from existing and new contracts, alongside a managed increase in average hire rates; revenues ex-vehicle sales up 22%
- Reported PBT of £178.7m; benefitted from £46.5m depreciation adjustment, offset by NewLaw impairment of £13.5m reflecting strategy prioritisation; no impact on underlying results or cash
- Underlying PBT up over 9% to £165.9m due to strong operational performance and volume growth, partially offset by higher interest costs
- Steady state cash generation strong at £191.5m; free cashflow reflects investments in fleet and working capital to support new multi-year contracts, and investment in Blakedale
- Healthy balance sheet, over £290m of facility headroom; bank facility extended out to 2026; 1.5x leverage at midpoint of stated target 1-2x range; FY23: 62% fixed, including private placement at 1.3%
- ROCE improved by 0.2ppt to 14.1%; reflecting focus on maintaining strong cost control, disposal profits and disciplined capital allocation
- Shareholder returns: 10.0% increase in final dividend to 16.5p bringing full year dividend to 24.0p, reflecting Board's confidence in the outlook; £60m share buyback completed in December acquiring 7% of ordinary share capital

Business highlights

- Group fleet up 3% to over 130,000 vehicles, driven by growth in Spain and replacement vehicles for insurance contracts; LCV scarcity continuing, supporting residual values
- Two large insurance contracts went live in H1, high demand for FMG RS repair solutions and three notable corporate contracts for Spanish repairs
- Strong pipeline of new business reflecting growing appeal of the platform; new leasing company multi-service outsourcing contract signed post-year end and scheduled go-live in Q2
- Continued progress in value-added services, now over 10,000 telematics units (up 10%); cross platform - Northgate UK&I accident management services customer revenues up 150%
- Divisional rental margins maintained in line or above mid-term range through careful pricing actions to manage cost inflation
- Launch of bundled e-LCV vehicle and charging solutions to help fleet transitions; Iberdrola partnership for Spanish EV-charging product partnership; development of UK solar/battery charging products
- Acquisitions of Blakedale (July 22) and FridgeXpress (May 23) delivering on strategic goals: Blakedale customers up 28% and fleet up over 30% since acquisition

Outlook

We continue to enjoy robust demand as we start FY2024 and our recent signing of a further multi-service outsourcing contract for Redde reflects our healthy new business pipeline. With exciting opportunities across

the platform, we expect to continue to make strategic progress; together with good momentum in the business we are confident and are well-placed to continue to create long-term value for shareholders.

Analyst Briefing

A hybrid presentation for sell-side analysts and institutional investors will be held at 9.30am today, 5 July 2023. If you are interested in attending, please email Buchanan on reddenorthgate@buchanan.uk.com to request the joining details. This presentation will also be made available via a link on the Company's website www.reddenorthgate.com.

Presentation via Investor Meet Company

The Company will also provide a presentation via the Investor Meet Company platform on Thursday 13 July 2023 at 2.15pm. Click here to register: <https://www.investormeetcompany.com/redde-northgate-plc/register-investor>

For further information contact:

Ross Hawley, Head of Investor Relations

+44 (0) 204 566 7090

Buchanan

David Rydell/Jamie Hooper/Hannah Ratcliff/ Verity Parker

+44 (0) 207 466 5000

Notes to Editors:

Redde Northgate is the leading integrated mobility solutions platform providing services across the vehicle lifecycle. The Company offers integrated mobility solutions to businesses, fleet operators, insurers, OEMs and other customers across the following key areas: vehicle rental, vehicle data, accident management, vehicle repairs, fleet management, service and maintenance, vehicle ancillary services and vehicle sales.

The Company's core purpose is to keep its customers mobile, whether through meeting their regular mobility needs or by servicing and supporting them when unforeseen events occur. With its considerable scale and reach, Redde Northgate's mission is to offer a market-leading customer proposition and drive enhanced returns for shareholders by creating value through sustainable compounding growth. The Group aims to achieve this through the delivery of its strategic framework of Focus, Drive and Broaden.

Redde Northgate services its customers through a network and diversified fleet of over 130,000 owned and leased vehicles, supporting over 700,000 managed vehicles, with over 170 branches across the UK, Ireland and Spain and a specialist team of over 7,000 employees.

Further information regarding Redde Northgate plc can be found on the Company's website www.reddenorthgate.com.

GAAP reconciliation and glossary of terms

Throughout this document 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, certain adjustments to depreciation 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 below and at the end of the Finance Review with a glossary of terms used in this report.

Appendix: GAAP reconciliation

Consolidated income statement reconciliation

Year ended 30 April	Footnote (below)	Statutory 2023 £m	Adjustments 2023 £m	Underlying 2023 £m	Statutory 2022 £m	Adjustments 2022 £m	Underlying 2022 £m
Revenue	(a)	1,489.7	(152.8)	1,336.9	1,243.6	(149.9)	1,093.6
Cost of sales	(b)	(1,054.1)	106.3	(947.8)	(897.3)	149.9	(747.4)
Gross profit		435.6	(46.5)	389.1	346.2	–	346.2
Administrative expenses	(c)	(236.1)	33.7	(202.4)	(199.7)	17.5	(182.2)
Operating profit		199.5	(12.8)	186.7	146.5	17.5	164.0
Income from associates		2.5	–	2.5	3.9	–	3.9
Gain on bargain purchase	(d)	–	–	–	0.4	(0.4)	–
EBIT		202.0	(12.8)	189.2	150.8	17.1	167.9
Finance income		0.1	–	0.1	–	–	–
Finance costs	(e)	(23.4)	–	(23.4)	(18.1)	1.5	(16.6)
Profit before taxation		178.7	(12.8)	165.9	132.7	18.6	151.3
Taxation	(f)	(39.5)	1.9	(37.6)	(31.1)	4.9	(26.3)
Profit for the year		139.2	(10.9)	128.3	101.5	23.5	125.0
Shares for EPS calculation		230.8m		230.8m	246.0m		246.0m
Basic EPS		60.3p		55.6p	41.3p		50.8p

Adjustments comprise:	Footnotes		
Revenue: sale of vehicles	(a)	(152.8)	(149.9)
Cost of sales: revenue sale of vehicles net down	(a)	152.8	149.9
Depreciation adjustment (Note 6)		(46.5)	–
Cost of sales	(b)	106.3	149.9
Gross profit	(a)+(b)	(46.5)	–
Exceptional items (Note 6)		13.5	(2.3)
Amortisation of acquired intangible assets (Note 6)		20.2	19.8
Administrative expenses	(c)	33.7	17.5
Gain on bargain purchase	(d)	–	(0.4)
Adjustments to EBIT		(12.8)	17.1
Exceptional finance costs (Note 6)	(e)	–	1.5
Adjustments to PBT		(12.8)	18.6
Tax on exceptional items (Note 6)		(2.1)	0.2
Other tax adjustments		4.0	4.7
Tax adjustments	(f)	1.9	4.9
Adjustments to profit		(10.9)	23.5
OPERATING REVIEW			

Group overview

The Group has delivered stand-out operational performances across many areas with significant volume growth in our accident management business and rental revenue growth in both UK&I and Spain reflecting continued strong demand across our geographies.

Our focus has been on satisfying strong customer demand through the management of fleet acquisition and disposals, and the successful onboarding of all the significant multi-year insurer contracts, announced previously, which went live in the first half of the year. Alongside growth in value added services and the introduction of new products and services, careful pricing increases to offset cost inflation have helped to maintain operating margins across the business units; together these have enabled us to achieve record results for both revenue and profit.

Our integrated mobility platform has demonstrated its potential and more customers than ever are seeing the benefits of taking multiple services from us and enjoying the cost efficiencies this growing platform affords them, and this also helps support greater customer retention. With acquisitions of specialist traffic management vehicle providers Blakedale in July 2022 and temperature-controlled vehicle specialists FridgeXpress in May 2023, we have also extended our fleet customer proposition, bringing an even broader range of customer revenue streams onto the platform.

Growth drivers

Claims and services revenue growth of 37% was achieved through increased traffic volumes and the ramp-up of the multi-year insurer contracts; these contracts have reached their forecast activity levels. We are confident that the pipeline of potential new contracts and enhanced service provision on existing contracts will deliver further volume growth, including the scheduled onboarding of a new leasing company contract in Q2.

Our outsourcing proposition continues to attract both insurer and leasing provider interest as they look to benefit from the cost and efficiency benefits that our platform can offer at a time of significant claims inflation. Insurers under protocol arrangements with us grew to over 60% of our long-term contracts in the year, reflecting the trust and efficiencies such arrangements afford both parties, while actions such as energy cost levies have been carefully managed.

Throughout the year demand for LCV rental continued to outstrip supply across our geographies, alongside increased demand for additional services and products such as telematics, where over 10,000 units are now in service, up 10%, as customers increasingly look to monitor driver behaviours. A 50% growth in customers covered by accident management services in Northgate UK&I in the year helped support rental margins and customer retention, as customers see benefits and efficiencies from leveraging our broader fleet expertise. We also installed over 6,700 EV charging points, including at an increasing number of commercial locations.

In Spain, the economy has performed well with strong activity from telecom and tourism sectors. The opening up of our Spanish workshops to third parties has been very successful, with three notable contracts signed in the year, increasing workshop revenues by 60%. Pricing increases in both Northgate Spain and Northgate UK&I have been implemented in discussion with customers, with average UK rental rates rising close to inflation in the year.

Customer diversity remains broadly spread across sectors, and the business continues to actively manage customer and sector exposures. In Northgate UK&I, no sector accounts for more than 15% of LCV rental VOH, and eight sectors each represent over 7% of VOH. In Spain the largest sectors remain construction and support services.

Fleet availability

Fleet growth of 4,400 vehicles to 130,700 over the past year reflects the success we have had in accessing supply, particularly for cars, to support our businesses and customer needs. In Northgate Spain a broader range of manufacturers supported fleet renewal and growth, with the number of vehicles on the fleet increasing 6% in the year; while in the UK, whilst the number of vehicles on the fleet decreased 6%, our OEM relationships mean that we have early visibility of supply and have had the financial capacity to quickly respond to supply opportunities as they have come available.

We maintained our approach of limiting disposals and optimising fleet recycling when vehicles come off hire, as well as seeking new sources of supply. Both Van Monster and the Spanish e-Auction online disposal portals accounted for over 90% of fleet disposal activities in their geographies and are increasingly significant players in the online marketplace. They offer a highly cost-efficient route for defleeting vehicles, and a real-time understanding of the used vehicle market.

We are starting to see a modest easing of vehicle supply and parts constraints but are still a way off “normal” supply levels, particularly in the UK&I, and the cumulative undersupply of new vehicles since 2020 is expected to keep residual values high in the medium term.

Strategic focus

Our strategic priorities continue to be centred around enhancing the strong mobility platform we have developed and the potential this offers us for growth in the business and to integrate new products and acquisitions. We always have customer service at the heart of our offering, and a focus on delivering to our customer needs and requirements remains core to our business model. Operationally this has included opening our new branch in Inverness and enhancing our digital capabilities and ability to offer greater commercial insights to customers.

We are also recognising how important an enabler we can be for our customers; both in terms of helping their efficiency programmes through being a trusted outsourcing partner, and also more fundamentally with regards to energy transition and the move to EVs. This is gathering pace for passenger vehicles but remains in its infancy for the commercial LCV sector, particularly for those requiring higher payloads or travelling long distances.

The acquisitions of Blakedale and FridgeXpress have provided incremental specialist vehicle capabilities that we can build on through fleet investment and broadening customer bases. Blakedale, which specialises in traffic management vehicles, achieved a 28% increase in the number of customers and over 30% growth in the vehicle fleet since acquisition. The acquisition of FridgeXpress, a provider of temperature-controlled vehicles and trailers in the UK, was completed shortly after the year-end and offers a similar potential for cross platform growth.

Together these acquisitions have added over 1,000 new specialist vehicles to the UK&I fleet and the potential to provide both existing and new customers with a broader product offering. We continue to explore inorganic opportunities across territories to grow both our fleet and range of services and remain alert to new technologies and new suppliers looking to enter our markets.

The growing scale of our mobility platform means that we are an increasingly attractive partner for OEMs and other providers, such as for the Spanish utility operator Iberdrola, where we have a new partnership to jointly provide a complete EV solution comprising vehicle, charging infrastructure and green energy supply.

Supporting sustainability

For customers, our Drive to Zero programme supports fleet owners in identifying the right strategy and first steps in utilising EVs, or improving their fleet management and driver behaviour to reduce emissions. This will rise in importance in the coming years with the increase in the number of low emission zones, alongside growing requirements of governmental contracts for the use of EV vehicles; and greater accountability on progress towards net zero targets. We are adding products such as solar (UK&I) and bundled green energy (Spain) to our charging and e-rental offerings, along with advisory services to help customers negotiate what remains an uncertain regulatory and infrastructure-reliant environment.

Within our business, our key people engagement metric scored highly at 74%, and we saw improvements in key underlying areas, such as those seeing the business as providing encouragement for their personal development, and a 91% score for employees feeling they work in a great team. This reflects the efforts made to support our people throughout their career with us, from learning and development opportunities to enhanced employee benefits and wellbeing support.

We know these are key elements in maximising retention in what is a challenging labour market and have significantly increased the numbers (up over 150%) on our apprenticeship scheme and expanded our recruitment and outreach programmes. We also supported cost of living pressures with two targeted payments since December, each to over 4,500 colleagues. We have continued to invest in various communication channels for the greater sharing of Group news, values and culture, and our new corporate and recruitment websites have also increased the profile and accessibility of information about the Group to external stakeholders.

A new group sustainability committee was set up in the year, chaired by the CFO, together with separate working groups focused on key aspects such as facilities, mobility and data, and social impact. Our work this year has enabled us to gain a better understanding of our environmental footprint, set Scope 1 and Scope 2 targets and enhance our TCFD reporting. These targets, which comprise 100% renewable electricity and a 10% reduction in our directly controlled emissions by 2027, sit alongside our existing commitments to reduce waste to landfill and efforts to increase reuse and repair rather than replacement and recycling across the Group.

Financial strength

Our strong cashflows and balance sheet supports business growth, a progressive dividend as well as share buybacks. These support agility and responsiveness both in our fleet acquisition strategies and ability to execute non-organic expansion. With a strong fixed asset profile and resilient cashflows, we offer an attractive profile to lenders. We extended our bank facility by an additional 12 months to 2026 in October, which gave further flexibility and duration to our borrowings, where 62% of our total facilities are fixed, with maturities up to 2031.

The Group has a conservative approach to capital allocation which has served us well, and leverage has remained well within our 1-2x target range, at 1.5x at the year end. Subject to shareholder approval, the Board has proposed a final dividend of 16.5p per share (2022: 15.0p) to be paid on 29 September 2023 to shareholders on the register as at close of business on 1 September 2023, bringing the total dividend to 24.0p (2022: 21.0p), a 14.3% increase on the prior year.

During the year we extended the share buyback programme announced in March 2022 from the initial £30m to £60m. This programme was completed in December 2022 having acquired 16.9m shares equating to 7% of ordinary share capital, a risk-free enhancement of shareholder returns. Presently, we are seeing many opportunities to grow value for the long term, although we continue to view buybacks as a useful element within our capital allocation framework alongside a progressive dividend and it will be kept under review.

Financial review

Group revenue and EBIT

Year ended 30 April	2023 £m	2022 £m	Change £m	Change %
Revenue – Vehicle hire	610.5	563.3	47.2	8.4%
Revenue – Vehicle sales	152.9	149.9	3.0	2.0%
Revenue – Claims and services	726.3	530.3	196.0	37.0%
Total revenue	1,489.7	1,243.6	246.1	19.8%
Rental profit	102.3	91.7	10.6	11.6%
Disposal profit	51.5	50.1	1.4	2.7%
Claims and services profit	44.5	31.8	12.7	40.1%
Corporate costs	(11.6)	(9.6)	(2.0)	21.4%
Underlying operating profit	186.7	164.0	22.7	13.8%
Income from associates	2.5	3.9	(1.4)	(34.8%)
Underlying EBIT	189.2	167.9	21.3	12.7%
<i>Underlying EBIT margin¹</i>	14.2%	15.4%		(1.2ppt)
Statutory EBIT	202.0	150.8	51.2	34.0%

Revenue

Total Group revenue, including vehicle sales, of £1,489.7m was 19.8% higher than prior year while revenue excluding vehicle sales of £1,336.9m (2022: £1,093.6m), was 22.2% higher than the prior year.

Hire revenues increased 8.4% mainly due to higher VOH and pricing actions to address cost inflation; Group VOH was 1.8% higher than the prior year, with continued supply challenges constraining Northgate UK&I, while Northgate Spain was able to grow, reflecting greater availability of new vehicles. Claims and services revenue growth of 37.0% reflected higher activity including increased volumes from new business wins which have launched in the past 12 months, and an industry-wide rise in chargeable costs reflecting inflation across the supply chain.

Group vehicle sales revenue increased by 2.0% due to a 9.6% increase in the number of vehicles sold being partially offset by a change in mix of vehicles sold and softening residual values in the UK. The total fleet increased 3.4% in the year, up over 4,000 vehicles, including those acquired through leasing, with outright fleet purchases of 23,100 (2022: 23,600).

EBIT

Statutory EBIT was up 34.0%, while underlying EBIT of £189.2m grew 12.7% compared to the prior year; reflecting strong rental performance and higher volumes in Redde. The statutory EBIT includes a £46.5m credit (2022: £nil) for adjustments to depreciation rates, amortisation on acquired intangible assets of £20.2m (2022: £19.8m) and other exceptional items of £13.5m (2022: £2.7m credits including £0.4m credit for gain on bargain purchase).

Rental profit increased £10.6m to £102.3m (2022: £91.7m) with a £2.5m increase in Northgate UK&I and an £8.1m increase in Northgate Spain. Redde saw volume growth across its product offerings, resulting in an £11.4m increase in underlying EBIT, including income from associates to £47.0m (2022: £35.6m).

Total disposal profits for the year of £51.5m were 2.7% higher than the prior year with 18,200 vehicles sold (2022: 16,600) with residual values remaining higher than historical pre-COVID-19 levels.

¹ Calculated as underlying EBIT divided by revenue (excluding vehicle sales)

Northgate UK&I

Year ended 30 April	2023	2022	Change
KPI	('000)	('000)	%
Average VOH	48.9	50.2	(2.6%)
Closing VOH	46.5	49.2	(5.5%)
Average utilisation %	93%	92%	1ppt
Year ended 30 April	2023	2022	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Vehicle hire ²	367.7	346.6	6.1%
Revenue – Vehicle sales	104.9	111.8	(6.1%)
Total revenue	472.6	458.4	3.1%
Rental profit	55.6	53.1	4.7%
Rental margin %	15.1%	15.3%	(0.2ppt)
Disposal profit	37.8	44.8	(15.8%)
Underlying EBIT	93.4	98.0	(4.7%)
EBIT margin % ³	25.4%	28.3%	(2.9ppt)
ROCE %	16.3%	17.5%	(1.2ppt)

Highlights

Rental revenue grew 6.1% in the year and was achieved through optimised utilisation and active management of available fleet with a continued focus on selected market segments and key clients; this was also supported by carefully targeted and communicated rate increases to address cost inflation. This enabled average revenue per vehicle to increase 9% on the prior year and maintain rental margin above the long-term target rate of 15%.

Managed ageing of the fleet also allowed greater support for strong customer demand throughout the year when vehicles remained in short supply and average VOH of 48,900 was 2.6% lower than the prior year. This was echoed across the industry, with UK LCV registrations being over 20% lower than FY2022, and touching levels last seen in 2014. This lack of supply continues to support residual values however, which although softening in the year, are likely to remain above pre-COVID-19 levels in the medium term.

The business continues to increase income from its range of value-added services. During the year vehicles under fleet and accident management increased by over 150% and our telematics offering increased by 10%, exceeding 10,000 chargeable units for the first time. We have succeeded in expanding cross platform products and services across the customer base and have also expanded our range of services in Ireland.

We have grown our EVs on hire by 36%, and supported customers embarking on their transition to electric vehicles through a range of services. These include consultancy on EV suitability for specific purposes and routes using sophisticated modelling, driver training services, installation of charging points and a series of EV Open Days around the country inviting customers to drive a range of electric vans and to consult with our experts on how to manage the transition.

Our ChargedEV business installed over 6,700 charging points in the year and was impacted by the slowdown in the delivery of electric vehicles to customers seeking charging solutions, this situation is now easing. The business has won a number of new referral partners and supply contracts, as well as moving to broaden its propositions and reach, including supporting a Northgate bundled EV and charging solution. This includes moving into commercial installations and preparing to add solar installations for consumers and commercial clients to its product range.

Our specialist traffic management vehicle provider, Blakedale has been successfully integrated into the Group. We have increased fleet volumes by over 30% since acquisition in July 2022 and secured additional chassis supply and production capability to take advantage of the strong vehicle demand.

² Including intersegment revenue of £9.9m (2022: £3.9m)

³ Calculated as underlying EBIT divided by revenue (excluding vehicle sales)

EBIT

Northgate UK&I underlying EBIT of £93.4m was 4.7% lower than the prior year (2022: £98.0m). Rental profit increased £2.5m to £55.6m. Disposal profits decreased £7.0m to £37.8m reflecting a 2.6% reduction in the number of vehicle sales.

ROCE was 16.3% (2022: 17.5%) reflecting the decrease in EBIT mainly as a result of lower disposals.

Rental

Compared to the prior year, hire revenue in Northgate UK&I increased 6.1% to £367.7m (2022: £346.6m), with the reduction in average VOH being offset by an 9.0% increase in average revenue per vehicle. Rate increases were applied across our full range of rental products.

Closing VOH of 46,500 was 2,700 lower than the prior year (2022: 49,200) with the shortage in supply of new vehicles holding back growth in the year.

Northgate UK&I's minimum term proposition accounted for 37% of average VOH (2022: 36%). 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 15.1% compared to 15.3% in the prior year. This is in line with medium term guidance and was supported by pricing increases, partially offset by cost inflation and investment to grow ChargedEV.

The overall impact of the reduction in VOH and greater rental revenue per vehicle was a 4.7% increase in rental profits to £55.6m (2022: £53.1m).

Management of fleet and vehicle sales

The closing Northgate UK&I rental fleet was 50,800 compared to 54,200 at 30 April 2022. During the year, 4,800 vehicles were purchased (2022: 10,000) and 8,600 vehicles were defleeted (2022: 10,400). The leased fleet increased by 400 vehicles.

The average age of the fleet was 36 months at the end of the year which was six months higher than at 30 April 2022. This was due to managing the fleet to mitigate impacts of the restricted market supply reducing both purchases and vehicles sold.

A total of 10,200 vehicles were sold in Northgate UK&I during the year, 2.6% lower than the prior year (2022: 10,400 vehicles). Disposal profits of £37.8m (2022: £44.8m) decreased 15.8% versus the prior year, reflecting the reduction in the number of vehicles sold and softening residual values. Average profit per unit (PPU) on disposals decreased 13.6% to £3,700 (2022: £4,300).

Northgate Spain

Year ended 30 April	2023	2022	Change
KPI	('000)	('000)	%
Average VOH	53.6	50.4	6.2%
Closing VOH	54.7	52.2	4.9%
Average utilisation %	92%	92%	–
Year ended 30 April	2023	2022	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Vehicle hire	252.7	220.6	14.6%
Revenue – Vehicle sales	47.3	38.1	24.0%
Total revenue	300.0	258.7	16.0%
Rental profit	46.7	38.6	20.9%
Rental margin %	18.5%	17.5%	1.0ppt
Disposal profit	13.7	5.3	160.7%
Underlying EBIT	60.4	43.9	37.7%
EBIT margin % ⁴	23.9%	19.9%	4.0ppt
ROCE %	12.9%	10.0%	2.9ppt

Highlights

Rental revenue rose 14.6% (11.9% in constant currency), achieved through both a significant increase in VOH, up 6.2% to 53,600, together with pricing actions implemented for flexible and term rental products. With continued positive Spanish GDP growth, demand remained strong throughout the year and the main priority was sourcing vehicles to satisfy customers orders, notably within fast growing sectors including infrastructure and support services.

Northgate expanded its portfolio of vehicle suppliers alongside strong relationships with existing suppliers, helping gain access to more new vehicles than in the prior year. De-fleets were carefully managed, to allow necessary fleet renewal, but also to support VOH growth to satisfy demand.

The rental margin of 18.5% was supported by the early implementation of price increases, partially offset by inflation driven costs building through the year and especially in the second half. Expectations remain that the margin will over time trend towards our medium-term guidance of c.15% as the fleet is renewed but will continue to be supported through strong demand.

Northgate increasingly offered workshop-based repair services to third parties, utilising spare capacity, and achieved 60% revenue growth. These revenues were supported by new repair contracts signed with insurance companies and large fleet owners, including a referral from a major UK insurance customer, and these workshop-based repair services have the potential to become a meaningful multi-year revenue stream. A new agreement was signed with the utility group, Iberdrola, to support a joint EV and charging initiative, to help fleet and retail customers migrate to lower emission vehicles.

Vehicles were predominantly sold through our e-Auction platform, which provided the most efficient disposal route. Given the shortfalls in vehicle supply and solid Spanish economic growth, demand for used vehicles remained strong throughout the entire year and was reflected in PPUs being double the prior year. Disposal profits increased to £13.7m (2022: £5.3m), through both higher PPUs and increased disposal volumes (up 30%) as the business took advantage of better sourcing to refresh portions of the fleet.

Alongside investment in the fleet and workshop capability, the business completed a second phase of solar panels installation, with over 1.5 MW total generating capacity now installed to date and delivering over an estimated 20% of annual energy consumption.

⁴ Calculated as underlying EBIT divided by revenue (excluding vehicle sales)

EBIT

Northgate Spain's strong year resulted in underlying EBIT increasing £16.5m, a 37.7% increase compared to the prior year driven by VOH growth of 6.2% and strong rental margins of 18.5% compared to 17.5% in the prior year.

The ROCE in Northgate Spain was 12.9% (2022: 10.0%) reflecting the increase in rental margin, disposal profits and an older fleet.

Rental business

Hire revenue in Northgate Spain increased 14.6% to £252.7m (2022: £220.6m), driven by the increase in average VOH. Closing VOH increased 4.9% to 54,700.

Northgate Spain's minimum term proposition accounted for around 35% (2022: 35%) of average VOH. The average term of these contracts is approximately three years, providing visibility of future rental revenue and earnings.

The rental margin was 1.0ppt higher than the prior year at 18.5% from pricing increases with some cost inflation offsetting this.

The impact of increase in hire revenue and rental margin was a 20.9% increase in rental profits to £46.7m (2022: £38.6m).

Management of fleet and vehicle sales

The closing Northgate Spain rental fleet was 61,400 compared to 57,600 vehicles at 30 April 2022. During the year 13,200 vehicles were purchased (2022: 10,900) and 9,400 vehicles were de-fleeted (2022: 5,100 vehicles). The average age of the fleet at the end of the year was 33 months, two months older than at the same time last year. This was due to managing the fleet to mitigate impacts of the restricted market supply reducing purchases.

A total of 7,900 vehicles were sold in Northgate Spain during the year, 30% higher than the prior year reflecting the sale of aged fleet following an increase in new fleet purchases.

Disposal profits of £13.7m (2022: £5.3m) increased 160.7% due to the increased number of vehicles sold and continued strength in sales values, resulting in an increase in average profit per unit (PPU) on disposals to £1,700 (2022: £900).

Redde

Year ended 30 April	2023	2022	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Claims and services ⁵	738.9	543.7	35.9%
Revenue – Vehicle sales ⁶	31.0	–	n/a
Total revenue	769.8	543.7	41.6%
Gross profit	151.5	127.7	18.7%
Gross margin % ⁷	20.5%	23.5%	(3ppt)
Operating profit	44.5	31.8	40.1%
Income from associates	2.5	3.9	(34.8%)
Underlying EBIT	47.0	35.6	32.0%
EBIT margin % ⁷	6.4%	6.6%	(0.2ppt)
ROCE %	15.9%	16.6%	(0.7ppt)

Highlights

Claims and services revenues for the Redde businesses rose 35.9% in the year; and total revenues grew 41.6% when vehicle sales are included. This was due to increased volumes and claims activity, through a near-full return to pre-pandemic traffic volumes, and from a number of new insurer contracts which went live in the year. Vehicles sales volumes this year reflected the replacement of fleet that was deferred last year due to allocating all purchases for growth.

The multi-year insurer contracts announced in FY2022 all went live during the first half of the year and will therefore deliver a full annual contribution next year. The significant resource and investment in systems, vehicles, people and technology, required to scale these multi-year contracts have also helped deliver a differentiated integrated claims proposition, covering the lifecycle of an accident claim within the Redde businesses. The recent live contracts represented a mix of direct hire and credit hire and repair; each with different margin profiles, delivering significant volume growth for the business.

Redde offers an attractive proposition to insurers and fleets who are considering partial or full outsource of their accident or claims management, offering a unique blend of centres of excellence for claims and a network of physical assets in terms of mobility and vehicle repair. The increasing scale offers more potential for operational and system efficiencies to help mitigate inflationary increases in operational overheads, which were partially shared in the year with customers and partners through charges such as energy levies.

Our FMG RS owned repair sites are now an integral part of our overall market proposition, working alongside our existing independent network. This integrated approach in the UK provides insurers with a comprehensive, UK wide solution.

There is a strong focus on growing repair and workshop technician capacity through our industry-leading apprentice scheme and internal skills and development programmes alongside other investments in the business and its network.

⁵ Including intersegment revenue of £12.5m (2022: £13.4m)

⁶ Including intersegment revenue of £30.3m (2022: £nil)

⁷ Gross profit margin calculated as underlying gross profit divided by total revenue. EBIT margin calculated as underlying EBIT divided by total revenue excluding vehicle sales

EBIT

Revenue for the year (excluding vehicle sales) increased 35.9% to £738.9m (2022: £543.7m) reflecting the increase in traffic volumes seen in the prior year and a continuing extension in hire length during the year due to the impact of macro challenges in supply chains for parts and labour.

Gross margin of 20.5% decreased 3ppt (2022: 23.5%) due to volume mix within the business.

During the year underlying EBIT has increased by 32.0% over the prior year to £47.0m, with the growth in volumes seen last year continuing throughout the year. The EBIT margin of 6.4% was 0.2ppt lower than the prior year, and principally reflects the change in product mix and new contract investment.

Management of fleet

The total fleet in Redde was 18,500 vehicles at the end of the year, compared to 14,500 at 30 April 2022 with the fleet growth supporting the increase in the volume of credit hires.

The average fleet age was 15 months (2022: 11 months) reflecting the lower fleet holding period than in the Northgate businesses due to the different usage of vehicles and the optimal holding period of this vehicle mix.

Group PBT and EPS

Year ended 30 April	2023 £m	2022 £m	Change £m	Change %
Underlying EBIT	189.2	167.9	21.3	12.7%
Net underlying finance costs	(23.3)	(16.6)	(6.7)	40.4%
Underlying profit before taxation	165.9	151.3	14.6	9.7%
Statutory profit before taxation	178.7	132.7	46.0	34.7%
Underlying effective tax rate	22.6%	17.4%		5.2ppt
Underlying EPS (p)	55.6	50.8	4.8	9.5%
Statutory EPS (p)	60.3	41.3	19.0	46.2%

Profit before taxation

Underlying PBT was 9.7% higher than prior year reflecting the higher EBIT across the Group. Statutory PBT was 34.7% higher including a £46.5m credit relating to adjustments to depreciation rates on the older fleet as explained last year and further below.

Exceptional items

Exceptional costs of £13.5m (2022: £2.7m credits including £0.4m credit for gain on bargain purchase) were incurred in the year, with a £13.5m charge arising from the impairment of goodwill, and other intangibles of NewLaw following a strategic review of the Group.

Further detail on exceptional items is included in the notes to the financial statements.

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 £20.2m (2022: £19.8m). Total credits of £46.5m (2022: £nil) have been excluded from underlying results in relation to depreciation rate adjustments on vehicles purchased before FY2021 in order to better compare results over time as explained further below.

Depreciation rate changes

When a vehicle is acquired, it is recognised as a fixed asset at its cost net of any discount or rebate received. 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 of vehicles 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; and
- Mileage and condition are the key factors in influencing the market value of a vehicle. These 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 these differences are within an acceptable range they 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.

Residual values have increased significantly over the previous two financial years due to the disruption of new vehicle supply that 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 and as previously disclosed, a decision was made to reduce depreciation rates from 1 May 2022 on certain vehicles remaining on the fleet which were purchased before FY2021.

The actual phasing of the adjustment will change if these vehicles are held for a longer or shorter period than anticipated. The depreciation rate change is expected to impact the statutory income statement over the remaining holding period of those vehicles as follows:

£m	FY2023	FY2024	FY2025	FY2026	FY2027	Total
Reduced depreciation	55.1	46.7	22.3	5.4	0.1	129.6
Reduced disposal profits	(8.6)	(34.0)	(50.6)	(31.8)	(4.6)	(129.6)
Updated expected impact on statutory EBIT	46.5	12.7	(28.3)	(26.4)	(4.5)	–
Previously expected impact on statutory EBIT	46.8	(9.4)	(29.8)	(6.7)	(0.9)	–

No further depreciation rate changes have been made on the existing fleet since the impact on EBIT was outlined last year. The updated phasing of the adjustment relates entirely to an updated expectation to hold the older vehicles in the fleet for longer than originally envisaged.

The impact of the changing depreciation rates on this component of the fleet will re-phase statutory EBIT over this five-year period but will have no impact on underlying results, no overall impact on statutory profit over the life of the fleet and does not impact cash.

The disposal profits of vehicles purchased since FY2021 are expected to be broadly in line with original expectations. Depreciation rates on vehicles purchased in FY2024 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.

Interest

Net underlying finance charges increased to £23.3m (2022: £16.6m) due to higher average debt and the increase in floating interest rates over the year. The increase in interest rates was largely sheltered due to holding 62% of borrowing as fixed rate debt.

Taxation

The Group's underlying tax charge was £37.6m (2022: £26.3m) and the underlying effective tax rate was 22.6% (2022: 17.4%). The statutory effective tax rate was 22.1% (2022: 23.5%).

Earnings per share

Underlying EPS of 55.6p was 4.8p higher than prior year, reflecting increased profits in the year and a 2.7p impact of the share buyback programme.

Statutory EPS of 60.3p was 19.0p higher, reflecting the movement in underlying EPS and the impact of exceptional items and adjustments to depreciation rates which are not included within the underlying results.

Business combinations

In July 2022 the Group acquired 100% of the equity capital of Blakedale Limited for provisional consideration of £10.1m. The provisional fair value of net assets acquired was £6.1m resulting in the recognition of £4.0m of goodwill.

Share buyback programme

The Group completed its share buyback programme in December 2022. The Group purchased, and holds in treasury, 16,877,571 ordinary shares (2022: 1,825,991) for a total consideration of £60.5m including £7.5m acquired in the prior year. The shares held in treasury are of par value 50p each, representing 7% of the Company's issued ordinary share capital.

Group balance sheet

Net assets at 30 April 2023 were £994.6m (2022: £946.8m), equivalent to net assets per share of 434p (2022: 388p). Net tangible assets at 30 April 2023 were £752.9m (2022: £680.5m), equivalent to a net tangible asset value of 328p per share (2022: 279p per share).

The calculations above are based on the number of shares in issue at 30 April 2023 of 246,091,423 (2022: 246,091,423) less treasury shares of 16,877,571 (2022: 1,825,991).

Gearing at 30 April 2023 was 92.2% (2022: 85.6%) and ROCE was 14.1% (2022: 13.9%).

Group cash flow

Steady state cash generation and free cash flow

Year ended 30 April	2023 £m	2022 £m	Change £m
Underlying EBIT	189.2	167.9	21.3
Depreciation and amortisation ⁸	223.0	198.8	24.2
Underlying EBITDA	412.2	366.7	45.5
Net replacement capex ⁹	(155.6)	(106.7)	(48.9)
Lease principal payments ¹⁰	(65.1)	(43.7)	(21.4)
Steady state cash generation	191.5	216.4	(24.9)
Exceptional costs (excluding non-cash items)	–	(0.7)	0.7
Working capital and non-cash items	(0.3)	(33.5)	33.2
Growth capex ⁹	(122.6)	(108.6)	(14.0)
Taxation	(36.6)	(27.4)	(9.2)
Net operating cash	32.0	46.2	(14.2)
Distributions from associates	3.1	4.1	(1.0)
Interest and other financing	(20.6)	(30.0)	9.4
Acquisition of business	(10.0)	(0.5)	(9.5)
Free cash flow	4.5	19.8	(15.3)
Dividends paid	(52.2)	(43.9)	(8.3)
Payments to acquire treasury shares	(53.0)	(7.5)	(45.5)
Lease principal payments ¹¹	65.1	43.7	21.4
Net cash (consumed) generated	(35.6)	12.0	(47.6)

Steady state cash generation

Steady state cash generation remained strong at £191.5m (2022: £216.4m), driven by underlying EBIT performance, offset by an increase in net replacement capex.

Net capital expenditure

Net capital expenditure increased by £62.9m to £278.2m (2022: £215.3m) due to a £48.9m increase in net replacement capex⁹ and a £14.0m increase in growth capex⁹.

Net replacement capex was £155.6m (2022: £106.7m), £48.9m higher than the prior year with an increase in the average replacement cost due to a change in mix of vehicles replaced and a higher replacement cost due to price inflation.

The net replacement capex outflow was £21.8m higher in Spain, £11.8m higher in Redde and £15.3m higher in UK&I.

⁸ Depreciation and amortisation excludes £46.5m (2022: £nil) of depreciation adjustment credits and £20.2m (2022: £19.8m) of amortisation of acquired intangibles both excluded from underlying results

⁹ Net replacement capex is total capex less growth capex. Growth capex represents the cash consumed in order to grow the fleet or the cash that is generated if the fleet size is reduced in periods of contraction (excluding leased fleet)

¹⁰ Lease principal payments are included so that steady state cash generation includes all maintenance capex irrespective of funding method

¹¹ Lease principal payments are added back to reflect the movement on net debt

Lease principal payments of £65.1m (2022: £43.7m) increased £21.4m due to a larger leased fleet size and final payments on legacy hire purchase contracts.

Free cash flow

Free cash flow decreased by £15.3m to £4.5m (2022: £19.8m) driven by an increase in net capex as explained above and also £10.0m cash consideration for the Blakedale acquisition.

Removing the impact of growth capex in the year, the underlying free cash flow of the Group was £127.1m compared to £128.4m in the previous year.

Net cash generation

Net cash consumed of £35.6m (2022: £12.0m generated) includes £52.2m of dividends paid (2022: £43.9m) and £53.0m (2022: £7.5m) for treasury shares purchased as part of the previously announced buyback programme.

Net debt

Net debt reconciles as follows:

As at 30 April	2023 £m	2022 £m
Opening net debt	582.5	530.3
Net cash consumed (generated)	35.6	(12.0)
Other non-cash items	57.8	76.8
Exchange differences	18.5	(12.6)
Closing net debt	694.4	582.5

Closing net debt increased by £111.9m in the year driven by net cash consumed, non-cash items and exchange differences. Other non-cash items consist of £56.8m of new leases acquired and £1.0m of other items. Foreign exchange movements increased net debt by £18.5m.

Borrowing facilities

As at 30 April 2023 the Group had headroom on facilities of £290m, with £544m drawn (net of available cash balances) against total facilities of £834m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing cost
UK bank facilities	490	202	288	Nov 26	6.0%
Loan notes	330	330	–	Nov 27 – Nov 31	1.3%
Other loans	14	12	2	Nov 23	2.8%
	834	544	290		3.1%

The other loans drawn consist of £11m of local borrowings in Spain which were renewed for a further year in November 2022 and £0.5m of preference shares.

The above drawn amounts reconcile to net debt as follows:

	Drawn £m
Borrowing facilities	544
Unamortised finance fees	(7)
Leases	157
Net debt	694

The overall cost of borrowings at 30 April 2023 is 3.1% (2022: 1.9%).

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 2023 corresponded to a margin of 1.95% (2022: 1.95%).

The split of net debt by currency was as follows:

	2023 £m	2022 £m
As at 30 April		
Euro	388.0	373.6
Sterling	313.2	216.8
Borrowings and lease obligations before unamortised arrangement fees	701.2	590.4
Unamortised finance fees	(6.8)	(7.9)
Net debt	694.4	582.5

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

As at 30 April	Threshold	2023	Headroom	2022
Interest cover	3x	10.6x	£133m (EBIT)	14.4x
Loan to value	70%	42%	£371m (Net debt)	41%
Debt leverage	3x	1.5x	£186m (EBITDA)	1.4x

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

Dividend and capital allocation

Subject to approval, the final dividend proposed of 16.5p per share (2022: 15.0p) will be paid on 29 September 2023 to shareholders on the register as at close of business on 1 September 2023.

Including the interim dividend paid of 7.5p (2022: 6.0p), the total dividend relating to the year would be 24.0p (2022: 21.0p). The dividend is covered 2.3x 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:

- Funding organic growth
- Sustainable and growing dividend
- Inorganic growth
- Returning excess cash to shareholders

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.

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 outlined in the borrowing facilities section 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) held in fixed rates was 62% at 30 April 2023 (2022: 76%).

Foreign exchange risk

The Group's reporting currency is Sterling and 78% of its revenue was generated in Sterling during the year (2022: 77%). 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 are 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:

	2023 £:€	2022 £:€
Average	1.15	1.18
Year end	1.14	1.19

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 notes to the financial statements) the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Philip Vincent

Chief Financial Officer

Alternative performance measures and glossary of terms

A reconciliation of statutory to underlying Group performance is outlined at the front of this document. A reconciliation of underlying cash flow measures and additional alternative performance measures used to assess performance of the Group is shown below.

Cash Flow Reconciliation Year ended 30 April	2023 £m	2022 £m
Underlying EBIT	189.2	167.9
Add back:		
Depreciation of property, plant and equipment	175.1	197.2
Depreciation adjustment not included in underlying EBIT	46.5	–
Loss on disposal of assets	0.2	0.6
Intangible amortisation included in underlying operating profit (Note 6)	1.2	1.0
Underlying EBITDA	412.2	366.7
Net replacement capex	(155.6)	(106.7)
Lease principal payments	(65.1)	(43.7)
Steady state cash generation	191.5	216.4
Exceptional items (excluding non-cash items)	–	(0.7)
Working capital and non-cash items	(0.3)	(33.5)
Growth capex	(122.6)	(108.6)
Taxation	(36.6)	(27.4)
Net operating cash	32.0	46.2
Distributions from associates	3.1	4.1
Interest and other financing costs	(20.6)	(30.0)
Acquisition of business net of cash acquired	(10.0)	(0.5)
Free cash flow	4.5	19.8
Dividends paid	(52.2)	(43.9)
Purchase of treasury shares for share buyback program	(53.0)	(7.5)
Lease principal payments	65.1	43.7
Net cash (consumed) generated	(35.6)	12.0
Reconciliation to cash flow statement:		
Net (decrease) increase in cash and cash equivalents	(3.9)	8.8
Add back:		
Receipt of bank loans and other borrowings	(96.8)	(318.1)
Repayments of bank loans and other borrowings	–	277.6
Principal element of lease payments	65.1	43.7
Net cash (consumed) generated	(35.6)	12.0

Cash Flow Reconciliation	2023	2022
Year ended 30 April	£m	£m
Reconciliation of capital expenditure		
Purchases of vehicles for hire	398.2	292.9
Proceeds from disposals of vehicles for hire	(128.4)	(128.8)
Proceeds from disposal of other property, plant and equipment	(0.7)	(2.7)
Purchases of other property, plant and equipment	7.4	52.4
Purchases of intangible assets	1.8	1.4
Net capital expenditure	278.2	215.2
Net replacement capex ⁹	155.6	106.7
Growth capex ⁹	122.6	108.6
Net capital expenditure	278.2	215.2

	Northgate UK&I 2023 £000	Northgate Spain 2023 £000	Group sub-total 2023 £000
Underlying operating profit ¹¹	93,382	60,440	153,822
<i>Exclude:</i>			
Vehicle disposal profits	(37,746)	(13,730)	(51,476)
Rental profit	55,636	46,710	102,346
Divided by: Revenue: hire of vehicles ¹²	367,694	252,691	620,385
Rental margin	15.1%	18.5%	16.5%

	Northgate UK&I 2022 £000	Northgate Spain 2022 £000	Group sub-total 2022 £000
Underlying operating profit ¹²	97,957	43,888	141,845
<i>Exclude:</i>			
Vehicle disposal profits	(44,841)	(5,267)	(50,108)
Rental profit	53,116	38,621	91,737
Divided by: Revenue: hire of vehicles ¹²	346,619	220,555	567,174
Rental margin	15.3%	17.5%	16.2%

¹² See Note 1 of the financial statements for reconciliation of segment underlying operating profit to Group underlying operating profit.

¹³ Revenue: hire of vehicles including intersegment revenue (see Note 1 of the financial statements).

The following defined terms have been used throughout this document:

Term	Definition
Average capital employed	A two point average of capital employed at last day of the current and previous financial years
Blakedale	A business within the Northgate UK&I operating segment providing specialist traffic management services.
Capex	Capital expenditure
Capital employed	Net assets excluding net debt and acquired goodwill and acquired intangible assets
CEO	Chief Executive Officer
CFO	Chief Financial Officer
ChargedEV	A business within the Northgate UK&I operating segment providing EV charging and solar infrastructure and solutions
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)
e-Auction	The part of the Group which generates vehicles sales revenue through the Group's online sales platforms
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Earnings per share. Underlying unless otherwise stated
EV(s)	Electric vehicle(s)
Facility headroom	Calculated as facilities of £834m less net borrowings of £544m. Net borrowings represent net debt of £694m excluding lease liabilities of £157m and unamortised arrangement fees of £7m and are stated after the deduction of £12m of cash and cash equivalents which are available to offset against borrowings
FMG RS	A business within the Redde operating segment providing vehicle repair services
Free cash flow	Net cash generated after principal lease payments and before the payment of dividends and payments to acquire treasury shares (comparative updated)
FridgeXpress	A business within the Northgate UK&I operating segment providing specialised temperature controlled vehicle services
FY2020	The year ended 30 April 2020
FY2021	The year ended 30 April 2021
FY2022	The year ended 30 April 2022
FY2023	The year ended 30 April 2023
FY2024	The year ending 30 April 2024
GAAP	Generally Accepted Accounting Practice: meaning compliance with IFRS
Gearing	Calculated as net debt divided by net tangible assets
Growth capex	Growth capex represents the cash consumed in order to grow the total owned rental fleet or the cash generated if the fleet size is reduced in periods of contraction
H1/H2	Half year period. H1 being the first half and H2 being the second half of the financial year

HP (leases)	Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16
ICE vehicles	Vehicles powered by an internal combustion engine
IFRS	International Financial Reporting Standards
IFRS 16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
Income from associates	The Group's share of net profit of associates accounted for using the equity method
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
Lease principal payments	Includes the total principal payment on leases including those recognised before and after adoption of IFRS 16
Net replacement capex	Net capital expenditure other than that defined as growth capex and lease principal payments.
Net tangible assets	Net assets less goodwill and other intangible assets
Net zero	As defined under The Paris Agreement, a legally binding international treaty on climate change
NewLaw	A business within the Redde operating segment providing legal services
Non-GAAP	A financial metric used which is not defined under GAAP
Non-ICE vehicles	Vehicles not powered by an internal combustion engine
Northgate	The Company and its subsidiaries prior to the Merger or that part of the business following the Merger
Northgate Spain	The Northgate Spain operating segment located in Spain and providing commercial vehicle hire and ancillary services
Northgate UK&I	The Northgate UK&I operating segment located in the United Kingdom and the Republic of Ireland providing commercial vehicle hire and ancillary services
OEM(s)	Original Equipment Manufacturer(s): a reference to our vehicle suppliers
Owned fleet	The vehicle fleet which is not held under a leasing contract
PBT	Profit before taxation. Underlying unless otherwise stated
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposal profit (as defined), divided by the number of vehicles sold
Q2	Referring to the second quarter (the fourth to sixth months) of the financial year
Redde	The Redde operating segment providing a range of mobility solutions or the Redde plc company and its subsidiaries prior to the Merger
Rental margin	Calculated as rental profit divided by revenue (excluding vehicle sales)
Rental profits	EBIT excluding disposal profits
ROCE	Underlying return on capital employed: calculated as underlying EBIT (see non-GAAP reconciliation) divided by average capital employed excluding acquired goodwill and intangible assets
Spain	Referring to the Northgate Spain operating segment
Steady state cash generation	Underlying EBITDA less net replacement capex and lease principal payments (included this year, comparative updated)

TCFD	Taskforce on Climate-Related Financial Disclosures
The combined Group	The Company and its subsidiaries following the Merger and acquisition of the trade and assets of Nationwide
The Company	Redde Northgate plc
The Group	The Company and its subsidiaries
The Merger/the merger	The acquisition by the Company of 100% of the share capital of Redde plc on 21 February 2020
UK&I	Referring to the Northgate UK&I operating segment
Underlying free cash flow	Free cash flow excluding growth capex
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
VOH	Vehicles on hire. Average unless otherwise stated

Principal risks and uncertainties

Risk description

A change in economic activity in the countries that the Group operates or are linked through the supply chain could affect the demand for our products and services, increase risk of customer failure, interrupt supply chains or increase the cost base of the business.

Influencing factors

- Changes in economic conditions including economic growth forecasts and inflationary pressures
- Influences of conflicts between countries on global supply chains
- Changes to driving patterns and vehicle usage could influence demand for insurance related services

Controls and mitigating activities

- 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 business model supports high levels of utilisation and vehicles returned from customers are redeployed within the fleet
- 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 in order to protect margins
- 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

Market risk

Risk description

The loss of a major customer or key insurance referral partner could 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.

Influencing factors

- Level of competition across vehicle rental and leasing sectors is broad with low barriers to entry
- Price competition could impact the Group's ability to attract and retain customers at appropriate rates of return
- Increases in insurance referral rates or inability to pass on cost increases through claims could impact viability of returns
- Loss of a major customer or insurance referral partner could 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
- Structural changes to the rental and insurance and legal services markets such as consolidation, digitalisation or vertical integration could impact on the viability of the business model

Controls and mitigating activities

- Comprehensive suite of products and services improves retention of existing customers and attractiveness to new customers by differentiating our offer from other providers
 - Minimising the concentration of business customers
 - Maintaining contracts and long term relationships with insurance partners
 - Continual benchmarking of pricing and service offer compared to competitors and other market participants
 - Pricing controls over target levels of returns and discount authorities
 - Continued evolution of the fleet towards non-ICE vehicles with development of supplier relationships and investments in supporting infrastructure
 - Pricing structures remain under review in context of cost inflation in order to protect margins
 - 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

Vehicle supply

Risk description

Failure to secure sufficient access to new vehicles at appropriate pricing would impact on ability to grow, operational and customer service delivery, and overall returns.

An increase in holding costs either through higher new vehicle pricing or lower residual values, if not recovered through hire rate increases or operational efficiencies, would adversely affect returns.

Influencing factors

- Challenges around global vehicle supply as a result of COVID-19 and global conflict in Ukraine have impacted new vehicle supply and put pressure on new vehicle pricing
- Residual values remain uncertain during this period of vehicle supply and are also influenced by economic conditions

Controls and mitigating activities

- 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 business model supports high levels of utilisation and vehicles returned from customers are redeployed within the fleet
- 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 the 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 in order to protect margins
- Transactional foreign exchange exposure is minimised through sourcing supplies in the same currency as the revenue is generated

The employee environment

Risk description

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

Failure to keep employees safe through health and safety risk management will impact trust with our employees and reputation across all stakeholders.

Influencing factors

- External pressures in the labour market creates issues in attracting and retaining talent and therefore delivery of the operating model and commercial proposition
- The diverse operations of a Group growing organically and inorganically across a wide geographical area increases the challenge of fostering a shared culture in line with strategic objectives
- 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

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 we undertake regular communication of the 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
- Widening of rewards and benefits including share ownership, cost-of-living support and improved annual and family leave
- Group health and safety team develops policy and processes to ensure safe working practices and monitors compliance with those policies
- Continual development of Group health and safety initiatives to promote an ongoing safeworking environment

Legal and Compliance

Risk description

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

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

Influencing factors

- 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
- 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 and also adversely impact our reputation across all stakeholder groups

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

IT systems

Risk description

Failure of existing systems, lack of development in new systems or poor integration of 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 or cyber-attacks, would cause significant reputational harm across all stakeholders.

Influencing factors

- The Group's business is dependent on the safe and efficient processing of a large number of complex transactions and stakeholder interactions. The effective performance and availability of core systems is central to the operation of the business
- Inadequate IT systems can be at risk from failed processes, systems or infrastructure and from error, fraud or cyber-crime
- Growth through inorganic acquisitions increases the complexity and diversity of operations, IT systems and infrastructure

Controls and mitigating activities

- Investments in key IT platforms and systems to ensure continued operational performance and delivery
- 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

Recovery of contract assets

Risk description

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.

Influencing factors

- Recovery of insurance claims requires the orderly running of insurance markets with claims being settled on commonly agreed terms
- Due to the relative strength of insurance companies, they could influence the speed of settlement of claims in order to secure better terms
- Settlement of claims is normally reached through mutual agreement. Settlement through court arbitrations can be lengthy and relies on efficient operation of the court process

Controls and mitigating activities

- Services are only provided to customers after a full risk assessment process to ensure that the claim will be legally recoverable from a third party
- The Group manages collection risk by standardising terms with third party insurers (protocol agreements) where possible, ensuring that in addition, any payment delays are monitored and appropriate action taken to facilitate prompt settlement

Access to capital

Risk description

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.

Influencing factors

- Debt markets can be volatile in terms of liquidity and pricing
- 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

- Debt facilities are diversified across a range of lenders and close relationships are maintained with key funders of the Group to ensure continuity of funding
- Debt facilities have been put in place to provide adequate headroom and maturities in order to support the strategy of the Group
- 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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023

		2023	2022
		£000	£000
	Note		Restated
Revenue: hire of vehicles	1	610,502	563,288
Revenue: sale of vehicles	1	152,894	149,939
Revenue: claims and services	1	726,350	530,330
Total revenue	1	1,489,746	1,243,557
Cost of sales		(1,054,173)	(897,349)
Gross profit		435,573	346,208
Administrative expenses (excluding exceptional items)		(213,658)	(193,727)
Net impairment of trade receivables		(8,902)	(8,255)
Exceptional administrative expenses: impairment of goodwill	6	(5,009)	–
Exceptional administrative expenses: impairment of other intangibles	6	(8,482)	–
Exceptional administrative expenses: reversal of previous impairment of property, plant and equipment	6	–	2,998
Exceptional administrative expenses: other costs	6	–	(690)
Total administrative expenses		(236,051)	(199,674)
Operating profit		199,522	146,534
Share of net profit of associates accounted for using the equity method		2,520	3,866
Gain on bargain purchase	6	–	355
EBIT	1	202,042	150,755
Finance income		90	34
Finance costs		(23,405)	(18,100)
Profit before taxation		178,727	132,689
Taxation		(39,489)	(31,144)
Profit for the year		139,238	101,545

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

Earnings per share

Basic	2	60.3p	41.3p
Diluted	2	58.7p	40.4p

See GAAP reconciliation at the front of this report for a reconciliation between reported results as shown above and underlying measures used to explain performance throughout this report.

The prior year income statement has been restated in order to separately disclose £8,255,000 net impairment of trade receivables. There was no adjustment to reported profit in the prior year. The prior year income statement has also been restated to present £19,778,000 of amortisation on acquired intangible assets within administrative expenses, as this item is not exceptional as it is recurring.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	£000	£000
Amounts attributable to owners of the Parent Company		
Profit attributable to the owners	139,238	101,545
Other comprehensive income (expense)		
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	23,689	(16,347)
Net foreign exchange differences on long term borrowings held as hedges	(17,741)	11,904
Foreign exchange difference on revaluation reserve	54	(41)
Total other comprehensive income (expense)	6,002	(4,484)
Total comprehensive income for the year	145,240	97,061

All items will subsequently be reclassified to the consolidated income statement.

CONSOLIDATED BALANCE SHEET	2023	2022
AS AT 30 APRIL 2023	£000	£000
Non-current assets		
Goodwill	113,873	114,926
Other intangible assets	127,828	151,312
Property, plant and equipment	1,332,923	1,161,915
Deferred tax assets	2,061	3,175
Interest in associates	5,207	5,843
Total non-current assets	1,581,892	1,437,171
Current assets		
Inventories	54,537	18,696
Receivables and contract assets	441,277	359,053
Current tax assets	14,951	7,432
Cash and bank balances	14,122	24,561
Total current assets	524,887	409,742
Total assets	2,106,779	1,846,913
Current liabilities		
Trade and other payables	344,867	246,833
Provisions	822	–
Current tax liabilities	20	3,327
Lease liabilities	49,493	52,524
Borrowings	14,079	21,007
Total current liabilities	409,281	323,691
Net current assets	115,606	86,051
Non-current liabilities		
Trade and other payables	–	4,509
Provisions	6,609	–
Lease liabilities	107,272	111,755
Borrowings	537,712	421,822
Deferred tax liabilities	51,310	38,375
Total non-current liabilities	702,903	576,461
Total liabilities	1,112,184	900,152
Net assets	994,595	946,761
Equity		
Share capital	123,046	123,046
Share premium account	113,510	113,510
Treasury shares reserve	(60,420)	(7,493)
Own shares reserve	(9,615)	(16,439)
Translation reserve	(2,685)	(8,633)
Other reserves	330,489	330,435
Retained earnings	500,270	412,335
Total equity	994,595	946,761

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 £000	2022 £000
Net cash generated from operations	4	84,322	127,643
Investing activities			
Interest received		90	34
Distributions from associates		3,156	4,070
Payment for acquisition of subsidiary, net of cash acquired		(10,004)	(482)
Proceeds from disposal of other property, plant and equipment		678	2,683
Purchases of other property, plant and equipment		(7,362)	(52,369)
Purchases of intangible assets		(1,765)	(1,373)
Net cash used in investing activities		(15,207)	(47,437)
Financing activities			
Dividends paid		(52,220)	(43,897)
Receipt of bank loans and other borrowings		96,807	318,056
Repayments of bank loans and other borrowings		–	(277,617)
Debt issue costs paid		(950)	(5,428)
Exceptional finance costs		–	(1,435)
Principal element of lease payments		(65,110)	(43,659)
Payments to acquire treasury shares		(52,927)	(7,493)
Proceeds from sale of own shares		1,414	–
Payments to acquire own shares for share schemes		–	(9,933)
Net cash used in financing activities		(72,986)	(71,406)
Net (decrease) increase in cash and cash equivalents		(3,871)	8,800
Cash and cash equivalents at 1 May		15,769	6,821
Effect of foreign exchange movements		(217)	148
Cash and cash equivalents at 30 April	(a)	11,681	15,769
(a) Cash and cash equivalents comprise:			
Cash and bank balances		14,122	24,561
Bank overdrafts		(2,441)	(8,792)
Cash and cash equivalents		11,681	15,769

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2023**

	Share capital and share premium £000	Treasury shares reserve £000	Own shares reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 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 and 1 May 2022	236,556	(7,493)	(16,439)	(8,633)	330,435	412,335	946,761
Share options fair value charge	–	–	–	–	–	4,647	4,647
Share options exercised	–	–	–	–	–	(5,410)	(5,410)
Dividends paid	–	–	–	–	–	(52,220)	(52,220)
Net purchase of shares	–	(52,927)	1,414	–	–	–	(51,513)
Transfer of shares on vesting of share options	–	–	5,410	–	–	–	5,410
Deferred tax on share based payments recognised in equity	–	–	–	–	–	1,680	1,680
Total comprehensive income	–	–	–	5,948	54	139,238	145,240
Total equity at 30 April 2023	236,556	(60,420)	(9,615)	(2,685)	330,489	500,270	994,595

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

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2023**

1. SEGMENTAL ANALYSIS

	Northgate UK&I	Northgate Spain	Redde	Corporate	Eliminations	Total
	2023	2023	2023	2023	2023	2023
	£000	£000	£000	£000	£000	£000
Revenue: hire of vehicles	357,811	252,691	–	–	–	610,502
Revenue: sale of vehicles	104,945	47,280	669	–	–	152,894
Revenue: claims and services	–	–	726,350	–	–	726,350
External revenue	462,756	299,971	727,019	–	–	1,489,746
Intersegment revenue	9,883	–	42,793	–	(52,676)	–
Total revenue	472,639	299,971	769,812	–	(52,676)	1,489,746
Timing of revenue recognition:						
At a point in time	104,945	47,280	291,996	–	–	444,221
Over time	357,811	252,691	435,023	–	–	1,045,525
External revenue	462,756	299,971	727,019	–	–	1,489,746
Underlying operating profit (loss)	93,382	60,440	44,521	(11,670)	–	186,673
Share of net profit of associates accounted for using the equity method	–	–	2,520	–	–	2,520
Underlying EBIT*	93,382	60,440	47,041	(11,670)	–	189,193
Exceptional items (Note 6)						(13,491)
Amortisation on acquired intangible assets						(20,206)
Depreciation adjustment (Note 6)						46,546
EBIT						202,042
Finance income						90
Finance costs						(23,405)
Profit before taxation						178,727

1. SEGMENTAL ANALYSIS (Continued)

	Northgate UK&I	Northgate Spain	Redde	Corporate	Eliminations	Total
	2022	2022	2022	2022	2022	2022
	£000	£000	£000	£000	£000	£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 6)						2,308
Amortisation on acquired intangible assets						(19,778)
Gain on bargain purchase (Note 6)						355
EBIT						150,755
Finance income						34
Finance costs						(18,100)
Profit before taxation						132,689

*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.

2. EARNINGS PER SHARE

	2023 £000	2022 £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	139,238	101,545
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	230,778,502	245,997,303
Effect of dilutive potential ordinary shares – share options	6,290,275	5,242,307
Weighted average number of ordinary shares for the purposes of diluted earnings per share	237,068,777	251,239,610
Basic earnings per share	60.3p	41.3p
Diluted earnings per share	58.7p	40.4p

The calculated weighted average number of ordinary shares for the purposes of basic earnings per share includes a reduction of 15,312,921 shares (2022: 94,120) relating to treasury shares acquired during the year and a reduction of 3,411,660 shares (2022: nil) for shares held in employee trusts.

3. DIVIDENDS

An interim dividend of 7.5p per ordinary share was paid in January 2023 (2022: 6.0p). The Directors propose a final dividend for the year ended 30 April 2023 of 16.5p per ordinary share (2022: 15.0p), which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2023. Based upon the shares in issue at 30 April 2023 and excluding treasury shares and shares in employee trust where dividends are waived, this equates to a final dividend payment of £37m (2022: £35m). No dividends have been paid between 30 April 2023 and the date of signing the financial statements.

**4. NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023**

	2023	2022
	£000	£000
Net cash generated from operations		
Operating profit	199,522	146,534
Adjustments for:		
Depreciation of property, plant and equipment	175,066	197,162
Net reversal of previous impairment of property, plant and equipment	–	(2,998)
Net impairment of goodwill	5,009	–
Net impairment of other intangibles	8,482	–
Amortisation of intangible assets	21,408	20,771
Loss on disposal of other property, plant and equipment	218	581
Loss on disposal of intangible assets	–	34
Share options fair value charge	4,647	3,695
Operating cash flows before movements in working capital	414,352	365,779
Decrease (increase) in non-vehicle inventories	273	(1,169)
Increase in receivables	(81,981)	(54,400)
Increase in payables	71,810	22,253
Increase in provisions	7,431	–
Cash generated from operations	411,885	332,463
Income taxes paid, net	(36,640)	(27,382)
Interest paid	(21,150)	(13,275)
Net cash generated from operations before purchases of and proceeds from disposal of vehicles for hire	354,095	291,806
Purchases of vehicles for hire	(398,187)	(292,935)
Proceeds from disposals of vehicles for hire	128,414	128,772
Net cash generated from operations	84,322	127,643

5. ANALYSIS OF CONSOLIDATED NET DEBT

	2023	2022
	£000	£000
Cash and bank balances	(14,122)	(24,561)
Bank overdrafts	2,441	8,792
Bank loans	218,403	118,573
Loan notes	329,854	314,264
Lease liabilities	156,765	164,279
Cumulative preference shares	500	500
Confirming facilities	593	700
Consolidated net debt	694,434	582,547

6. EXCEPTIONAL ITEMS

Details of exceptional items recognised in the income statement are as follows:

	2023 £000	2022 £000
Impairment of goodwill	5,009	–
Impairment of other intangibles	8,482	–
Reversal of previous impairment of property, plant and equipment	–	(2,998)
Other costs	–	690
Exceptional administrative expenses (credits)	13,491	(2,308)
	2023 £000	2022 £000
Impairment of NewLaw intangibles	13,491	–
Restructuring credits	–	(3,545)
FMG RS set up and integration costs	–	1,237
Total exceptional administrative expenses (credits)	13,491	(2,308)
Gain on bargain purchase	–	(355)
Total exceptional items included within EBIT	13,491	(2,663)
Exceptional finance costs – refinancing expenses	–	1,463
Total pre-tax exceptional items	13,491	(1,200)
Tax charge (credits) relating to exceptional items	(2,065)	228
Cash expenses	–	2,125
Non-cash (credits) expenses	13,491	(3,325)
Total pre-tax exceptional items	13,491	(1,200)

Details of exceptional items recognised in the income statement are as follows:

Impairment of the NewLaw business

Following a strategic business review, the carrying amount of assets relating to the NewLaw CGU was considered to be below its recoverable amount and therefore an impairment charge of £5,009,000 (2022: £nil) and £8,482,000 (2022: £nil), for goodwill and other intangibles respectively, was recognised as an exceptional item in the income statement. The Group also reassessed the useful lives of property, plant and equipment relating to the NewLaw CGU and determined that no change in the useful lives is required.

Amortisation on acquired intangible assets

Amortisation on acquired intangible assets of £20,206,000 (2022: £19,778,000) 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 £1,202,000 (2022: £993,000) which does not relate to acquisitions is included within underlying profit.

Depreciation rate changes

The Group has adjusted the depreciation rates from 1 May 2022 on vehicles remaining on the fleet which were purchased before FY2021. This adjustment is explained further in the Finance Review. The depreciation adjustment is a credit to the income statement of £46,546,000 (2022: £nil), it is not classified as an exceptional item. However, it is excluded from underlying results in order to provide a better comparison of results between periods.

Prior year exceptional items

Restructuring credits

In 2022 the Group recognised exceptional restructuring credits of £3,545,000 of which a credit of £3,280,000 arose in Redde and a credit of £265,000 in Northgate UK&I. These costs were incurred in relation to restructuring activities that were undertaken during the year as part of the integration and reorganisation of the combined Group.

FMG RS set up and integration costs

In 2022 the Group incurred costs of £1,237,000 in relation to the set up of FMG RS and integration of the business, including redundancies.

Gain on bargain purchase

In 2022 a gain on bargain purchase of £355,000 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

In 2022 the Group incurred exceptional financing costs of £1,463,000 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.

7. EVENTS AFTER THE REPORTING PERIOD

On 2 May 2023, the Group acquired 100% of the equity interests of FridgeXpress (UK) Limited for an initial consideration of £5.0m.

8. BASIS OF PREPARATION

These financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Redde Northgate plc ("the Company") has adopted all IFRS in issue and effective for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in July 2023.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 April 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The financial information presented in respect of the year ended 30 April 2023 has been prepared on a basis consistent with that presented in the annual report for the year ended 30 April 2022.

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

Assessment of prospects

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 and has proven resilience through difficult economic conditions in recent years and strong momentum has continued throughout the year ended 30 April 2023.

The Board continues to take a measured approach to strategic risk, as the Group has matured through the 'Focus', 'Drive' and 'Broaden' elements of its strategy and building a platform for the next phase of strategy, consolidating significant contract wins through our enhanced commercial offering, and diversifying the service such as through the acquisition of Blakedale, 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. The Group pursues only those activities which are acceptable in the context of the risk profile of the Group as a whole.

Assessment of viability and going concern

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.

Strong financial position

The maturity of the Group's £475m principal banking facility was extended during the year and has a maturity date of November 2026. Private placement loan notes of €375m give a longer profile of maturities spread across 6, 8 and 10 years. Headroom against the Group's existing banking facilities at 30 April 2023 was £290m. This compares with headroom of £382m at 30 April 2022 and reflects the ongoing investment in fleet for growth. 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
- A 2% reduction 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 5% reduction to assumptions in the plan for the residual value of used vehicles
- A 10% 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 1% increase in floating interest rates above what was included within the plan
- 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 was impacted by COVID-19 lockdowns. Volumes have now recovered to a normalised level. Over the COVID period overall profitability and cash generation of the Group increased due to the resilience of the business model. The strategic plan therefore does not assume further lockdowns will occur. The resilience of the Group shown through previous lockdowns gives us confidence that we would be well prepared should this eventuality occur again.

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 meet its obligations as they fall due and continue to be viable over the period to 30 April 2026. The directors also considered it appropriate to prepare the financial statements on the going concern basis.