REDDE NORTHGATE PLC

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

PRELIMINARY AUDITED RESULTS FOR THE 12 MONTHS ENDED 30 APRIL 2021

Synergy target delivered with strategic revenue synergy wins, strong cash flow with ROCE improved and increased final dividend

Adjusted results			
Year ended 30 April	**2021 £m**	2020 £m	*Change %*
Revenue (excluding vehicle sales)	**879.7**	585.6	50.2%
Underlying[1] EBIT	**109.8**	74.8	46.8%
Underlying[1] Profit before Tax	**93.2**	59.0	58.0%
Underlying[1] Earnings per Share	**31.0p**	30.8p	0.6%
Statutory results			
Total revenue	**1,109.5**	779.3	42.4%
EBIT	**83.8**	29.9	180%
Profit before Tax	**67.2**	13.5	398%
Earnings per Share	**26.6p**	5.0p	432%
Other measures			
Net debt	**530.3**	575.9	7.9%
Group net debt (exc IFRS 16 leases)[2]	**437.9**	512.9	14.6%
Steady state cash generation[1]	**140.1**	75.4	85.7%
Free cash flow[1]	**97.8**	10.1	870%
ROCE[1]	**9.5%**	7.0%	2.5ppt
Dividend per Share	**15.4p**	13.1p	17.6%

Key highlights

- Performance for the year was ahead of Board expectations notwithstanding COVID-19, including strong momentum in H2 and into FY2022.
- Revenue (excluding vehicle sales) increased 50.2% to £879.7m (2020: £585.6m), due to the inclusion of Redde for a full year and with the vehicle rental businesses performing better than expected.
- Underlying EBIT, underlying PBT and underlying EPS were all ahead of expectations at £109.8m (2020: £74.8m), £93.2m (2020: £59.0m) and 31.0p (2020: 30.8p) respectively, driven by successful strategic execution in the year.
- FY2022 merger integration savings target of £15m, already increased at Interims from £10m, was fully achieved as at the end of June 2021, ten months ahead of schedule. A further £5.5m of permanent annualised cost savings were also achieved, giving a total of £20.5m of annual run rate savings.

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[1] Refer to GAAP reconciliation and Glossary of terms note. Underlying excludes exceptional costs and amortisation of acquired intangible assets.
[2] Excluding IFRS 16 (leases) as defined in the Glossary

- Revenue synergies gathered momentum, including the October 2020 Accident and Incident management product launch, several new product initiatives in Spain, and strong new wins activity.
- Integration of FMG RS, following the acquisition of Nationwide on 4 September 2020, is progressing well.
- The purchase of c2,000 vehicles, most with existing customer contracts, from a Scottish vehicle rental business was completed post year-end in June 2021.
- ROCE improved to 9.5% (2020: 7.0%), reflecting the EBIT performance as well as initiatives to improve capital employed including working capital management and contract hire vehicle funding.
- Final dividend proposed of 12.0p per share (2020: 6.8p), taking the total dividend payable for the year to 15.4p per share (2020: 13.1p).

Martin Ward, CEO of Redde Northgate, commented:

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

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

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

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

Full year results summary

- Group trading was ahead of Board expectations for the year.
- Revenue (excluding vehicle sales) was 50.2% higher than the prior year, with the increase mainly due to the inclusion of Redde for a full year. Northgate UK&I and Northgate Spain revenue (excluding vehicle sales)[1] was broadly flat at £311.6m (2020: £314.0m) and £205.5m (2020: £204.2m) respectively and included the impact of £3.4m of COVID-19 customer support packages in H1 2021 (£3.8m H2 2020). Redde revenue[1] was £371.7m (2020: £67.4m), reflecting the short period post-Merger in prior year and including the impact of reduced traffic and thereby accident volumes due to COVID-19.
- Total Group revenue, including vehicle sales, was 42.4% higher. Vehicle sales revenues were 18.6% higher, mainly due to higher UK&I sales prices, which were driven by both reduced supply from OEMs and increased demand for used vehicles since re-opening post the first lockdown.

[1] Including intersegment revenue

- Underlying PBT of £93.2m (2020: £59.0m) was ahead of Board expectations driven by both improving UK&I margins, which include the impact of higher merger integration savings, and higher disposals profits, offset by lower volumes and profits in Redde due to COVID-19.
- Underlying EPS was 31.0p (2020: 30.8p), 0.6% higher than prior year, including the impact of COVID-19 on Redde.
- Statutory EBIT of £83.8m and statutory PBT of £67.2m were 180% and 398% higher respectively than prior year. Statutory measures include £8.0m of exceptional items (2020: £41.8m and £42.3m respectively), £1.5m gain on acquisition (2020: £nil) and £19.5m of amortisation on acquired intangibles (2020: £3.2m). Exceptional costs in the current year relates to restructuring costs, mainly to deliver cost synergies and the restructure of FMG RS post acquisition.
- There was continued strong net cash inflows with free cash flow of £97.8m (2020: £10.1m) benefitting from lower total net capex (including lease principal payments) of £143.1m (2020: £225.2m) driven mainly by higher disposal sales prices and some fleet ageing. Steady state cash generation also remained strong at £140.1m (2020: £75.4m). Net debt closed at £530.3m including IFRS 16, or £437.9m excluding IFRS 16 (leases), resulting in increased headroom to bank facilities of £304.9m (2020: £234.1m). Year-end leverage remained stable at 1.5x (2020: 1.6x).

***Focus, Drive and Broaden* strategic progress**

- The Group continues to make excellent progress on its strategic framework of *Focus, Drive and Broaden*, and has achieved its already increased Merger integration savings target of £15m ten months ahead of schedule. The Merger integration synergies and additional permanent cost savings achieved are now £15.0m and £5.5m annualised run rates respectively, to give total savings of £20.5m. Whilst some further cost synergies and savings are still in train, the Group is now including the integration activities within BAU change activities and as such will not be reporting further on Merger integration cost synergy targets.
- In addition to these savings, the Group has also improved utilisation over the year from 89% to 90% primarily due to the UK where improvements have been driven from centralising the fleet management and combining this with the national branch rationalisation.
- The Group has also developed contract hire as a source of vehicle funding in order to reduce exposure to residual values, expanding to LCVs in the fleet, and at year-end £17m of credit lines (2020: £nil) had been utilised on 1,600 commercial vehicles.
- On the revenue side, the Group has secured new wins in the second half and post year-end that further underline the value of the Merger. The roll-out of the new accident and incident management product to Northgate customers, following its launch in October, is progressing well and has seen good take-up with several thousand vehicles signed up to date. The Group also completed several important renewals in the period and extended the contract length of some long-standing partner relationships.
- As part of developing the Company's products and services and its channels to communicate with its customers, Redde Northgate has also made progress in the year in several digitalisation projects. These include the UK and Spain digital eAuction platform, which have been further developed alongside our 'click and collect' capabilities and saw over ten thousand vehicles sold via the platforms in the year, an increase of 67% year-on-year. Elsewhere in the business we have created a new small claims system called Pilot to manage claims post accident whiplash reforms, a new traffic officer app to support Highways Agency traffic officers at the roadside and a new online claims portal to enable more efficient processing of claims.

COVID-19 and trading

- Alongside delivering the strategy, the COVID-19 pandemic has been the factor that has impacted the business most during FY2021.
- From the start of the pandemic the Board took decisive actions to put measures in place to protect the welfare of employees and customers and to mitigate the financial impact of the pandemic on the Group.
- All of the Group businesses were impacted by the pandemic in different ways. After a challenging first couple of months of the year, the main performance indicators across the Group started to improve and by the end of H1 were fully recovered or substantially improved. Over H2, volumes of activity in some parts of the business initially reduced as COVID-19 case numbers increased but the Group responded quickly to changing levels of demand and the impact was, in aggregate, less severe than in H1. In more detail the path of the main performance indicators were:
  - Customer support packages, which were a core part of measures to support customers during the first national lockdowns and totalled £3.4m in H1, reduced to nil monthly cost at the end of September and there have not been further customer support packages for subsequent lockdowns.
  - In vehicle rental, VOH, which started the year 7% lower due to the first lockdown, recovered by the end of H1 to 2% above pre-COVID levels and over H2 grew by a further 2% across the Group, with no discernible impact of the pandemic over the winter, and with strong demand in several key sectors, particularly in the UK.
  - In vehicle sales, channels re-opened over the course of May such that they were fully operational from June and whilst in November the UK&I retail sites had to close again, vehicles continued to be sold via our digital channels. Once UK&I markets re-opened in June residual values on LCVs strengthened quickly to approximately 15% higher than prior year driven by strong market pricing across all channels, and pricing has remained strong during H2 2021. Residual values in Spain were not as impacted but were slightly higher than prior year.
  - Accident and incident volumes have moved broadly with the levels of traffic volumes on the road. Post the first national lockdown, accident and incident volumes started to increase as traffic volumes picked up. They remained below expectations approximately 20-30% below pre-COVID levels in September to October and then reduced to approximately 30-50% below pre-COVID levels in November to April, mainly due to the third lockdown, only starting to materially recover again post year-end. With volumes varying through the year the cost base was kept continuously under review.

Acquisition and asset purchase

- The integration of FMG RS, following the acquisition of Nationwide on 4 September 2020, progressed well in the second half of the year, including the appointment of a new management team. This acquisition significantly extends the Group's capabilities in repairs. The business has continued to be impacted by lower repair volumes during COVID-19 lockdowns and was loss-making through FY2021, but the Board remains confident that the acquisition will be earnings enhancing in FY2022, the first full financial year of ownership.
- On 11 June 2021 the Group completed the purchase of c.2,000 vehicles, many with existing customers, from a Scottish vehicle rental business, for approximately £25m. This purchase will strengthen our offering in Scotland and bring significant benefits from the ongoing customer relationships, which we would hope to further strengthen through our expanded Group offerings.

Delivering value for all our stakeholders

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

Outlook

- Over the first two months of FY2022 we have continued to see strong momentum building in the Group including the delivery of the cost synergy target and significant run-rate revenue synergies.
- In the vehicle rental businesses, VOH has continued to grow and margins remain strong, including H2 Spain margin holding.
- In the vehicle sales businesses, LCV used vehicle prices in UK&I have continued to be strong, with the dislocation of new supply improving the margin on used vehicle sales. Digital e-auction sales are increasing and the sales business is well-positioned as more trade and retail buyers find the ease and convenience of using the digital sales platform hassle free.
- In the Redde businesses, as the UK government has reduced COVID-19 restrictions, traffic volumes, and subsequent accident and incident volumes have rebounded strongly, and faster than we expected. May/June volumes have been around 10-20% below pre-COVID levels with significant potential when volumes revert back to historic norms.
- Given this context the Board is confident that the strategy set out at the time of the Merger will deliver the value it envisaged and that it is positioned well for further growth in FY2022.

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 period without the effects of one-off or non-operational items. Underlying measures exclude certain one-off items such as those arising from restructuring activities and recurring non-operational items including amortisation of acquired intangible assets. 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 to Non-GAAP underlying measures and a glossary of terms used in this document are outlined below the financial review.

Interim Results

The Group will provide an interim result update for the six months to 31 October 2021 in early December 2021.

Analyst Briefing

There will be a presentation for sell-side analysts at 9.30 a.m. today. If you are interested in attending, please email Buchanan on reddenorthgate@buchanan.uk.com.

This presentation will also be made available via a link on the Company's web-site
www.reddenorthgate.com

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N**otes to Editors:**

Redde Northgate plc is a leading integrated mobility solutions platform formed in February 2020 following the all-share Merger of light commercial hire business Northgate plc and Redde plc, the provider of incident and accident management, legal and other mobility-related services.

The Group provides mobility solutions and automotive services to a wide range of businesses and customers spanning the vehicle life cycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale or salvage.

With an extensive network and diversified fleet of over 110,000 vehicles and over 600,000 managed vehicles in more than 170 branches across the UK, Ireland and Spain, the Group aims to utilise its scale, reach and comprehensive suite of integrated services to offer a market-leading customer proposition and drive enhanced returns for shareholders.

Further information regarding Redde Northgate plc can be found on the Company's website:

www.reddenorthgate.com

CHIEF EXECUTIVE REVIEW

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

COVID-19 and trading

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

The Board took decisive actions to put measures in place to protect the welfare of our employees and customers and to mitigate the financial impact of the pandemic on the Group.

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

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

All of the Group's businesses were impacted by the pandemic in different ways. After a challenging first couple of months of the year, the main performance indicators across the businesses started to improve and by the end of H1 were fully recovered or substantially improved. Over H2 volumes of activity in some parts of the business initially reduced as COVID-19 case numbers increased but the business responded quickly to changing levels of demand and the impact was, in aggregate, less severe than in H1. In more detail the path of the main performance indicators were as follows:

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

materially recover again post year-end. With volumes varying through the year the cost base was kept continuously under review.

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

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

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

Focus, Drive and Broaden

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

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

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

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

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

We also sought further permanent annual cost savings[1] across the Group, and achieved £5.5m savings from different initiatives, such that the total annual run rate of cost synergies and permanent cost savings achieved was £20.5m at the end of June.

[1] Permanent annual cost savings are not classed as synergies because they are not contingent on the Merger having happened and could have been achieved independently and include the closure of six Van Monster sites

In addition to these savings, the Group has also seen improved utilisation[1] over the year from 89% to 90% primarily due to the UK where improvements have been driven from centralising the fleet management and combining this with the national branch rationalisation.

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

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

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

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

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

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

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

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

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

3. FMG RS acquisition and integration

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

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

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

4. Asset purchase post year-end

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

Delivering value for all our stakeholders

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

- Customers – as referred to above, the Group provided customer support packages by way of waiver, discount or deferral to customers assessed on need, which reduced revenue by £3.4m in the current year in addition to the £3.8m provided in March and April in FY2020. The Group has improved its products and services and this can be seen in improved customer scores and ratings as detailed further in the ESG section of our Annual Report.

- Employees – our colleagues are at the heart of everything we do and to respond to the uncertainty of the pandemic the Group increased the level of communications across the business. The Group also put in place a new home working policy, a new mental health initiative including workshops, guidance and champions, all employee access to an Employee Assistance Programme, as well as commencing a review of all employees' benefits to widen provision across the Group, including new SAYE, life assurance and cycle2work schemes. The Group also continued with its apprenticeship programmes in many of the businesses, including technical apprenticeships, such as motor vehicle technicians.
- Environment – the Merger presented the Group with the opportunity to reset the environmental agenda and enhance and formalise the strategy for the future. The Group takes its environmental responsibilities seriously and has initiated a project focussed on the transition to EVs as well as other initiatives to improve its operations and reduce carbon emissions and impact.

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

Group performance

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

Revenue (excluding vehicle sales) was 50.2% higher than the prior year, with the increase mainly due to the inclusion of Redde for a full year. Northgate UK&I and Northgate Spain revenue (excluding vehicle sales)[1] was broadly flat at £311.6m (2020: £314.0m) and £205.5m (2020: £204.2m) respectively and included the impact of COVID-19 customer support packages. Redde revenue[1] was £371.7m (2020: £67.4m), reflecting the short period post-Merger in prior year, and including the impact of reduced traffic and thereby accident volumes due to COVID-19.

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

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

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

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

[1] Including intersegment revenue

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

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

The Board has considered the importance of dividends to its shareholders and, after careful consideration of the factors impacting this decision, has concluded to maintain a final dividend. For the year ended 30 April 2021, the Board is proposing a final dividend of 12.0p (2020: 6.8p) which, together with the interim dividend of 3.4p (2020: 6.3p), gives a full year dividend of 15.4p (2020: 13.1p), an increase of 2.3p or 17.6% on 2020. If approved by shareholders, the final dividend will be paid on 24 September 2021 to shareholders on the register on 3 September 2021.

People

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

OUR FY2021 PERFORMANCE

Northgate UK&I

Year ended 30 April	**2021**	2020	*Change*
KPI	**('000)**	('000)	*%*
Average VOH	**47.3**	46.9	0.9%
Closing VOH	**49.2**	43.5	13.1%
Average utilisation %	**92%**	88%	3ppt
Year ended 30 April	**2021**	2020	*Change*
PROFIT & LOSS (Underlying)	**£m**	£m	*%*
Revenue – Vehicle hire[1]	**311.6**	314.0	(0.8%)
Revenue – Vehicle sales	**161.4**	137.1	17.7%
Total revenue	**473.0**	451.1	4.9%
Rental profit	**39.5**	31.2	26.8%
Rental margin %	**12.7%**	9.9%	2.8ppt
Disposal profit	**37.3**	6.7	453%
EBIT	**76.8**	37.9	103%
EBIT margin %[2]	**16.2%**	8.4%	7.8ppt
ROCE %	**13.4%**	6.6%	6.8ppt

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

Rental business

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

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

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

The rental margin has continued to grow ever since H2 2018, increasing from 6.0% in H2 2018, to 7.8% in 2019, to 9.9% in 2020 to 10.3% in H1 2021 to 15.1% in H2 2021. This improvement between H1 and

[1] Including intersegment revenue
[2] Calculated as underlying EBIT divided by total revenue

H2 reflects the absence of COVID-19 support in H2, which equates to approximately 1.5% of rental margin, as well as the execution of the strategic priorities including cost synergies.

The net impact of the lower hire revenue and higher rental margin was a 27% increase in Northgate UK&I rental profits to £39.5m (2020: £31.2m).

Management of fleet and vehicle sales

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

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

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

EBIT and ROCE

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

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

Capex and cash flow

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

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

Net replacement capex[1] in the year was £66.2m, £63.6m lower than in 2020, driven by higher sales prices, conserving cash over the initial COVID-19 period and fleet optimisation which led to less frequent replacement of the fleet. Steady state cash generation increased by £68.3m to £92.6m (2020: £24.2m) reflecting the higher EBITDA and lower net replacement capex. Growth capex was a contraction of £18.8m, relating to the reduction in fleet of 2,400 owned vehicles, as stock levels, which were higher in April 2020 due to COVID-19 closures, were normalised by April 2021, 1,600 contract hire vehicles were transitioned from ownership in the year and utilisation was improved to 92% during the year.

Northgate Spain

Year ended 30 April	**2021**	2020	*Change*
KPI	**('000)**	('000)	*%*
Average VOH	46.0	46.4	(0.9%)
Closing VOH	46.8	43.1	8.6%
Average utilisation %	92%	91%	1ppt
Year ended 30 April	**2021**	2020	*Change*
PROFIT & LOSS (Underlying)	**£m**	£m	*%*
Revenue – Vehicle hire	**205.5**	204.2	0.6%
Revenue – Vehicle sales	**68.4**	56.7	20.7%
Total revenue	**273.9**	260.9	5.0%
Rental profit	**30.8**	36.4	(15.5%)
Rental margin %	**15.0%**	17.8%	(2.8ppt)
Disposal profit	**2.9**	3.3	(11.2%)
EBIT	**33.7**	39.7	(15.2%)
EBIT margin %[2]	**12.3%**	15.2%	(2.9ppt)
ROCE %	**7.5%**	8.8%	(1.3ppt)

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

Rental business

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

[1] Net replacement capex is total capex less growth capex. Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction
[2] Calculated as underlying EBIT divided by total revenue

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

At the year end, Northgate's minimum term proposition accounted for around 36% (2020: 37%) of closing VOH. The average term of these contracts is approximately three years, providing both improved visibility of future rental revenue and earnings, as well as lower transactional costs.

The FY2021 rental margin of 15.0% (2020: 17.8%) declined year-on-year including the new initiatives launch costs and Q1 FY2021 COVID-19 costs, which was partially offset by cost and pricing actions in H2 2021 such that the H2 2021 rental margin was higher than H1 (from 14.4% to 15.6%).

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

Management of fleet and vehicle sales

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

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

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

EBIT and ROCE

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

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

Capex and cash flow

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

Underlying EBITDA decreased by £4.0m to £121.6m (2020: £125.6m) and net replacement capex[1] was £73.8m, £4.1m higher than in 2020, driven by OEM price inflation which was approximately 2%. Steady state cash generation decreased by £8.4m to £45.0m (2020: £53.4m) reflecting the lower EBITDA and higher net replacement capex. Growth capex was a contraction of £0.3m, with the rental fleet growing 300 vehicles, offset by stock reducing 400 vehicles.

Redde

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

Year ended 30 April **PROFIT & LOSS** (Underlying)	**2021** **£m**	2020 £m	*Change* *%*
Revenue – Claims and services[2]	**371.7**	67.4	452%
Gross profit	**70.2**	10.0	600%
Gross margin %	**18.9%**	14.9%	4.0ppt
Operating profit	**3.4**	2.4	42.8%
Income from associates	**4.4**	1.0	358%
EBIT	**7.7**	3.3	134%
EBIT margin %[3]	**2.1%**	4.9%	(2.8ppt)
ROCE %	**6.0%**	–	–

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

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

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

Revenue and profit

Revenue was £371.7m, gross profit was £70.2m and the gross margin was 18.9%. FMG RS contributed revenues (external only) of £37.0m with approximately 60% of the work completed being internal.

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

[2] Including intersegment revenue

[3] Calculated as underlying EBIT divided by total revenue

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

Management of fleet

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

The average fleet age was 14 months reflecting the lower fleet holding period than in the Northgate businesses due to the different usage of the vehicles and business economics.

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

Capex and cash flow

Year ended 30 April	**2021**	2020	*Change*
	£m	£m	*£m*
Underlying EBITDA	**25.0**	6.3	18.7
Net replacement capex	**32.5**	2.5	30.0
Lease principal repayments	**(46.6)**	(4.9)	(41.7)
Steady state cash generation	**10.9**	3.9	7.0
Statutory debtor days	**179**	123	56

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

Debtor days were 179 days at 30 April 2021, 56 days higher than in the prior year due to the reduction in revenue in the last 12 months due to COVID-19 as well as lower cash collection in the period. This measure is based upon net trade receivables and contract assets, other receivables and accrued income as a proportion of the related underlying sales revenue for the past 12 months multiplied by 365 days.

Martin Ward, Chief Executive Officer

FINANCIAL REVIEW

Group revenue and EBIT

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

Revenue

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

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

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

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

EBIT

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

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

£6.8m related to the Nationwide acquisition set up and integration and an exceptional credit of £1.5m in relation to a legal settlement.

Group PBT and EPS

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

Profit before taxation

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

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

Taxation

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

Earnings per share

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

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

Business combinations

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

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

Depreciation rate changes

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

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

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

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

In FY2021 the impact of previous rate changes is a £5.4m year on year reduction in disposal profits arising due to disposed vehicles having a higher NBV as result of the lower depreciation rates.

The impacts of previous rate changes on FY2021 operating profit, and the estimated impact on future years of the previous changes, is set out below:

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

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

Interest

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

Exceptional items

During the year the Group incurred exceptional costs of £6.5m (2020: £42.3m) in relation to restructuring expenses of £2.8m (2020: £8.6m), acquisition expenses of £1.1m (2020: £18.3m), FMG RS set up and integration costs of £5.7m (2020: £nil), a legal settlement credit of £1.6m (2020: £nil) and the gain on bargain purchase credit of £1.5m (2020: £nil) in relation to the acquisition of Nationwide. In the prior year there were further exceptional costs in relation to an impairment of intangible assets of £14.9m and £0.6m in relation to exceptional refinancing expenses. Further detail on exceptional items is included in note 6 to the financial statements.

Dividend and capital allocation

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

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

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

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

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

Group cash flow

Steady state cash generation

Year ended 30 April	**2021**	2020	Change
	£m	£m	£m
Underlying EBIT	**109.8**	74.8	35.0
Depreciation and amortisation	**192.5**	209.0	(16.5)
Underlying EBITDA	**302.3**	283.8	18.5
Net replacement capex	**(107.5)**	(196.9)	89.5

Lease principal payments[1]	**(54.8)**	(11.5)	(43.3)
Steady state cash generation	**140.1**	75.4	64.7

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

Free cash flow

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

- Free cash flow increased by £87.7m to £97.8m (2020: £10.1m) reflecting higher steady state cash generation and growth capex inflow of £19.1m due to a net reduction in owned fleet over the period of 2,500 vehicles.
- Exceptional costs (excluding non-cash items) of £5.0m were £20.6m lower than prior year due to Merger related costs in prior year.

[1] Lease principal payments are included so that steady state cash generation includes all maintenance capex irrespective of funding method.
[2] Lease principal payments are added back to reflect the movement on net debt.

- Working capital outflow and non-cash items of £16.9m which included £4.4m associate income (2020: £1.0m), £4.6m relating to release of provisions (2020: £nil) and £5.2m relating to FMG RS working capital.
- Acquisition of business of £10.8m represents the initial cash paid for the acquisition of the trade and assets of Nationwide.
- If the impact of growth capex in the period is removed from free cash flow, the underlying free cash flow of the Group was £78.7m (2020: £26.9m).

Net debt

Net debt reconciles as follows:

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

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

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

Borrowing facilities

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

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

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

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

The above drawn amounts reconcile to net debt as follows:

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

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

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.35% to a maximum of 3.1%. The net debt to EBITDA ratio at 30 April 2021 corresponds to a margin of 1.85% (2020: 1.85%).

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

The split of net debt by currency is as follows:

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

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

	Threshold	**April 2021**	**Headroom**	**April 2020**
Interest cover	3x	8.2x	£67m (EBIT)	5.3x
Loan to value	70%	41%	£315m (Net debt)	48%
Debt leverage	2.75x	1.5x	£125m (EBITDA)	1.6x

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

Balance sheet

Net assets at 30 April 2021 were £908.1m (2020: £871.6m), equivalent to net assets per share of 369p (2020: 354p). Net tangible assets at 30 April 2021 were £622.8m (2020: £569.8m), equivalent to a net tangible asset value of 253p per share (2020: 232p per share).

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

Treasury

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

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

Credit risk

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

Liquidity and funding

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

Capital management

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

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

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

Interest rate management

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

Foreign exchange risk

The Group's reporting currency is Sterling and 73% of its revenue is generated in Sterling during the year (2020: 63%). The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

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

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

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The exchange differences arising on these borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries. At 30 April 2021, 75% of Euro net assets were hedged against Euro borrowings (2020: 71%).

Going concern

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios including the impacts of COVID-19 (as detailed further in Note 8 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

GAAP Reconciliation

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

	Group 2021 £000	Group 2020 £000
Operating profit	77,922	28,916
Income from associates	4,364	952
Gain on bargain purchase	1,489	–
EBIT	**83,775**	**29,868**
Add back:		
Exceptional operating expenses	8,017	41,775
Amortisation on acquired intangible assets	19,513	3,178
Gain on bargain purchase	(1,489)	–
Underlying EBIT	**109,816**	**74,821**

	Group 2021 £000	Group 2020 £000
Profit before tax	67,179	13,479
Add back:		
Exceptional operating expenses	8,017	41,775
Amortisation on acquired intangible assets	19,513	3,178
Gain on bargain purchase	(1,489)	–
Exceptional finance costs	–	566
Underlying profit before tax	**93,220**	**58,998**

	Group 2021 £000	Group 2020 £000
Profit for the year	65,566	7,676
Add back:		
Exceptional operating expenses	8,017	41,775
Amortisation on acquired intangible assets	19,513	3,178
Gain on bargain purchase	(1,489)	–
Exceptional finance costs	–	566
Tax on exceptional items, brand royalty charges and intangible amortisation	(5,369)	(5,676)
Tax credit in relation to the release of uncertain tax provisions	(10,008)	–
Underlying profit for the year	**76,230**	**47,519**
Weighted average number of Ordinary shares	246,091,423	154,509,197
Underlying basic earnings per share	**31.0p**	**30.8p**

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

Steady state cash generation	**140,074**	**75,421**

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

	Northgate UK&I 2020 £000	Northgate Spain 2020 £000	Group Sub-total 2020 £000
Underlying operating profit	37,899	39,731	77,630
Exclude:			
Adjustments to depreciation charge in relation to vehicles sold in the period	(6,742)	(3,297)	(10,039)
Rental profit	**31,157**	**36,434**	**67,591**
Divided by: Revenue: hire of vehicles	313,922	204,235	518,157
Rental margin	**9.9%**	**17.8%**	**13.0%**

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

GLOSSARY OF TERMS

The following defined terms have been used throughout this document:

Term	Definition
Contract hire	IFRS 16 (leases) relating to vehicles where the funder retains the residual value risk
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)
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Earnings per share. Underlying unless otherwise stated
ESG	Environmental, Social, and Corporate Governance
EV	Electric vehicle
Facility headroom	Calculated as facilities of £711m less net borrowings of £406m. Net borrowings represent net debt of £530m excluding lease liabilities of £128m and unamortised arrangement fees of £4m and are stated after the deduction of £7m of net cash and overdraft balances which are available to offset against borrowings
FMG RS	The trading part of the Redde business that was acquired from Nationwide
Free cash flow	Net cash generated after principal lease payments (included this year, comparative updated) and before the payment of dividends
FY2020	The year ended 30 April 2020
FY2021	The year ended 30 April 2021
FY2022	The year ending 30 April 2022
GAAP	Generally Accepted Accounting Practice: meaning compliance with IFRS
Gearing	Calculated as net debt divided by net tangible assets
Growth capex	Growth capex represents the cash consumed in order to grow the total owned rental fleet or the cash generated if the fleet size is reduced in periods of contraction
H1/H2	Half year period: H1 being the first half and H2 being the second half of the financial year
HP (leases)	Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16
IFRS	International Financial Reporting Standards
IFRS 16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
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
Nationwide	Nationwide Accident Repair Services trade and assets acquired by the Group on 4 September 2020
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
Northgate	The Company and its subsidiaries prior to the Merger or that part of the business following the Merger
Northgate Spain	The Northgate Spain operating segment representing the commercial vehicle hire part of the Group located in Spain
Northgate UK&I	The Northgate UK&I operating segment representing the commercial vehicle hire part of the Group located in the United Kingdom and the Republic of Ireland
OEM	Original Equipment Manufacturer: a reference to our vehicle suppliers
PBT	Profit before taxation. Underlying unless otherwise stated
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposal profit (as defined), divided by the number of vehicles sold

Redde	The Redde operating segment representing the insurance claims and services part of the group or the Redde plc company and its subsidiaries prior to the Merger
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
Steady state cash generation	Underlying EBITDA less net replacement capex and lease principal payments (included this year, comparative updated)
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 acquisition by the Company of 100% of the share capital of Redde plc on 21 February 2020
Underlying free cash flow	Free cash flow excluding growth capex
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
VOH	Vehicles on hire. Average unless otherwise stated

Principal risks and uncertainties

Economic environment

Principal risk

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

Risk description

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

An adverse change in macro-economic conditions including COVID-19 could also increase the risk of customer failure, increasing the risk of none recovery of receivables.

Controls and mitigating activities

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

Developments in the year

- COVID-19 has reduced economic activity levels across the UK, Spain and Ireland.
- The group's business customer base in not exposed to industry sectors that have been most affected by COVID-19 and additional revenue has been generated from customers who have increased activity throughout this period.
- Revenue from claims and insurance services continues to be affected by reduced volumes due to continuation of COVID-19 lockdown measures in the UK

- There has been no significant business interruption or increased cost of supply following the UK's exit from the EU in January 2021

Market risk

Principal risk

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

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

Risk description

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

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

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

Controls and mitigating activities

- Minimising the concentration of business customers
- Maintaining contracts and long term relationships with insurance partners
- Continual benchmarking of pricing and service offer with competitors
- Pricing controls over target levels of returns and discount authorities
- Diversification of service offering to customers
- Evolution of the fleet towards EV with supporting infrastructure

Developments in the year

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

Vehicle holding costs

Principal risk

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

Risk description

The holding cost of vehicles is dependent upon the purchase price negotiated with OEMs either directly or through lease financing and the expected residual value at the date of disposal if purchased outright. The operational cost of fleet is dependent upon efficient fleet management and maintenance of the fleet.

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

Controls and mitigating activities

- Negotiating pricing directly with manufacturers on an annual basis
- Managing the number and mix of suppliers to optimise buying terms and to efficiently maintain the fleet in-life

- Holding a proportion of the fleet on a leasing basis with no exposure to residual values
- Optimising the holding period of vehicles to minimise overall holding costs
- Balancing high levels of utilisation with availability of fleet for customers
- Using in-house workshops to efficiently manage in-life maintenance and total holding cost
- Diversification of sales channels in order to maximise residual value including in-house retail operations
- Ageing out of the fleet if necessary, to mitigate short term pricing disruption in used vehicle markets

Although the Group is exposed to fluctuations in the used vehicle market, we aim to optimise the sales route for each vehicle. Should the market experience a short term decline in residual values, we can age our existing fleet until the market improves.

Developments in the year

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

The employee environment

Principal risk

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

Risk description

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

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

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

Controls and mitigating activities

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

Developments in the year

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

- Roll out of group wide SAYE in order for employees to share in the future success of the group

Legal and Compliance

Principal risk

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

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

Risk description

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

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

Controls and mitigating activities

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

Developments in the year

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

IT systems

Principal risk

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

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

Risk description

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

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

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

Controls and mitigating activities

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

Developments in the year

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

Recovery of contract assets

Principal risk

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

Risk description

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

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

Controls and mitigating activities

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

Developments in the year

- As a result of COVID-19 the courts have been operating at much reduced capacity, increasing the expected time for settlement.

It is expected that following the removal of the Government COVID-19 support schemes that business insolvencies will increase increasing the bad debt.

Access to capital

Principal risk

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

Risk description

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

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

Controls and mitigating activities

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

Developments in the year

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021

	Note	**Underlying 2021 £000**	**Statutory 2021 £000**	Underlying 2020 £000	Statutory 2020 £000
Revenue: hire of vehicles		**515,566**	**515,566**	518,157	518,157
Revenue: sale of vehicles		**229,809**	**229,809**	193,795	193,795
Revenue: claims and services		**364,124**	**364,124**	67,397	67,397
Total revenue	1	**1,109,499**	**1,109,499**	779,349	779,349
Cost of sales		**(856,955)**	**(856,955)**	(621,446)	(621,446)
Gross profit		**252,544**	**252,544**	157,903	157,903
Administrative expenses (excluding exceptional items and amortisation on acquired intangible assets)		**(147,092)**	**(147,092)**	(84,034)	(84,034)
Exceptional administrative expenses: Net (impairment) of property, plant and equipment	6	**–**	**(4,341)**	–	(1,304)
Exceptional administrative expenses: reversal of previous impairment of property, plant and equipment	6	**–**	**1,304**	–	–
Exceptional administrative expenses: impairment of intangible assets	6	**–**	**–**	–	(14,910)
Exceptional administrative expenses: other costs	6	**–**	**(4,980)**	–	(25,561)
Amortisation on acquired intangible assets		**–**	**(19,513)**	–	(3,178)
Total administrative expenses		**(147,092)**	**(174,622)**	(84,034)	(128,987)
Operating profit		**105,452**	**77,922**	73,869	28,916
Income from associates		**4,364**	**4,364**	952	952
Gain on bargain purchase		**–**	**1,489**	–	–
EBIT	1	**109,816**	**83,775**	74,821	29,868
Interest income		**164**	**164**	122	122
Finance costs (excluding exceptional items)		**(16,760)**	**(16,760)**	(15,945)	(15,945)
Exceptional finance costs	6	**–**	**–**	–	(566)
Profit before taxation		**93,220**	**67,179**	58,998	13,479
Taxation		**(16,990)**	**(1,613)**	(11,479)	(5,803)
Profit for the year		**76,230**	**65,566**	47,519	7,676

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

Underlying profit for the year excludes exceptional items as set out in Note 6, as well as amortisation on acquired intangible assets and the taxation thereon and exceptional tax credits, in order to provide a better indication of the Group's underlying business performance.

Earnings per share					
Basic	2	**31.0p**	**26.6p**	30.8p	5.0p
Diluted	2	**30.5p**	**26.2p**	30.5p	4.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2021

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

All items will subsequently be reclassified to the consolidated income statement. Profit attributable to the owners of the Parent Company includes amortisation of intangible assets.

CONSOLIDATED BALANCE SHEET	2021	2020
AS AT 30 APRIL 2021	**£000**	£000
Non-current assets		
Goodwill	**114,503**	116,105
Other intangible assets	**170,830**	185,710
Property, plant and equipment: vehicles for hire	**893,342**	884,711
Property, plant and equipment: vehicles for credit hire	**43,998**	51,040
Other property, plant and equipment	**146,580**	126,009
Total property, plant and equipment	**1,083,920**	1,061,760
Deferred tax assets	**4,826**	10,133
Interest in associates	**6,047**	6,008
Total non-current assets	**1,380,126**	1,379,716
Current assets		
Inventories	**21,545**	48,762
Receivables and contract assets	**302,349**	295,765
Cash and bank balances	**11,169**	67,843
Total current assets	**335,063**	412,370
Total assets	**1,715,189**	1,792,086
Current liabilities		
Trade and other payables	**229,666**	222,342
Provisions	**–**	3,369
Derivative financial instrument liabilities	**–**	184
Current tax liabilities	**562**	12,393
Lease liabilities	**32,375**	33,691
Short term borrowings	**12,159**	54,684
Total current liabilities	**274,762**	326,663
Net current assets	**60,301**	85,707
Non-current liabilities		
Provisions	**–**	1,208
Trade and other payables	**3,848**	–
Lease liabilities	**96,093**	70,261
Long term borrowings	**400,885**	485,073
Deferred tax liabilities	**31,472**	37,314
Total non-current liabilities	**532,298**	593,856
Total liabilities	**807,060**	920,519
NET ASSETS	**908,129**	871,567
EQUITY		
Share capital	**123,046**	123,046
Share premium account	**113,510**	113,510
Own shares reserve	**(6,460)**	(3,090)
Hedging reserve	**–**	(149)
Translation reserve	**(4,190)**	(2,509)
Other reserves	**330,476**	330,477
Retained earnings	**351,747**	310,282
TOTAL EQUITY	**908,129**	**871,567**

Total equity is wholly attributable to owners of the Parent Company.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2021

	Note	**2021 £000**	2020 £000
Net cash generated from operations	4	**137,878**	33,699
Investing activities			
Interest received		**164**	122
Distributions from associates		**4,325**	590
Acquisition of business		**(10,823)**	–
Cash acquired on acquisition		**–**	8,036
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment		**35,919**	3,823
Purchases of other property, plant and equipment		**(7,460)**	(5,250)
Purchases of intangible assets		**(1,834)**	(6,509)
Net cash generated from investing activities		**20,291**	812
Financing activities			
Issue of shares		**–**	2
Dividends paid		**(24,928)**	(24,333)
Receipt of bank loans and other borrowings		**27,195**	137,257
Repayments of bank loans and other borrowings		**(109,712)**	(114,289)
Debt issue costs paid		**(520)**	(4,878)
Principal element of lease payments under IFRS 16		**(16,994)**	(8,034)
Principal element of lease payments under HP obligations		**(37,814)**	(3,490)
Net payments to acquire own shares for share schemes		**(5,073)**	–
Net cash used in financing activities		**(167,846)**	(17,765)
Net (decrease) increase in cash and cash equivalents		**(9,677)**	16,746
Cash and cash equivalents at 1 May		**16,780**	805
Effect of foreign exchange movements		**(282)**	(771)
Cash and cash equivalents at 30 April		**6,821**	16,780

Cash and cash equivalents comprise:		
Cash and bank balances	**11,169**	67,843
Bank overdrafts	**(4,348)**	(51,063)
Cash and cash equivalents	**6,821**	16,780

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021

	Share capital and share premium £000	Own shares reserve £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2019	180,124	(3,359)	(803)	(4,825)	68,637	323,842	563,616
Share options fair value charge	–	–	–	–	–	4,203	4,203
Share options exercised	–	–	–	–	–	19	19
Dividends paid	–	–	–	–	–	(24,333)	(24,333)
Issue of share capital	56,432	–	–	–	261,831	–	318,263
Transfer of shares on vesting of share options	–	269	–	–	–	–	269
Deferred tax on share based payments recognised in equity	–	–	–	–	–	(1,125)	(1,125)
Total comprehensive income	–	–	654	2,316	9	7,676	10,655
Total equity at 1 May 2020	236,556	(3,090)	(149)	(2,509)	330,477	310,282	871,567
Share options fair value charge	**–**	**–**	**–**	**–**	**–**	**2,518**	**2,518**
Share options exercised	**–**	**–**	**–**	**–**	**–**	**(1,703)**	**(1,703)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(24,928)**	**(24,928)**
Net purchase of shares	**–**	**(5,073)**	**–**	**–**	**–**	**–**	**(5,073)**
Transfer of shares on vesting of share options	**–**	**1,703**	**–**	**–**	**–**	**–**	**1,703**
Deferred tax on share based payments recognised in equity	**–**	**–**	**–**	**–**	**–**	**12**	**12**
Total comprehensive income (expense)	**–**	**–**	**149**	**(1,681)**	**(1)**	**65,566**	**64,033**
Total equity at 30 April 2021	**236,556**	**(6,460)**	**–**	**(4,190)**	**330,476**	**351,747**	**908,129**

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

1. SEGMENTAL ANALYSIS

	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Redde 2021 £000	Corporate 2021 £000	Eliminations 2021 £000	Total 2021 £000
Revenue: hire of vehicles	**310,066**	**205,500**	–	–	–	**515,566**
Revenue: sale of vehicles	**161,417**	**68,392**	–	–	–	**229,809**
Revenue: claims and services	–	–	**364,124**	–	–	**364,124**
External revenue	**471,483**	**273,892**	**364,124**	–	–	**1,109,499**
Intersegment revenue	**1,530**	–	**7,604**	–	**(9,134)**	–
Total revenue	**473,013**	**273,892**	**371,728**		**(9,134)**	**1,109,499**
Timing of revenue recognition:						
At a point in time	**161,417**	**68,392**	**140,266**	–	–	**370,075**
Over time	**310,066**	**205,500**	**223,858**	–	–	**739,424**
External revenue	**471,483**	**273,892**	**364,124**	–	–	**1,109,499**
Underlying operating profit (loss)	**76,800**	**33,700**	**3,358**	**(8,406)**	–	**105,452**
Income from associates	–	–	**4,364**	–	–	**4,364**
Underlying EBIT*	**76,800**	**33,700**	**7,722**	**(8,406)**	–	**109,816**
Exceptional items (Note 6)						**(8,017)**
Amortisation on acquired intangible assets						**(19,513)**
Gain on bargain purchase						**1,489**
EBIT						**83,775**
Interest income						**164**
Finance costs						**(16,760)**
Profit before taxation						**67,179**

	Northgate UK&I 2020 £000	Northgate Spain 2020 £000	Redde 2020 £000	Corporate 2020 £000	Eliminations 2020 £000	Total 2020 £000
Revenue: hire of vehicles	313,922	204,235	–	–	–	518,157
Revenue: sale of vehicles	137,124	56,671	–	–	–	193,795
Revenue: claims and services	–	–	67,397	–	–	67,397
External revenue	451,046	260,906	67,397	–	–	779,349
Intersegment revenue	60	–	–	–	(60)	–
Total revenue	451,106	260,906	67,397	–	(60)	779,349
Timing of revenue recognition:						
At a point in time	137,124	56,671	14,379	–	–	208,174
Over time	313,922	204,235	53,018	–	–	571,175
External revenue	451,046	260,906	67,397	–	–	779,349
Underlying operating profit (loss)	37,899	39,731	2,352	(6,113)	–	73,869
Income from associates	–	–	952	–	–	952
Underlying EBIT*	37,899	39,731	3,304	(6,113)	–	74,821
Exceptional items (Note 6)						(41,775)
Amortisation on acquired intangible assets						(3,178)
EBIT						29,868
Interest income						122

Finance costs (excluding exceptional items)	(15,945)
Exceptional finance costs	(566)
Profit before taxation	**13,479**

*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

	Underlying 2021 £000	**Statutory 2021 £000**	Underlying 2020 £000	Statutory 2020 £000
Basic and diluted earnings per share				
The calculation of basic and diluted earnings per share is based on the following data:				
Earnings				
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to the owners of the Parent Company	**76,230**	**65,566**	47,519	7,676
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**246,091,423**	**246,091,423**	154,509,197	154,509,197
Effect of dilutive potential Ordinary shares: – share options	**4,081,514**	**4,081,514**	1,048,391	1,048,391
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	**250,172,937**	**250,172,937**	155,557,588	155,557,588
Basic earnings per share	**31.0p**	**26.6p**	30.8p	5.0p
Diluted earnings per share	**30.5p**	**26.2p**	30.5p	4.9p

3. DIVIDENDS

Dividends paid in the year were £24,928,000 (2020 – £24,333,000).

An interim dividend of 3.4p per Ordinary share was paid in January 2021 (2020: 6.3p). The Directors propose a final dividend for the year ended 30 April 2021 of 12.0p per Ordinary share (2020: 6.8p) which is subject to approval at the annual general meeting and has not been included as a liability as at 30 April 2021. Based upon the shares in issue at 30 April 2021, this equates to a final dividend payment of £29.5m (2020: £16.7m). No dividends have been paid between 30 April 2021 and the date of signing the financial statements.

4. NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2021

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

5. ANALYSIS OF CONSOLIDATED NET DEBT

	2021 £000	2020 £000
Cash and bank balances	(11,169)	(67,843)
Bank overdrafts	4,348	51,063
Bank loans	320,991	400,847
Loan notes	86,817	86,868
Leases arising following adoption of IFRS 16	92,469	62,999
Leases arising under HP obligations	35,999	40,953
Cumulative preference shares	500	500
Confirming facilities	388	479
Consolidated net debt	**530,343**	**575,866**

6. EXCEPTIONAL ITEMS

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

	2021 £000	2020 £000
Impairment of property, plant and equipment	**4,341**	1,304
Reversal of previous impairment of property, plant and equipment	**(1,304)**	–
Other costs	**4,980**	25,561
Intangible impairment	**–**	14,910
Exceptional administrative expenses	**8,017**	41,775
Restructuring expenses	**2,754**	8,609
Acquisition expenses	**1,088**	18,256
FMG RS set up and integration costs	**5,728**	–
Legal settlement	**(1,553)**	–
Intangible impairment	**–**	14,910
Exceptional administrative expenses	**8,017**	41,775
Refinancing expenses	**–**	566
Exceptional finance costs	**–**	566
Gain on bargain purchase (Note 4)	**(1,489)**	–
Total pre-tax exceptional items	**6,528**	42,341
Tax credits relating to exceptional items	**(1,286)**	(4,661)

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

Restructuring expenses

The Group incurred total exceptional restructuring costs of £2,754,000 (2020: £8,609,000) of which £2,151,000 arose in Redde (2020: £nil), a £169,000 credit in Northgate UK&I (2020: £4,701,000 charge), £772,000 in Northgate Spain (2020: £1,531,000) and £nil in Corporate (2020: £2,377,000). These costs were incurred in relation to restructuring activities that were undertaken during the period as part of the integration and reorganisation of the Combined Group.

The restructuring expenses incurred during the year related to costs associated with reduction in headcount totalling £2,734,000 and net costs incurred in relation to the closure and reorganisation of sites of £20,000, including net impairments of property, plant and equipment

Net impairment of property

Included within the £20,000 of costs in relation to the closure and reorganisation of sites, are expenses incurred by the Group during the year of £1,560,000, provisions release credits in relation to properties of £4,577,000, impairments of property plant and equipment of £4,341,000 and credits for the reversal of previous impairments of £1,304,000.

Acquisition expenses

The Group incurred acquisition expenses of £1,088,000 (2020: £18,256,000). These related to professional services expenses directly attributable to the acquisition of the trade and assets of Nationwide of £1,078,000 (2020: £nil) and £10,000 (2020: £18,256,000) in relation to the Merger.

FMGRS set up and integration costs

The Group incurred costs of £5,728,000 (2020: £nil) in relation to the set up of FMG RS and integration of the business, including redundancies.

Legal settlement

During the year the Group settled a legal dispute in relation with a provider of certain IT and software development services to the Group. This resulted in a credit of £1,553,000 (2020: £nil) relating to expected costs no longer payable.

Intangible impairment

During the prior year the Group impaired certain IT and software development services in relation to the Northgate IT system in development. The Group incurred exceptional costs in relation to this impairment of £14,910,000.

Refinancing expenses

During the prior year the Group incurred exceptional finance costs of £566,000 relating to debt partially extinguished as part of the refinancing of Group bank facilities.

7. EVENTS AFTER THE REPORTING PERIOD

On 11 June 2021 the Group purchased approximately 2,000 vehicles, most with existing customer contracts, from a Scottish vehicle rental business, for an initial consideration of £25m.

8. BASIS OF PREPARATION

The results for the year ended 30 April 2021, including comparative financial information, have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 2021.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 April 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 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 2021 has been prepared on a basis consistent with that presented in the annual report for the year ended 30 April 2020.

Having considered the Group’s current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios including the impacts of COVID-19, 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 successful integration of the group following the Merger and the acquisition of Nationwide in the year has allowed the Group to further increase its service offering, rationalise the cost based and provide a platform for future growth.

The Combined Group is well established within the markets it operates and has demonstrated resilience through the COVID-19 period as explained further below and also throughout previous economic cycles.

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

Impact of COVID-19

The COVID-19 pandemic has created a great deal of disruption across all areas of the Group. This has required changes in working practices in order to provide a safe working environment for employees, customers and suppliers.

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

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

Significant actions were also taken in order to conserve cash and manage the liquidity of the Group throughout this period. This included but was not limited to deferral of capital expenditure and re-negotiation of certain payment terms with creditors. Overall, this resulted in an increase of headroom against banking facilities of £71m from £234m at 30 April 2020 to £305m at April 2021. Headroom against related debt covenants also remained adequate as outlined on page 27 which included £64m EBIT headroom against the interest cover covenant. This demonstrates the resilience of the Group's balance sheet and business model, and its ability to preserve liquidity throughout periods of uncertainty.

The three year strategic plan (the Plan), has been updated during the year, taking into account the impact of COVID-19 experienced to date and the expected impact throughout FY2022, with financial forecasts also prepared for the three year period to 30 April 2024. The first year of the financial forecast forms the Group's operating budget which has therefore been risk adjusted for COVID-19 and will be continuously reviewed throughout the financial year. Subsequent years are forecast from the base year, based on historical experience and expected measures within the overall strategic plan.

Assessment of going concern

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

The Plan also encompasses the projected cash flows, dividend cover assuming operation of stated policy and headroom against borrowing facilities and financial covenants under the Group's existing facilities and the reasonable expectation of similar facilities being replaced if required throughout the planned period. The Plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required. Headroom against the Group's existing banking facilities at 30 April 2021 was £305m. This compares to headroom of £234m at 30 April 2020. All of the Group's principal borrowing facilities have maturity dates outside of the period under review, therefore the Group's facilities provide sufficient headroom to fund the capital expenditure and working capital requirements for at least 12 months following the date of this report.

As outlined above, the Plan takes into account the impact of COVID-19 experienced to date and the expected impact on subsequent trading. The Plan was separately stress tested for a slower post COVID-19 recovery in insurance claims volumes than expected, a reduction in vehicles on hire and a larger reduction in residual values and a further slowdown in the collection of historical insurance claims. After taking into account the above variables, sufficient headroom remained against available debt facilities and the covenants attached to those facilities.

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

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

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

After taking into account the above sensitivities and reasonable mitigating actions sufficient headroom remained against available debt facilities and the covenants attached to those the Directors have a reasonable expectation that the Group will continue to be meet its obligations as they fall due for at least 12 months from the date of this report.