

## REDDE NORTHGATE PLC

(“Redde Northgate” or the “Group” or the “Company”)

### PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 APRIL 2022

#### Strong margins and new business wins support 62% increase in underlying PBT

Redde Northgate (LSE:REDD), the leading integrated mobility solutions platform providing services across the vehicle lifecycle, is pleased to announce its full year results for the year ended 30 April 2022.

Full Year results	Reported			Underlying <sup>1</sup>		
	2022 £m	2021 £m	Change %	2022 £m	2021 £m	Change %
Year ended 30 April						
Revenue	<b>1,243.6</b>	1,109.5	12%	<b>1,093.6</b>	879.7	24%
EBIT	<b>150.8</b>	83.8	80%	<b>167.9</b>	109.8	53%
Profit before Tax	<b>132.7</b>	67.2	98%	<b>151.3</b>	93.2	62%
Earnings per Share	<b>41.3p</b>	26.6p	55%	<b>50.8p</b>	31.0p	64%

<sup>1</sup>excludes vehicle sales revenue, exceptional items and amortisation of acquired intangible assets. See GAAP reconciliation.

Other measures	£m	£m	%
Net debt	<b>582.5</b>	530.3	9.8%
Group net debt (excl. IFRS 16 leases) <sup>2</sup>	<b>452.1</b>	437.9	3.2%
Steady state cash generation	<b>216.4</b>	140.1	54%
Free cash flow	<b>12.3</b>	97.8	(87%)
ROCE	<b>13.9%</b>	9.5%	4.4ppt
Dividend per Share	<b>21.0p</b>	15.4p	36%

<sup>2</sup>excludes leases that would not have been recognised on the balance sheet prior to adoption of IFRS 16.

#### Key financial highlights

- Group revenue including vehicle sales grew 12%, reflecting strong customer demand, recovery post-COVID in business volumes and traffic activity, and lower de-fleeting disposal activity
- Underlying revenue (excluding vehicle sales) grew 24%, due to increased customer activity across all business units supporting both volume growth and price improvements, plus new customer wins
- EBIT rose 80% through higher revenues and margin improvement, helped by underlying strength in rental margins, post-COVID-19 activity recovery, realisation of merger synergies and leaner cost base
- Underlying PBT up 62% to £151.3m supported by margin growth and disposal profits
- Steady state cash generation improved 54% to £216.4m; free cashflow lower, with an inflow of £12.3m (FY2021: £97.8m) due to incremental fleet investment to meet demand
- ROCE increased 4.4ppt to 13.9% due to higher profitability in the Group, strong disposal values and a leaner cost base
- Refinancing in Nov 2021: £792m of largely fixed-rate funding facilities and reduced cost of borrowing
- Group net debt, excluding IFRS 16 leases, increased to £452.1m; 1.4x net debt to EBITDA (FY2021: 1.5x) well within target leverage range of 1.0x to 2.0x
- Final dividend of 15.0p, bringing total dividend to 21.0p (FY2021: 15.4p) reflecting the Board’s confidence in Group outlook
- £30m share buyback programme underway since March, £20.6m purchased by 30 June 2022

## **Business highlights**

- Progress on Group strategy roadmap delivering increased platform scale and full-service offering, enhancing appeal to a broadening blue-chip customer base
- Significant new multi-year contract wins, including Tesco, Admiral in H1 and Acromas Insurance (Saga) in H2, reflecting strength of new platform offering, revenue contributions principally from FY2023
- Internal progress: launch of new Group purpose & values; new employee 'Benefits HUB'
- FY2022 acquisitions: 2,000 vehicle rental fleet (Jun 2021), ChargedEV (Sep 2021) and GRG Resources, emergency services specialist (Mar 2022) providing breadth and scale of product capability
- Enhanced EV infrastructure and services capability; launch of Drive to Zero customer solution; EVs and hybrids on our fleet reflect profile of UK car parc
- High rental demand and reduced vehicle supply positively impacted both residual values and lengthened hire durations; macro supply chain challenges expected to continue throughout FY2023
- Increased branch co-locations driving revenue and cost synergies; continued integration of FMG RS
- Investment programme of site enhancements underway across Group, including EV charging, LED lighting, waste-water recycling and solar panels; IT systems consolidation/upgrade planned for H1 FY2023

## **Depreciation rate change (from FY2023)**

- Carrying book value of earlier purchased cohorts of fleet vehicles have depreciated below current strong resale values; action taken to stop or reduce depreciation from FY2023 on these cohorts until disposal
- No impact on FY2022 or future underlying results. This change will re-phase statutory PBT until vehicles are sold. Non-cash impact only and no overall income change over the remaining life of vehicles

## **Martin Ward, CEO of Redde Northgate, commented:**

"We began FY2022 with good momentum and this continued through the period with strong performance across the business and our key financial metrics were strongly positive for the year. Rental margins improved in both Northgate UK&I and Northgate Spain, and the Redde business contribution grew substantially as it found a new normal for volumes at approximately 90% of pre-COVID-19 levels together with support from new business wins.

"We have made good progress with our ESG strategy and its reporting and have an important role to play with our expertise and fleet in assisting our customers meet their own carbon reduction ambitions as well as delivering our own net zero strategy.

"Our unique mobility solutions platform is now yielding significant new multi-year business wins which I am confident will continue. The Group has already managed a number of macro-economic challenges since the Merger and with our enhanced offering we are well placed to deliver on our strategy and navigate the current economic backdrop."

## **Outlook**

The business has traded well across a challenging and volatile economic backdrop in recent years, supported by the structural growth in outsourcing by an increasingly broad customer base. We are enjoying the benefit of an enhanced mobility solutions platform and continue to proactively manage inflation, resource availability and supply chain constraints.

Demand remains high for the Group's rental offering and as a result, the business expects to retain more of its van fleet this year whilst limiting disposals, with the car fleet growing in line with the business strategy.

The new financial year has started well and the business is well positioned in its addressable markets. Further revenue benefits are expected from new long term contract wins already secured but yet to commence. While the Board is mindful of the economic uncertainty it remains confident that it has the right strategy to deliver long term sustainable value.

## **Analyst Briefing**

A hybrid presentation for sell-side analysts and institutional investors will be held at 9.30am today, 6 July 2022. If you are interested in attending, please email Buchanan on [reddenorthgate@buchanan.uk.com](mailto:reddenorthgate@buchanan.uk.com) to request the joining details. This presentation will also be made available via a link on the Company's website [www.reddenorthgate.com](http://www.reddenorthgate.com).

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### **Notes to Editors:**

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

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

Redde Northgate services its customers through a network and diversified fleet of over 126,000 owned and leased vehicles, supporting over 600,000 managed vehicles, with around 175 branches across the UK, Ireland and Spain and a specialist team of over 6,700 employees.

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

[www.reddenorthgate.com](http://www.reddenorthgate.com)

### **GAAP reconciliation, use of alternative performance measures and glossary of terms**

Throughout this document we refer to underlying results and measures; the underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior year without the effects of one-off or non-operational items. Underlying measures exclude intangible amortisation from acquisitions and certain one-off items such as those arising from restructuring activities and the tax impact thereon. Specifically, we refer to disposal profit(s). This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).

A reconciliation of GAAP to non-GAAP underlying financial performance is outlined below. A further explanation of alternative performance measures and a glossary of terms used in this document are outlined below the Financial Review.

## Appendix: GAAP reconciliation tables

### Income statement reconciliation

Year ended 30 April	Footnote (below)	Statutory	Adjustments	Underlying	Statutory	Adjustments	Underlying
		2022	2022	2022	2021	2021	2021
		£m	£m	£m	£m	£m	£m
Revenue	(a)	1,243.6	(149.9)	1,093.6	1,109.5	(229.8)	879.7
Cost of sales	(a)	(897.3)	149.9	(747.4)	(857.0)	229.8	(627.2)
<b>Gross profit</b>		<b>346.2</b>	<b>–</b>	<b>364.2</b>	252.5	<b>–</b>	252.5
Administrative expenses	(b)	(199.7)	17.5	(182.2)	(174.6)	27.5	(147.1)
<b>Operating profit</b>		<b>146.5</b>	<b>17.5</b>	<b>164.0</b>	77.9	27.5	105.5
Income from associates		3.9	–	3.9	4.4	–	4.4
Gain on bargain purchase	(c)	0.4	(0.4)	–	1.5	(1.5)	–
<b>EBIT</b>		<b>150.8</b>	<b>17.1</b>	<b>167.9</b>	83.8	26.0	109.8
Interest income		–	–	–	0.2	–	0.2
Finance costs	(d)	(18.1)	1.5	(16.6)	(16.8)	–	(16.8)
<b>Profit before taxation</b>		<b>132.7</b>	<b>18.6</b>	<b>151.3</b>	67.2	26.0	93.2
Taxation	(e)	(31.1)	4.9	(26.3)	(1.6)	(15.4)	(17.0)
<b>Profit for the year</b>		<b>101.5</b>	<b>23.5</b>	<b>125.0</b>	65.6	10.6	76.2
Shares for EPS calculation		<b>246.0m</b>		<b>246.0m</b>	246.1m		246.1m
Basic EPS		<b>41.3p</b>		<b>50.8p</b>	26.6p		31.0p

#### Footnotes

#### Adjustments comprise:

Revenue: sale of vehicles	(a)		(149.9)			(229.8)	
Cost of sales: revenue sale of vehicles net down	(a)		149.9			229.8	
Gross profit			–			–	
Exceptional items (Note 6)			(2.3)			8.0	
Amortisation of acquired intangible assets (Note 6)			19.8			19.5	
Administrative expenses	(b)		17.5			27.5	
Gain on bargain purchase	(c)		(0.4)			(1.5)	
<b>Adjustments to EBIT</b>			<b>17.1</b>			<b>26.0</b>	
Exceptional finance costs (Note 6)	(d)		1.5			–	
<b>Adjustments to PBT</b>			<b>18.6</b>			<b>26.0</b>	
Tax on exceptional items (Note 6)			0.2			(1.3)	
Tax on brand royalty charges and amortisation of acquired intangible assets and tax rate change on acquired intangible assets			4.7			(4.1)	
Tax credit in relation to the release of uncertain tax provisions			–			(10.0)	
<b>Tax adjustments</b>	(e)		<b>4.9</b>			<b>(15.4)</b>	
<b>Adjustments to profit</b>			<b>23.5</b>			<b>10.6</b>	

## **OPERATING REVIEW**

### **Group**

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

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

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

### ***FOCUS: Operational progress***

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

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

### ***DRIVE: Customer focus***

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

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

The benefits of scale and enhanced service offering has also been apparent across the rental businesses, with managers of large corporate fleets valuing our geographic coverage and in-house capabilities and expertise. A third of our customers with fleets above 25 vehicles now take more than one service from us, representing around half of our UK vehicle fleet, typically supported from multiple locations. In Spain, our significant

market presence and unique offering of both rental and in-house service capability is a powerful platform from which to drive incremental B2B and B2C offerings, including higher margin digital channels.

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

### **BROADEN: Acquisitions**

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

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

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

### ***Our People***

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

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

### ***EV transition & ESG strategy***

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

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

### **Trading Performance**

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

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

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

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

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

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

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

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

### ***Debt & refinancing***

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

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

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

### ***Dividend and share buyback***

In light of the strong trading performance and the Board's confidence in the Group's outlook, the Board has declared a final dividend of 15.0p making a total of 21.0p for the full year, (FY2021: Final 12.0p, total for year 15.4p), to be paid on 30 September 2022 to shareholders on the register on 2 September 2022.

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



## Divisional Commentary: Northgate UK&I

Year ended 30 April	2022	2021	Change
KPI	('000)	('000)	%
Average VOH	50.2	47.3	6.1%
Closing VOH	49.2	49.2	-
Average utilisation %	92%	92%	0ppt
Year ended 30 April	2022	2021	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Vehicle hire <sup>1</sup>	346.6	311.6	11.2%
Revenue – Vehicle sales	111.8	161.4	(30.7%)
Total revenue	458.4	473.0	(3.1%)
Rental profit	53.1	39.5	34.3%
Rental margin %	15.3%	12.7%	2.6ppt
Disposal profit	44.8	37.3	20.3%
EBIT	98.0	76.8	27.5%
EBIT margin % <sup>2</sup>	21.4%	16.2%	5.2ppt
ROCE %	17.5%	13.4%	4.1ppt

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

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

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

Incremental revenue and margin opportunities also came through growth in interest in value-added fleet products supporting existing customers, particularly those with mid-sized fleets. This included products such as telematics, accident management and a range of driver compliance services, and increasingly the access to the Group's in-house workshop and vehicle repair capabilities. We saw nearly 30% growth in fleet customers taking additional services, including a 2.5x increase in our accident management services, now covering around 6,000 Northgate vehicles, reflecting the growing interest in the broader services platform offered by the business, and the value offered to customers, from telematics and efficient fleet service scheduling to long term EV fleet planning.

### Financial Overview

<sup>1</sup> Including intersegment revenue (see note 1 to the financial statements)

<sup>2</sup> Calculated as underlying EBIT divided by total revenue

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

### ***Rental business***

Hire revenue in the Northgate UK&I business increased 11.2% compared to the prior year to £346.6m (2021: £311.6m), driven by average VOH which increased 6.2%, and the impact of customer support packages in the prior year which were £2.4m. Rate increases were applied in FY2022 across our full range of rental products and continued to be well planned, communicated and executed.

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

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

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

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

### ***Management of fleet and vehicle sales***

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

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

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

### ***EBIT and ROCE***

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

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

### Capex and cash flow

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

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

Net replacement capex<sup>3</sup> was £64.9m, £1.3m lower than the prior year as a result of a reduction in vehicle sales as explained above.

Steady state cash generation increased by £14.5m to £107.1m (2021: £92.6m) reflecting the higher underlying EBITDA and the lower net replacement capex. Growth capex<sup>3</sup> was £1.9m reflecting that growth in the owned fleet was restricted due to the vehicle supply constraints experienced throughout the year.

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<sup>3</sup> 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.

## Divisional Commentary: Northgate Spain

Year ended 30 April	2022	2021	Change
KPI	('000)	('000)	%
Average VOH	50.4	46.0	9.7%
Closing VOH	52.2	46.8	11.4%
Average utilisation %	92%	92%	0ppt
Year ended 30 April	2022	2021	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Vehicle hire	220.6	205.5	7.3%
Revenue – Vehicle sales	38.1	68.4	(44.2%)
Total revenue	258.7	273.9	(5.5%)
Rental profit	38.6	30.8	25.5%
<i>Rental margin %</i>	17.5%	15.0%	2.5ppt
Disposal profit	5.3	2.9	79.8%
EBIT	43.9	33.7	30.2%
<i>EBIT margin %<sup>4</sup></i>	17.0%	12.3%	4.7ppt
ROCE %	10.0%	7.5%	2.5ppt

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

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

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

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

<sup>4</sup> Calculated as underlying EBIT divided by total revenue

## Financial overview

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

### Rental business

Hire revenue in the Northgate Spain business increased 7.3% (12.8% in local currency) compared to the prior year to £220.6m (2021: £205.5m), driven by average VOH which increased 9.7%. Closing VOH increased 11.4% to 52,200.

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

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

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

### Management of fleet and vehicle sales

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

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

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

### EBIT and ROCE

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

### Capex and cash flow

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

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

Net replacement capex<sup>5</sup> in the year was £42.7m, £31.1m lower than the prior year, as a result of the ageing of the fleet in response to the shortage of new vehicle supply.

Steady state cash generation increased by £42.9m to £87.9m (2021: £45.0m) reflecting higher EBITDA and lower net replacement capex in the year. Growth capex<sup>5</sup> was £59.0m reflecting investment in the fleet to meet demand.

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<sup>5</sup> 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.

## Divisional Commentary: Redde

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

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

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

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

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

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

<sup>6</sup> Including intersegment revenue (see note 1 to the financial statements)

<sup>7</sup> Calculated as underlying EBIT divided by total revenue

## Financial overview

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

### Revenue and profit

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

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

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

### Management of fleet

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

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

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

### Capex and cash flow

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

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

Net replacement capex<sup>8</sup> was a net inflow of £1.0m in the year (2021: £32.5m inflow) with the prior year being affected by the disposal proceeds of vehicles funded by HP (leases) compared to the timing of lease principal payments.

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

Growth capex<sup>8</sup> increased to £47.6m (2021: £nil) reflecting a growth in the fleet to meet the increase in demand for our services and the change from hire purchase to ownership for a proportion of the fleet.

<sup>8</sup> 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



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

## FINANCIAL REVIEW

### Group Revenue and EBIT

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

#### Revenue

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

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

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

#### EBIT

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

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

## Group PBT and EPS

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

### *Profit before taxation*

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

### *Taxation*

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

### *Earnings per share*

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

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

## **Business combinations**

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

## **Depreciation rate changes**

When a vehicle is acquired, it is recognised as a fixed asset at its cost net of any discount or rebate receivable. The cost is then depreciated evenly over its rental life, matching its pattern of usage down to the expected future residual value at the point at which the vehicle is expected to be sold net of directly attributable selling costs.

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

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

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

Due to the above uncertainties, a difference normally arises between the NBV of a vehicle and its actual market value at the date of disposal. Where those differences are within an acceptable range these are adjusted against

the depreciation charge in the income statement. Where these differences are outside of the acceptable range, changes must be made to depreciation rate estimates to better reflect market conditions and the usage of vehicles.

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

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

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

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

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

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

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

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

### Interest

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

### Exceptional items

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

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

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

Further detail on exceptional items is included in Note 6.

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

### **Dividend and capital allocation**

Subject to approval, a final dividend proposed of 15.0p per share (2021:12.0p) will be paid on 30 September 2022 to shareholders on the register as at close of business on 3 September 2022.

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

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

Dividend: appropriate dividend distribution.

Core business growth: organic capital investment to grow the core business at returns substantially ahead of WACC.

Disposal: potential disposal of non-core assets where investment returns can be maximised through sale.

Inorganic: bolt-on acquisitions into product or geographic adjacencies at returns substantially ahead of WACC.

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

### **Share buyback programme**

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

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

## Group cash flow

### Steady state cash generation

Year ended 30 April	2022 £m	2021 £m	Change £m
Underlying EBIT	167.9	109.8	58.1
Depreciation and amortisation	198.8	192.5	6.3
<b>Underlying EBITDA</b>	<b>366.7</b>	<b>302.3</b>	<b>64.4</b>
Net replacement capex	(106.7)	(107.5)	0.8
Lease principal payments <sup>9</sup>	(43.7)	(54.8)	11.1
<b>Steady state cash generation</b>	<b>216.4</b>	<b>140.1</b>	<b>76.3</b>

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

### Free cash flow

Year ended 30 April	2022 £m	2021 £m	Change £m
Steady state cash generation	216.4	140.1	76.3
Exceptional costs (excluding non-cash items)	(0.7)	(5.0)	4.3
Working capital and non-cash items	(33.5)	(16.9)	(16.6)
Growth capex	(108.6)	19.1	(127.7)
Taxation	(27.4)	(12.7)	(14.7)
<b>Net operating cash</b>	<b>46.2</b>	<b>124.6</b>	<b>(78.4)</b>
Distributions from associates	4.1	4.3	(0.2)
Interest and other financing	(37.5)	(20.4)	(17.1)
Acquisition of business	(0.5)	(10.8)	10.3
<b>Free cash flow</b>	<b>12.3</b>	<b>97.8</b>	<b>(85.5)</b>
Dividends paid	(43.9)	(24.9)	(19.0)
Lease principal payments <sup>10</sup>	43.7	54.8	(11.1)
<b>Net cash generated</b>	<b>12.0</b>	<b>127.6</b>	<b>(115.6)</b>

- Free cash flow decreased by £85.5m to £12.3m (2021: £97.8m) driven by growth capex compared to a contraction that resulted in an inflow of £19.1m in prior year. Growth capex of £108.6m reflects a net increase in owned fleet (excluding transfers from leasing) of 7,600 since prior year.
- If the impact of growth capex in the year is removed from free cash flow, the underlying free cash flow of the Group was £120.9m (2021: £78.7m).

<sup>9</sup> Lease principal payments are included so that steady state cash generation includes all maintenance capex irrespective of funding method.

<sup>10</sup> Lease principal payments are added back to reflect the movement on net debt.

## Net debt

Net debt reconciles as follows:

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

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

## Borrowing facilities

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

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

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

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

The above drawn amounts reconcile to net debt as follows:

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

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

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

The split of net debt by currency is as follows:

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

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

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

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

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

#### Balance sheet

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

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

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

#### Treasury

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

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

#### Credit risk

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

#### Liquidity and funding

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



## Capital management

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

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

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

## Interest rate management

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

## Foreign exchange risk

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

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

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

## Going concern

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios, explained further in Note 8 of the financial statements, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

## Alternative performance measures and glossary of terms

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

Year ended 30 April	2022	2021
	£m	£m
<b>Underlying EBIT</b>	<b>167.9</b>	109.8
Add back:		
Depreciation of property, plant and equipment	197.2	191.6
Loss (gain) on disposal of assets	0.6	0.2
Intangible amortisation included in underlying operating profit (Note 6)	1.0	0.7
<b>Underlying EBITDA</b>	<b>366.7</b>	302.3
Net replacement capex	(106.7)	(107.5)
Lease principal payments (under IFRS 16 and HP)	(43.7)	(54.8)
<b>Steady state cash generation</b>	<b>216.4</b>	140.1
Exceptional items (excluding non-cash items) (Note 6)	(0.7)	(5.0)
Working capital and non-cash items	(33.5)	(16.9)
Growth capex	(108.6)	19.1
Taxation	(27.4)	(12.7)
<b>Net operating cash</b>	<b>46.2</b>	124.6
Distributions from associates	4.1	4.3
Interest and other financing costs	(37.5)	(20.4)
Acquisition of business net of cash acquired	(0.5)	(10.8)
<b>Free cash flow</b>	<b>12.3</b>	97.8
Dividends paid	(43.9)	(24.9)
Lease principal payments	43.7	54.8
<b>Net cash generated</b>	<b>12.0</b>	127.6
<b>Reconciliation to cash flow statement:</b>		
Net increase (decrease) in cash and cash equivalents	8.8	(9.7)
<b>Add back:</b>		
Receipt of bank loans and other borrowings	(318.1)	(27.2)
Repayments of bank loans and other borrowings	277.6	109.7
Principal element of lease payments under IFRS 16	28.0	17.0
Principal element of lease payments under HP obligations	15.7	37.8
<b>Net cash generated</b>	<b>12.0</b>	127.6
<b>Reconciliation of capital expenditure</b>		
Purchases of vehicles for hire	292.9	303.5
Proceeds from disposals of vehicles for hire	(128.8)	(188.6)
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment	(2.7)	(35.9)
Purchases of other property plant and equipment	52.4	7.5
Purchases of intangible assets	1.4	1.8
<b>Net capital expenditure</b>	<b>215.2</b>	88.3
Net replacement capex <sup>1</sup>	106.7	107.5
Growth capex <sup>2</sup>	108.6	(19.1)
<b>Net capital expenditure</b>	<b>215.2</b>	88.3

<sup>1</sup> Net capital expenditure other than that defined as growth capex

<sup>2</sup> Growth capex represents the cash consumed in order to grow the total owned fleet or the cash generated if the owned fleet size is reduced in periods of contraction

	Northgate UK&I 2022 £000	Northgate Spain 2022 £000	Group Sub-total 2022 £000
Underlying operating profit <sup>1</sup>	97,957	43,888	141,845
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the year	(44,841)	(5,267)	(50,108)
<b>Rental profit</b>	53,116	38,621	91,737
<i>Divided by:</i> Revenue: hire of vehicles <sup>2</sup>	342,733	220,555	563,288
<b>Rental margin</b>	<b>15.3%</b>	<b>17.5%</b>	<b>16.3%</b>

	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Group Sub-total 2021 £000
Underlying operating profit <sup>1</sup>	76,800	33,700	110,500
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the year	(37,285)	(2,929)	(40,214)
<b>Rental profit</b>	39,515	30,771	70,286
<i>Divided by:</i> Revenue: hire of vehicles <sup>2</sup>	310,066	205,500	515,566
<b>Rental margin</b>	<b>12.7%</b>	<b>15.0%</b>	<b>13.6%</b>

<sup>1</sup> See Note 1 to the financial statements for reconciliation of segment underlying operating profit to Group underlying operating profit.

<sup>2</sup> Revenue: hire of vehicles including intersegment revenue (see Note 1 to the financial statements).

The following defined terms have been used throughout this document:

<b>Term</b>	<b>Definition</b>
Auxillis	A business within the Redde operating segment providing fault and non-fault accident management assistance and related services
Average capital employed	A two point average of capital employed at last day of the current and previous financial years
B2B	Business to business
B2C	Business to consumer
Capex	Capital expenditure
Capital employed	Net assets excluding net debt and acquired goodwill and acquired intangible assets
Car parc	Refers to the number of cars and other vehicles registered for use in a particular country
ChargedEV	Charged Electric Vehicles Limited, a business within the Group providing EV charging infrastructure and solutions
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)
eAuction	The part of the Group which generates vehicles sales revenue through the Group's online sales platforms
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Earnings per share. Underlying unless otherwise stated
ESG	Environmental, Social, and Corporate Governance
EV(s)	Electric vehicle(s)
Facility headroom	Calculated as facilities of £808m less net borrowings of £426m. Net borrowings represent net debt of £583m excluding lease liabilities of £164m and unamortised arrangement fees of £8m and are stated after the deduction of £16m of cash and cash equivalents 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 ended 30 April 2022
FY2023	The year ending 30 April 2023
GAAP	Generally Accepted Accounting Practice: meaning compliance with IFRS
Gearing	Calculated as net debt divided by net tangible assets
GRG Resources	GRG Public Resources Limited and its subsidiary undertaking
Growth capex	Growth capex represents the cash consumed in order to grow the total owned rental fleet or the cash generated if the fleet size is reduced in periods of contraction
H1/H2	Half year period. H1 being the first half and H2 being the second half of the financial year
HP (leases)	Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16
ICE vehicles	Vehicles powered by an internal combustion engine
IFRS	International Financial Reporting Standards
IFRS 16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
Income from associates	The Group's share of net profit of associates accounted for using the equity method
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes

Lease principal payments	Includes the total principal payment on leases including those recognised before and after adoption of IFRS 16
Nationwide	Nationwide Accident Repair Services Limited trade and certain 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
Net zero	As defined under The Paris Agreement, a legally binding international treaty on climate change
NewLaw	A business within the Redde operating segment providing legal services
Non-GAAP	A financial metric used which is not defined under GAAP
Non-ICE vehicles	Vehicles not powered by an internal combustion engine
Northgate	The Company and its subsidiaries prior to the Merger or that part of the business following the Merger
Northgate Spain	The Northgate Spain operating segment located in Spain and providing commercial vehicle hire and ancillary services
Northgate UK&I	The Northgate UK&I operating segment located in the United Kingdom and the Republic of Ireland providing commercial vehicle hire and ancillary services
OEM(s)	Original Equipment Manufacturer(s): a reference to our vehicle suppliers
Owned fleet	The vehicle fleet which is not held under a leasing contract
PBT	Profit before taxation. Underlying unless otherwise stated
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposal profit (as defined), divided by the number of vehicles sold
Q4	Referring to the final three months of the financial year
Redde	The Redde operating segment providing a range of mobility solutions or the Redde plc company and its subsidiaries prior to the Merger
Rental margin	Calculated as rental profit divided by revenue (excluding vehicle sales)
Rental profits	EBIT excluding disposal profits
ROCE	Underlying return on capital employed: calculated as underlying EBIT (see non-GAAP reconciliation) divided by average capital employed excluding acquired goodwill and intangible assets
SAYE	The Company's all employee share saving scheme
Steady state cash generation	Underlying EBITDA less net replacement capex and lease principal payments (included this year, comparative updated)
TCFD	Taskforce on Climate-Related Financial Disclosures
The combined Group	The Company and its subsidiaries following the Merger and acquisition of the trade and assets of Nationwide
The Company	Redde Northgate plc
The Group	The Company and its subsidiaries
The Merger	The 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
WACC	Weighted average cost of capital calculated using the capital asset pricing model

## **Principal risks and uncertainties**

### **Economic environment**

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

### **Risk description**

Adverse changes in economic conditions could result in declines and changes in the business activity of customers. 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 could also increase the risk of customer failure, increasing the risk of non recovery of receivables.

### **Controls and mitigating activities**

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

### **Developments in the year**

- Shortages of vehicle availability has constrained growth but we have aged out the fleet in order to protect existing revenue streams. Used vehicle markets continue to experience buoyant residual values due to shortages of new vehicles.
- COVID-19 restrictions have eased in the year across all businesses.
- Volumes of insurance claims and services have grown to near pre-COVID 19 towards the end of the year as restrictions eased in the UK.
- The balance outstanding in relation to contract assets has increased in the year due to volume from COVID recovery. However, the overall statutory debtor days in relation to this balance reduced by 20 days.
- Inflation increases during the year affects our supply chain in various ways.
- The conflict in Ukraine has not had a direct impact on our business as no customers or suppliers are located in that region but it has had an impact on global markets which has fed through to general inflation and supply chain issues mentioned above.

### **Market risk**

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

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

### **Risk description**

The markets in which the Group operates are fragmented, with low barriers to entry, meaning that price competition is high. The Group could fail to attract and retain customers if pricing is uncompetitive or it fails to adequately

differentiate its service offer. Significant increases in the commission rates paid to insurance referral partners could threaten the viability of the returns model of that part of the Group.

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

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

#### **Controls and mitigating activities**

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

#### **Developments in the year**

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

#### **Vehicle holding costs**

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

#### **Risk description**

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

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

#### **Controls and mitigating activities**

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

can age our existing fleet until the market improves, or in the light of vehicle supply restrictions, age our fleet to extend rental availability.

#### **Developments in the year**

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

#### **The employee environment**

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

#### **Risk description**

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

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

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

#### **Controls and mitigating activities**

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

#### **Developments in the year**

- Access to people resource with the appropriate skill set for the Group has been an increasing challenge throughout the year.
- First full year of the Employee Engagement Forum established post-merger, giving all employees a voice into the executive leadership team and the Board.
- Roll out of Focus, Drive and Broaden initiatives across the Group.
- Northgate Spain rated within top 10% of largest job search portal.
- New UK reward hub and benefit platform launched.
- Growth of in-house recruitment team, dedicated to engaging talent who share the same values as the Group.
- Extension of Academy hub to wider Group providing a common platform to facilitate training.
- Continuing to support flexible working post COVID-19, giving employees more flexibility to work from home whilst balancing the needs of the business.



## **Legal and Compliance**

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

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

### **Risk description**

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

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

### **Controls and mitigating activities**

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

### **Developments in the year**

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

## **IT systems**

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

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

### **Risk description**

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

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

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

### **Controls and mitigating activities**

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

### **Developments in the year**

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

### **Recovery of contract assets**

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

#### **Risk description**

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

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

#### **Controls and mitigating activities**

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

#### **Developments in the year**

- As COVID-19 restrictions eased during the year, court capacities have consequently improved leading to more cases being settled. Insurers have also re-established resource to settle existing claims.
- The balance outstanding in relation to contract assets has increased in the year due to volume from COVID recovery. However, the overall statutory debtor days in relation to this balance reduced by 20 days.

### **Access to capital**

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

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

#### **Risk description**

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

#### **Controls and mitigating activities**

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

#### **Developments in the year**

- Comprehensive refinancing of debt arrangement optimising the Group's debt portfolio.
- Significant lengthening of maturities spread up to 10 years.
- Greater diversification in terms of sources of debt and access to new pools of liquidity.
- New debt achieved at highly competitive interest rates.
- Further contract hire credit lines have been negotiated.



**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2022**

	Note	2022 £000	2021 £000
Revenue: hire of vehicles		563,288	515,566
Revenue: sale of vehicles		149,939	229,809
Revenue: claims and services		530,330	364,124
Total revenue	1	1,243,557	1,109,499
Cost of sales		(897,349)	(856,955)
<b>Gross profit</b>		<b>346,208</b>	252,544
Administrative expenses (excluding exceptional items and amortisation on acquired intangible assets)		(182,204)	(147,092)
Exceptional administrative expenses: impairment of property, plant and equipment	6	–	(4,341)
Exceptional administrative expenses: reversal of previous impairment of property, plant and equipment	6	2,998	1,304
Exceptional administrative expenses: other costs	6	(690)	(4,980)
Amortisation on acquired intangible assets		(19,778)	(19,513)
Total administrative expenses		(199,674)	(174,622)
<b>Operating profit</b>		<b>146,534</b>	77,922
Income from associates		3,866	4,364
Gain on bargain purchase		355	1,489
<b>EBIT</b>	1	<b>150,755</b>	83,775
Interest income		34	164
Finance costs		(18,100)	(16,760)
<b>Profit before taxation</b>		<b>132,689</b>	67,179
Taxation		(31,144)	(1,613)
<b>Profit for the year</b>		<b>101,545</b>	65,566

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

**Earnings per share**

Basic	2	41.3p	26.6p
Diluted	2	40.4p	26.2p

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2022**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Amounts attributable to owners of the Parent Company</b>		
Profit attributable to the owners	<b>101,545</b>	65,566
<b>Other comprehensive expense</b>		
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	<b>(16,347)</b>	338
Net foreign exchange differences on long term borrowings held as hedges	<b>11,904</b>	(2,019)
Foreign exchange difference on revaluation reserve	<b>(41)</b>	(1)
Net fair value gains on cash flow hedges	–	184
Deferred tax charge recognised directly in equity relating to cash flow hedges	–	(35)
<b>Total other comprehensive expense</b>	<b>(4,484)</b>	(1,533)
<b>Total comprehensive income for the year</b>	<b>97,061</b>	64,033

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.

<b>CONSOLIDATED BALANCE SHEET</b>	<b>2022</b>	2021
<b>AS AT 30 APRIL 2022</b>	<b>£000</b>	£000
<b>Non-current assets</b>		
Goodwill	114,926	114,503
Other intangible assets	151,312	170,830
Property, plant and equipment	1,161,915	1,083,920
Deferred tax assets	3,175	4,826
Interest in associates	5,843	6,047
<b>Total non-current assets</b>	<b>1,437,171</b>	<b>1,380,126</b>
<b>Current assets</b>		
Inventories	18,696	21,545
Receivables and contract assets	359,053	302,349
Current tax assets	7,432	–
Cash and bank balances	24,561	11,169
<b>Total current assets</b>	<b>409,742</b>	<b>335,063</b>
<b>Total assets</b>	<b>1,846,913</b>	<b>1,715,189</b>
<b>Current liabilities</b>		
Trade and other payables	246,833	229,666
Current tax liabilities	3,327	562
Lease liabilities	52,524	32,375
Short term borrowings	21,007	12,159
<b>Total current liabilities</b>	<b>323,691</b>	<b>274,762</b>
<b>Net current assets</b>	<b>86,051</b>	<b>60,301</b>
<b>Non-current liabilities</b>		
Trade and other payables	4,509	3,848
Lease liabilities	111,755	96,093
Long term borrowings	421,822	400,885
Deferred tax liabilities	38,375	31,472
<b>Total non-current liabilities</b>	<b>576,461</b>	<b>532,298</b>
<b>Total liabilities</b>	<b>900,152</b>	<b>807,060</b>
<b>NET ASSETS</b>	<b>946,761</b>	<b>908,129</b>
<b>EQUITY</b>		
Share capital	123,046	123,046
Share premium account	113,510	113,510
Own shares reserve	(16,439)	(6,460)
Treasury shares reserve	(7,493)	–
Translation reserve	(8,633)	(4,190)
Other reserves	330,435	330,476
Retained earnings	412,335	351,747
<b>TOTAL EQUITY</b>	<b>946,761</b>	<b>908,129</b>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2022**

	Note	2022 £000	2021 £000
<b>Net cash generated from operations</b>	4	<b>127,643</b>	137,878
<b>Investing activities</b>			
Interest received		34	164
Distributions from associates		4,070	4,325
Acquisition of business		(853)	(10,823)
Cash acquired on acquisition		371	–
Proceeds from disposal of vehicles for credit hire and other property, plant and equipment		2,683	35,919
Purchases of other property, plant and equipment		(52,369)	(7,460)
Purchases of intangible assets		(1,373)	(1,834)
<b>Net cash generated from investing activities</b>		<b>(47,437)</b>	20,291
<b>Financing activities</b>			
Dividends paid		(43,897)	(24,928)
Receipt of bank loans and other borrowings		318,056	27,195
Repayments of bank loans and other borrowings		(277,617)	(109,712)
Debt issue costs paid		(5,428)	(520)
Exceptional finance costs		(1,435)	–
Principal element of lease payments under IFRS 16		(27,959)	(16,994)
Principal element of lease payments under HP obligations		(15,700)	(37,814)
Payments to acquire treasury shares		(7,493)	–
Net payments to acquire own shares for share schemes		(9,933)	(5,073)
<b>Net cash used in financing activities</b>		<b>(71,406)</b>	(167,846)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>8,800</b>	(9,677)
Cash and cash equivalents at 1 May		6,821	16,780
Effect of foreign exchange movements		148	(282)
<b>Cash and cash equivalents at 30 April</b>		<b>15,769</b>	6,821
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances		24,561	11,169
Bank overdrafts		(8,792)	(4,348)
<b>Cash and cash equivalents</b>		<b>15,769</b>	6,821

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2022**

	Share capital and share premium £000	Own shares reserve £000	Treasury shares reserve £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2020	236,556	(3,090)	–	(149)	(2,509)	330,477	310,282	871,567
Share options fair value charge	–	–	–	–	–	–	2,518	2,518
Share options exercised	–	–	–	–	–	–	(1,703)	(1,703)
Dividends paid	–	–	–	–	–	–	(24,928)	(24,928)
Net purchase of shares	–	(5,073)	–	–	–	–	–	(5,073)
Transfer of shares on vesting of share options	–	1,703	–	–	–	–	–	1,703
Deferred tax on share based payments recognised in equity	–	–	–	–	–	–	12	12
Total comprehensive income (expense)	–	–	–	149	(1,681)	(1)	65,566	64,033
Total equity at 30 April 2021	236,556	(6,460)	–	–	(4,190)	330,476	351,747	908,129
Share options fair value charge	–	–	–	–	–	–	3,695	3,695
Share options exercised	–	–	–	–	–	–	(588)	(588)
Dividends paid	–	–	–	–	–	–	(43,897)	(43,897)
Net purchase of shares	–	(10,567)	(7,493)	–	–	–	–	(18,060)
Transfer of shares on vesting of share options	–	588	–	–	–	–	–	588
Deferred tax on share based payments recognised in equity	–	–	–	–	–	–	(167)	(167)
Total comprehensive income (expense)	–	–	–	–	(4,443)	(41)	101,545	97,061
<b>Total equity at 30 April 2022</b>	<b>236,556</b>	<b>(16,439)</b>	<b>(7,493)</b>	<b>–</b>	<b>(8,633)</b>	<b>330,435</b>	<b>412,335</b>	<b>946,761</b>

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





## 1. SEGMENTAL ANALYSIS (Continued)

	Northgate UK&I 2021 £000	Northgate Spain 2021 £000	Redde 2021 £000	Corporate 2021 £000	Eliminations 2021 £000	Total 2021 £000
Revenue: hire of vehicles	310,066	205,500	–	–	–	515,566
Revenue: sale of vehicles	161,417	68,392	–	–	–	229,809
Revenue: claims and services	–	–	364,124	–	–	364,124
External revenue	471,483	273,892	364,124	–	–	1,109,499
Intersegment revenue	1,530	–	7,604	–	(9,134)	–
Total revenue	473,013	273,892	371,728	–	(9,134)	1,109,499
Timing of revenue recognition:						
At a point in time	161,417	68,392	140,266	–	–	370,075
Over time	310,066	205,500	223,858	–	–	739,424
External revenue	471,483	273,892	364,124	–	–	1,109,499
Underlying operating profit (loss)	76,800	33,700	3,358	(8,406)	–	105,452
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)
Exceptional finance costs						–
Profit before taxation						67,179

\*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

	2022	2021
	£000	£000
<b>Basic and diluted earnings per share</b>		
The calculation of basic and diluted earnings per share is based on the following data:		
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to the owners of the Parent Company	101,545	65,566
<b>Number of shares</b>		
Weighted average number of Ordinary shares for the purposes of basic earnings per share	245,997,303	246,091,423
Effect of dilutive potential Ordinary shares: – share options	5,242,307	4,081,514
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	251,239,610	250,172,937
Basic earnings per share	41.3p	26.6p
Diluted earnings per share	40.4p	26.2p

The calculated weighted average number of Ordinary shares for the purposes of basic earnings per share includes a reduction of 94,120 shares (2021: nil) relating to treasury shares acquired during the year.

## 3. DIVIDENDS

Dividends paid in the year were £43,897,000 (2021: £24,928,000).

An interim dividend of 6.0p per Ordinary share was paid in January 2022 (2021: 3.4p). The Directors propose a final dividend for the year ended 30 April 2022 of 15.0p per Ordinary share (2021: 12.0p) which is subject to approval at the annual general meeting and has not been included as a liability as at 30 April 2022. Based upon the shares in issue at 30 April 2022 and excluding treasury shares, this equates to a final dividend payment of £37m (2021: £29.5m). No dividends have been paid between 30 April 2022 and the date of signing the financial statements.

**4. NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2022**

	2022	2021
	£000	£000
<b>Net cash generated from operations</b>		
Operating profit	146,534	77,922
Adjustments for:		
Depreciation of property, plant and equipment	197,162	191,609
Net impairment of property, plant and equipment	(2,998)	3,037
Amortisation of intangible assets	20,771	20,198
Loss on disposal of vehicles for credit hire and other property, plant and equipment	581	195
Loss on disposal of intangible assets	34	31
Share options fair value charge	3,695	2,518
<b>Operating cash flows before movements in working capital</b>	<b>365,779</b>	<b>295,510</b>
Increase in non-vehicle inventories	(1,169)	(1,407)
Increase in receivables	(54,400)	(69)
Increase (decrease) in payables	22,253	(9,011)
Decrease in provisions	–	(4,577)
<b>Cash generated from operations</b>	<b>332,463</b>	<b>280,446</b>
Income taxes paid, net	(27,382)	(12,678)
Interest paid	(13,275)	(14,945)
<b>Net cash generated from operations before purchases of and proceeds from disposal of vehicles for hire</b>	<b>291,806</b>	<b>252,823</b>
Purchases of vehicles for hire	(292,935)	(303,537)
Proceeds from disposals of vehicles for hire	128,772	188,592
<b>Net cash generated from operations</b>	<b>127,643</b>	<b>137,878</b>

**5. ANALYSIS OF CONSOLIDATED NET DEBT**

	2022	2021
	£000	£000
Cash and bank balances	(24,561)	(11,169)
Bank overdrafts	8,792	4,348
Bank loans	118,573	320,991
Loan notes	314,264	86,817
Leases arising following adoption of IFRS 16	130,444	92,469
Leases arising under HP obligations	33,835	35,999
Cumulative preference shares	500	500
Confirming facilities	700	388
<b>Consolidated net debt</b>	<b>582,547</b>	<b>530,343</b>

## 6. EXCEPTIONAL ITEMS

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

	2022	2021
	£000	£000
Impairment of property, plant and equipment	–	4,341
Reversal of previous impairment of property, plant and equipment	<b>(2,998)</b>	(1,304)
Other costs	<b>690</b>	4,980
<b>Exceptional administrative expenses</b>	<b>(2,308)</b>	8,017
Restructuring expenses	<b>(3,545)</b>	2,754
Acquisition expenses	–	1,088
FMG RS set up and integration costs	<b>1,237</b>	5,728
Legal settlement	–	(1,553)
<b>Exceptional administrative expenses</b>	<b>(2,308)</b>	8,017
Gain on bargain purchase	<b>(355)</b>	(1,489)
<b>Total exceptional items included within EBIT</b>	<b>(2,663)</b>	6,528
Exceptional finance costs – refinancing expenses	<b>1,463</b>	–
<b>Total pre-tax exceptional items</b>	<b>(1,200)</b>	6,528
Tax charge (credits) relating to exceptional items	<b>228</b>	(1,286)
Cash expenses	<b>2,125</b>	9,557
Non-cash (credits) expenses	<b>(3,325)</b>	(3,029)
<b>Total pre-tax exceptional items</b>	<b>(1,200)</b>	6,528

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

### Restructuring expenses

The Group recognised a credit in respect to total exceptional restructuring costs of £3,545,000 (2021: £2,754,000 cost) of which a credit of £3,280,000 arose in Redde (2021: £2,151,000), credit of £265,000 in Northgate UK&I (2021: £169,000 credit) and £nil in Northgate Spain (2021: £772,000). These amounts related to restructuring activities that were undertaken during the year as part of the integration and reorganisation of the combined Group.

The restructuring expenses in the year largely related to credits relating to reorganisation of sites of £3,653,000 offset by costs £108,000 associated with reductions in headcount. In the prior year, there were costs associated with reduction in headcount totalling £2,734,000 and net costs incurred in relation to the closure and reorganisation of sites of £20,000, including net impairments of property, plant and equipment.

#### *Closure and reorganisation of sites*

Included within the £3,653,000 credits (2021: £20,000 cost) in relation to the closure and reorganisation of sites, are credits for the reversal of previous impairments of £2,998,000 (2021: £1,304,000), other credits of £685,000 (2021: £nil), provisions release credits in relation to properties of £nil (2021: £4,577,000), expenses incurred by the Group during the year of £nil (2021: £1,560,000) and impairments of property plant and equipment of £nil (2021: £4,341,000).

### Acquisition expenses

During the prior year, the Group incurred acquisition expenses of £1,088,000. These related to professional services expenses directly attributable to the acquisition of the trade and assets of Nationwide of £1,078,000 and £10,000 in relation to the Merger.

### FMG RS set up and integration costs

The Group incurred costs of £1,237,000 (2021: £5,728,000) in relation to the set up of FMG RS and integration of the business, including redundancies.

### Legal settlement

During the prior 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 relating to expected costs no longer payable.

### Gain on bargain purchase

A gain on bargain purchase of £355,000 (2021: £1,489,000) has been recognised to the extent that the fair value of net assets acquired from acquisitions were lower than the fair value of consideration.

### **Refinancing expenses**

During the year, the Group incurred exceptional financing costs of £1,463,000 (2021: £nil) attributable to costs for termination of loan notes and write off of arrangement fees as a result of the refinancing which took place in November 2021.

### **Amortisation on acquired intangible assets**

Amortisation on acquired intangible assets of £19,778,000 (2021: £19,513,000) is not classified as an exceptional item as it is recurring. However, it is excluded from underlying results in order to provide a better comparison of results between periods as the Group grows through a combination of organic and in-organic growth. The revenue and operating costs of these acquisitions are included within underlying results. Amortisation of intangible assets of £993,000 (2021: £685,000) which does not relate to acquisitions is included within underlying profit.

## **7. EVENTS AFTER THE REPORTING PERIOD**

On 2 July 2022 the Group acquired 100% of the equity capital of Blakedale Limited for an initial consideration of £11m.

## **8. BASIS OF PREPARATION**

On 31 December 2020, IFRS as adopted by the European Union at that date were brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement Board. Redde Northgate plc transitioned to the UK-adopted International Accounting Standards in its Company financial statements on 1 May 2021. This change constitutes a change in accounting framework. However, there is no impact recognition, measurement or disclosure in the period reported as a result of the change in framework. The financial statements of Redde Northgate plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 applicable to companies reporting under those standards.

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 2022.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 April 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 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 2022 has been prepared on a basis consistent with that presented in the annual report for the year ended 30 April 2021.

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

### **Assessment of prospects**

The Group's current overall strategy has been in place for several years, subject to the ongoing monitoring and development described below. The combined Group is well established within the markets it operates and has proven resilience through difficult economic conditions in recent years including the impact of COVID-19 and strong momentum has continued throughout the year ended 30 April 2022.

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



***Assessment of viability and going concern***

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



### *Sensitivity analysis of our strategy*

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

### *Strengthened financial position*

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

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

### *Stress testing our risk resilience*

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

- No further growth in vehicles on hire with rental customers.
- No further increase in pricing of rental hire rates.
- A 2% increase in the purchase cost of vehicles and other operating expenses not passed on to customers.
- A 10% reduction in the residual value of used vehicles.
- A 25% volume reduction in insurance claims and services revenue in aggregate, either through lower demand or through ending the commercial relationship with a group of key insurance partners.
- A slow down of 50 days in the time taken to settle outstanding claims with insurers.

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

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

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

### *Conclusions relating to viability and going concern*

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