# REDDE NORTHGATE PLC

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

***INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2020***

**Encouraging momentum in the Group**

| Adjusted results | | | |
|---|---|---|---|
| Six months ended 31 October | **H1 2021 £m** | H1 2020 £m | *Change %* |
| Revenue (excluding vehicle sales) | **429.0** | 265.9 | *61.3%* |
| Underlying[1] EBIT | **48.7** | 35.1 | *38.7%* |
| Underlying[1] Profit before Tax | **40.6** | 27.6 | *47.2%* |
| Underlying[1] Earnings per Share | **13.4p** | 17.6p | *(24.1%)* |
| **Statutory results** | | | |
| Total revenue | **556.0** | 357.8 | *55.4%* |
| EBIT | **34.0** | 32.9 | *3.3%* |
| Profit before Tax | **25.9** | 24.8 | *4.3%* |
| Earnings per Share | **8.6p** | 16.1p | *(46.8%)* |
| **Other measures** | | | |
| Net debt[2] | **530.9** | 504.6 | *(5.2%)* |
| Steady state cash generation[1] | **80.4** | 59.2 | *35.7%* |
| Free cash flow[1] | **58.6** | (12.8) | *557%* |
| ROCE[1] | **8.1%** | 7.1% | *100bps* |
| Dividend per Share | **3.4p** | 6.3p | *(46.0%)* |

**Key highlights**

- Encouraging momentum in the Group. Against the backdrop of COVID-19, Northgate UK&I and Northgate Spain performed ahead of expectations in the first half of FY2021, with a full recovery in VOH to slightly above pre-COVID levels and with strong used vehicle prices and disposal profits above expectations, whilst Redde was impacted by a slower recovery in volumes due to continuing regional and national lockdowns.
- Continued excellent progress under the strategic framework of *Focus, Drive and Broaden,* with a further increase in Merger integration synergies and additional permanent cost savings achieved to £11.7m and £4.2m annualised run rates respectively, in context of the original year 2 Merger integration synergy target of £10m, giving a total of £15.9m of run rate savings to date. Further progress in revenue synergies with the launch of a new accident and incident management product to Northgate customers in October.

[1] Refer to GAAP reconciliation and Glossary of terms note. Underlying excludes exceptional costs and amortisation on acquired intangible assets.
[2] Net debt includes £69.9m (2020: £45.0m) of IFRS 16 liabilities and is higher than H1 2020 due to the net debt acquired from Redde in H2 2020 of £84.1m, partially offset by the cash generated in the year.

- Accelerated integration of FMG Repair Services (“FMG RS”), the trading name for the Nationwide Accident Repair Services business and assets acquired on 4 September 2020, including the securing of external and internal repair volumes and supply chains.
- Continued development of contract hire as a source of vehicle funding with substantial new contract hire credit lines approved by several lenders in the period thus expanding provision to LCVs in the Northgate fleet. £6m of these credit lines has already been utilised.
- The November lockdown in the UK did not have a discernible impact on UK VOH and VOH in both UK&I and Spain are ahead of expectations but Redde volumes were lower than October.
- Overall, the Board is pleased with the performance in the first half of the year and, whilst significant uncertainties remain given the current economic environment and the risk of future more severe lockdowns, the Board is confident of the vision and strategy of the Group and the opportunities created by the Merger and remains confident in meeting market expectations for FY2021.
- An interim dividend of 3.4p per share (2020: 6.3p) has been declared, in line with dividend policy, as stated at the time of the Merger, to pay an interim dividend that is half of the prior final dividend.

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

“Since our preliminary year end results announcement on 16 September 2020 we have continued to make excellent progress in delivering on our strategy to become the leading integrated mobility solutions provider. Our integration plan has now delivered synergies and permanent cost savings of £15.9m run rate savings to date and we fully expect to reach the increased targets we set out of £19m in year 2.

“We have also commenced the integration of FMG RS which broadens our service proposition and capabilities in repairs and, in October, building on Redde’s expertise, we launched our accident and incident management product to Northgate customers. We have had a good early response to this and are confident it will be a source of revenue growth for the Group.

“I have been immensely proud of the way the team has stepped up to ensure we can operate as effectively as possible and deliver our services during these difficult times. COVID-19 continues to impact us all and we remain primarily focussed on ensuring a safe and effective work environment for our employees and safe contact with our customers who require our services. We can clearly see the impact of COVID-19 in this set of results, particularly in Redde where accident volumes were depressed in the first quarter. However, these have significant potential to increase when road traffic volumes and incidents revert back closer to historic norms. Meanwhile, the buoyancy in used vehicle markets, particularly in the UK, has led to higher disposal profits, and the Northgate businesses have also both benefitted from an increase in VOH since year-end such that VOH is now above pre-COVID levels. Recent regional lockdowns and the second national lockdown in the UK have highlighted the need for agility and we continue to keep cost and cash controls in place in order to monitor and manage the business closely. We currently do not expect the impact of these new lockdowns to be as severe as the original national lockdowns in April and May. We are confident on performance in FY2021 and our views on FY2022 will be determined by the exit run rate we see at the end of FY2021.

"Our cash position has remained strong in the first half with continued good steady state cash generation and free cash flow. We have made good progress with our new capital model for funding vehicles and now have over five hundred vans on contract hire, with substantial LCV contract hire credit lines agreed with lenders and now in place.

"I am confident that the actions and measures we are taking are already creating value which will be further enhanced as we continue to deliver on our strategic priorities."

**Half year results summary**

- Total revenue was 55.4% higher than the prior period, including £181.3m of revenues from Redde. Revenue from the Northgate businesses was £376.5m, 5.2% higher than H1 2020, and comprised hire revenues which were 6.2% lower due to the impact of both off-hires and customer support packages during the first lockdowns and vehicle sales revenues which were 38.2% higher due to higher volumes (mainly from reducing stock impacted by April lockdown) and strong market pricing in the UK.
- Revenue (excluding vehicle sales) was 61.3% higher than the prior period with the increase attributable to Redde, which is included in revenue following the Merger on 21 February 2020.
- Underlying EBIT and underlying PBT were 38.7% and 47.2% higher respectively, reflecting the strong performance in the Northgate UK&I business, a resilient performance in the Northgate Spain business and the profits from the Redde business.
- Statutory EBIT and statutory PBT are stated after £9.6m of amortisation of acquisition intangibles[3] and £5.4m of exceptional costs, of which £2.6m related to restructuring and £2.6m related to FMG RS.
- Underlying EPS of 13.4p was 24.1% lower, reflecting the lower profits from the Redde business in the period driven primarily by lower volumes due to COVID-19, particularly in the first quarter.
- Statutory EPS of 8.6p was 46.8% lower, reflecting the trading of the Redde business and the impact of amortisation and exceptional items.
- There were strong net cash inflows with free cash inflow of £58.6m (2020: £12.8m outflow) benefitting from lower total net capex[4] of £48.8m (2020: £127.0m) driven by lower purchases and higher disposal proceeds. Steady state cash generation also remained strong at £80.4m (2020: £59.2m).
- Net debt (inc. IFRS 16) closed at £530.9m, 5.2% higher than H1 2020 due to the net debt acquired from Redde in H2 2020 of £84.1m, partially offset by the cash generated in the year.

**Trading and COVID-19 impact**

- The Board and management continued with decisive actions put in place at the end of FY2020 to protect employees and customers and to mitigate the financial impact of COVID-19 on the Group. These proactive measures included new guidelines and controls to enable social distancing, furloughing employees, limiting new fleet capex, voluntary pay reductions across Board and senior leadership positions and cost control measures including freezing of recruitment and pay reviews.

[3] Acquisition intangibles include customer relationships, brand names and other software and are estimated to have useful lives ranging from five to fifteen years.
[4] Total net capex includes net replacement capex, lease principal payments and growth capex.

- In the first six months of FY2021 performance indicators across the Group have fully recovered or substantially improved, including:
    - Customer support packages, which were a core part of measures to support customers during the first national lockdowns and totalled £3.4m in the period, reduced to nil monthly cost at the end of September. We are currently not expecting to need to provide material customer support packages for subsequent lockdowns;
    - VOH has now recovered to above pre-COVID levels with closing VOH at the end of October 2020 9% higher than April 2020 in both Northgate UK&I and Northgate Spain. There has been no discernible impact of the November lockdown on VOH in the UK;
    - Vehicle disposal channels re-opened over the course of May such that they were fully operational from June, with significant improvement in residual values compared to prior year in the UK driven by strong market pricing, which has been approximately 15% above expected levels. Retail disposal channels closed again in November in the UK but vehicles have continued to be sold via other channels such that this impact of the November lockdown has been managed. We expect the strength of market pricing to reduce over H2 2021;
    - Post the first national lockdown accident and incident volumes started to increase as traffic volumes picked up but remained below expectations and as a result there exists significant opportunity for Redde profits to rise back to historic levels in the future. Having recovered to approximately 20% below normal volumes in September, the volumes in October were approximately 30% below normal volumes and in November were lower than this due to the lockdown and we continue to review our cost base accordingly.

***Focus, Drive and Broaden* strategy**

- To achieve the Group's vision, the Board and management team, who together have a proven track record of delivering strategic initiatives, plan to evolve the strategy of the enlarged Group through three phases: *Focus, Drive and Broaden*.
- In the Focus phase, during FY2021, the Group is completing:
    - the Merger integration alongside initiation of the delivery of the anticipated cost synergies, as detailed further below;
    - developing the enlarged Group's products and services, as exemplified by the new accident and incident management product detailed further below; and
    - starting to leverage the platform to enable revenue growth based on the broader offering, for which we have had good traction with our customers and will update on further in due course.

**Merger integration and synergies**

- Excellent progress continues to be made in integrating Redde and Northgate and annual run rate cost synergies achieved to date have increased to £11.7m, with implementation costs of £3.9m. Our synergy targets remain at £12m by end of FY2021 and £15m by end of FY2022, an increase from the original targets at the time of the Merger of £7m and £10m respectively.

- Together with £4.2m of permanent annual costs savings[5], £0.4m higher than previously announced, a total annual run rate of £15.9m of cost synergies and permanent cost savings have been achieved to the end of October since the Merger in February.
- The Group has also continued to make good progress in developing its plans for the enlarged Group's products and services, which have included Northgate recently launching a new accident and incident management product, which has already had several customers sign up with several hundred managed vehicles, and a good pipeline of several thousand more managed vehicles.

**FMG RS integration**

- The integration of FMG RS into Redde and the Group was a key focus in the last two months of the period following the acquisition of Nationwide Accident Repair Services at the beginning of September, both in terms of securing the supply chain and in managing volumes between external insurer customers and internal work referred from other Redde businesses and the Board is pleased with progress to date.
- Initial trading has, as expected, been loss-making whilst the integration is completed and the 90 day plan executed. We have now secured over 95% of the supply chain and are continuing discussions with many prior and future customers to maximise external revenues.
- The Group remains confident that the acquisition will be earnings enhancing in the first full financial year of ownership.

**ESG**

- Following the Merger, the Group has been developing its ESG positioning, and enhancing and formalising its strategy for the future.
- From an environmental perspective the Group has already outlined the main measures it uses to assess its environmental impact and is in the process of developing its wider carbon strategy as well as its EV strategy. It is progressively aligning its fleet policy with changing market dynamics to be at the forefront of electric vehicles.
- From a social perspective, during COVID-19 the Group has supported employees and stakeholders in a variety of different ways which included increased flexible working, customer support packages (waivers, discounts and deferrals) and other initiatives including an NHS and key worker replacement vehicle scheme and the provision of vehicles to the Red Cross in Spain and British Heart Foundation in the UK at significant discounts.
- The Group will update further on its detailed ESG plans and targets in the next reporting period.

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

**GAAP reconciliation and glossary of terms**

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

A reconciliation of GAAP to Non-GAAP underlying measures and a glossary of terms used in this document are outlined below the financial review.

**Analyst Briefing**

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

This presentation will also be made available later today via a link on the Company's website www.reddenorthgate.com


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N**otes to Editors:**

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

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

With an extensive network and diversified fleet of over 110,000 owned vehicles and over 500,000 managed vehicles supported by more than 170 branches across the UK, Ireland and Spain, the Group aims to utilise its scale, reach and comprehensive suite of integrated services to offer a market-leading customer proposition and drive enhanced returns for shareholders.

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

www.reddenorthgate.com

## OPERATING REVIEW

## Northgate UK&I

| Six months ended 31 October | **H1 2021** | H1 2020 | *Change* |
|---|---|---|---|
| **KPI** | **('000)** | ('000) | *%* |
| Average VOH | **45.2** | 46.9 | *(3.6%)* |
| Closing VOH | **47.4** | 47.2 | *0.4%* |
| Average utilisation % | **90%** | 89% | *1ppt* |
| Six months ended 31 October | **H1 2021** | H1 2020 | *Change* |
| **PROFIT & LOSS** (Underlying) | **£m** | £m | *%* |
| Revenue – Vehicle hire | **147.0** | 158.9 | *(7.5%)* |
| Revenue – Vehicle sales | **94.1** | 68.9 | *36.7%* |
| Total Revenue | **241.1** | 227.7 | *5.9%* |
| Rental profit | **15.1** | 15.6 | *(3.4%)* |
| *Rental Margin %* | ***10.3%*** | *9.8%* | *0.5ppt* |
| Disposal profit | **17.0** | 3.8 | *350.9%* |
| EBIT | **32.1** | 19.4 | *65.4%* |
| *EBIT Margin %*[6] | **13.3%** | 8.5% | *4.8ppt* |
| ROCE % | **8.8%** | 6.6% | *2.2ppt* |

***Rental business***

Hire revenue in the Northgate UK&I business declined 7.5% compared to the prior period to £147.0m (2020: £158.9m), driven by average VOH which declined 3.6%, the impact of customer support packages which were £2.4m (equivalent to 1.5%) and the impact of vehicle and product mix, partially offset by the impact of pricing increases achieved. Regular rate increases were introduced in FY2019 and rates were again increased in FY2020 and FY2021 across our full range of rental products and continued to be well planned, communicated and executed.

Closing VOH increased 0.4% to 47,400 and was 9% above year-end FY2020 and 2% above pre-COVID levels.

At the half year, Northgate's minimum term proposition accounted for around 33% (2020: 28%) 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.

The rental margin has continued to grow since H2 2018 with steady improvements now for the past five half year periods, increasing from 6.0% in H2 2018, to 7.1% in H1 2019 to 8.5% in H2 2019, to 9.8% in H1 2020, 10.0% in H2 2020 and 10.3% in H1 2021. This continued improvement reflects the execution of the strategic priorities and cost synergies and savings, despite the impact of COVID-19.

The net impact of the lower hire revenue and higher rental margin was a 3.4% reduction in rental profits to £15.1m (2020: £15.6m).

[6] Calculated as underlying EBIT divided by total revenue

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

The total Northgate UK&I period end rental fleet of 51,900 vehicles increased from 51,400 at year-end FY2020. 5,700 vehicles were purchased during the period (2020: 8,100 vehicles) and 5,200 vehicles were de-fleeted. The average age of the fleet at the end of the period was three months higher than at the same time last year. This was partly due to the impact of the fleet optimisation policy and partly due to managing the fleet to mitigate impacts of COVID-19 by reducing purchases, particularly in the first quarter of the year.

A total of 9,500 vehicles were sold in Northgate UK&I during the period, 5% higher than the prior period. The sales in May were impacted by COVID-19 and the temporary closure of disposal markets but sales in subsequent months were higher due to the sale of those vehicles held since lockdown and from reducing stock levels to a substantially lower level.

Disposal profits of £17.0m (2020: £3.8m) increased 351% versus the prior period, driven by the increased sales volumes and, more significantly, a 330% improvement in the average profit per unit (PPU) on disposals to £1,794 (2020: £417) due to strong market pricing in the period, which has been approximately 15% above expected levels, together with cost savings taken in the disposals cost base, despite the continuing impact of the unwind of depreciation rate changes. No changes to depreciation rates have been made in the period, and this will remain under review as the longer term impact on residual values becomes clearer.

***EBIT and ROCE***

Underlying EBIT of £32.1m grew 65.4% over the prior period (2020: £19.4m) driven by higher disposal profits, partially offset by lower rental profits as explained above.

The ROCE in Northgate UK&I was 8.8% (2020: 6.6%) reflecting the increase in EBIT together with lower capital employed resulting from lower rental fleet.

***Capex and cash flow***

| Six months ended 31 October | **H1 2021** | H1 2020 | *Change* |
|---|---|---|---|
| | **£m** | £m | *£m* |
| Underlying EBITDA | **75.3** | 78.7 | *(3.4)* |
| Net Replacement Capex[8] | **(25.9)** | (54.3) | *28.4* |
| Lease principal payments[7] | **(2.1)** | (1.6) | *(0.5)* |
| Steady state cash generation | **47.4** | 22.8 | *24.6* |
| Growth Capex (incl. inorganic)[8] | **28.4** | (10.6) | *38.9* |

Underlying EBITDA remained strong at £75.3m (2020: £78.7m)

Net replacement capex[8] in the period was £25.9m, £28.4m lower than prior period, driven mainly by higher disposal prices and a lower volume of fleet rotation during the period due to COVID-19.

[7] Lease principal payments are included so that steady state cash generation includes all maintenance capex irrespective of funding method.
[8] 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.

Steady state cash generation increased by £24.6m to £47.4m (2020: £22.8m) reflecting lower net replacement capex in the year. Growth capex was a contraction of £28.4m, relating to the reduction in total fleet of 3,200 vehicles in the period, driven by lower stock levels.

## Northgate Spain

| Six months ended 31 October<br>**KPI** | **H1 2021**<br>**('000)** | H1 2020<br>('000) | *Change*<br>*%* |
|---|---|---|---|
| Average VOH | **45.5** | 47.1 | *(3.4%)* |
| Closing VOH | **47.1** | 47.4 | *(0.6%)* |
| Average utilisation % | **91%** | 92% | *(1ppt)* |
| Six months ended 31 October<br>**PROFIT & LOSS** (Underlying) | **H1 2021**<br>**£m** | H1 2020<br>£m | *Change*<br>*%* |
| Revenue – Vehicle hire | **102.4** | 107.0 | *(4.3%)* |
| Revenue – Vehicle sales | **32.9** | 23.0 | *42.8%* |
| Total Revenue | **135.3** | 130.1 | *4.1%* |
| Rental profit | **14.7** | 18.1 | *(18.9%)* |
| *Rental Margin %* | ***14.4%*** | *16.9%* | *(2.5ppt)* |
| Disposal profit | **1.3** | 1.4 | *(5.8%)* |
| EBIT | **16.0** | 19.5 | *(17.9%)* |
| *EBIT Margin %*[9] | **11.8%** | 15.0% | *(3.2ppt)* |
| ROCE % | **7.7%** | 9.1% | *(1.4ppt)* |

***Rental business***

Hire revenue in the Northgate Spain business declined 4.3% compared to the prior period to £102.4m (2020: £107.0m), driven by average VOH which declined 3.4% due to COVID-19 and the impact of customer support packages which were £1.0m (equivalent to 0.9%). Price increases put through in the period were offset by lower excess mileage charges due to COVID-19 and vehicle product mix.

Closing VOH decreased 0.6% to 47,100 and was 9% above year-end FY2020 and 2% above pre-COVID levels.

At the half year, Northgate's minimum term proposition accounted for around 35% (2020: 33%) 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 lower at 14.4% including the impact of customer support on hire rate of 0.9%, and the impact of higher costs in the period, of which 1.0% relates to higher bad debts.

The impact of the lower hire revenue and lower rental margin was a 18.9% reduction in rental profits to £14.7m (2020: £18.1m).

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

The total Northgate Spain period end rental fleet of 52,700 vehicles increased from 51,500 at year-end FY2020. 6,000 vehicles were purchased during the period (2020: 6,900) and 4,800 vehicles were

[9] Calculated as underlying EBIT divided by total revenue.

de-fleeted. The average age of the fleet at the end of the period was four months higher than at the same time last year. This was partly due to the impact of the fleet optimisation policy and partly due to managing the fleet to mitigate impacts of COVID-19 by reducing purchases, particularly in the first quarter of the year.

A total of 5,600 vehicles were sold in Northgate Spain during the period, 45% higher than prior period. The sales in May were impacted by COVID-19 and the temporary closure of disposal markets but sales in subsequent months were higher and stock levels have now been reduced to a lower level.

Disposal profits of £1.3m (2020: £1.4m) reduced 5.8% versus the prior year, as a result of the increased sales volumes offset by a 35% reduction in the average profit per unit (PPU) on disposals to £227 (2020: £350) due to the continuing impact of the unwind of depreciation rate changes, offset by some higher market pricing, some mix impacts and some improvements in the operations implemented in the year.

***EBIT and ROCE***

Underlying EBIT of £16.0m reduced 17.9% over the prior period (2020: £19.5m) driven by lower rental profits including impacts of COVID-19 as explained above.

The ROCE in Northgate Spain was 7.7% (2020: 9.1%) reflecting the reduction in EBIT.

***Capex and cash flow***

| Six months ended 31 October | **H1 2021** | H1 2020 | *Change* |
|---|---|---|---|
| | **£m** | £m | *£m* |
| Underlying EBITDA | **60.2** | 63.7 | *(3.5)* |
| Net Replacement Capex[11] | **(25.9)** | (22.2) | *(3.7)* |
| Lease principal payments[10] | **(1.4)** | (1.3) | *(0.1)* |
| Steady state cash generation | **32.9** | 40.2 | *(7.3)* |
| Growth Capex (incl. inorganic)[11] | **(3.3)** | (37.0) | *33.7* |

Underlying EBITDA remained strong at £60.2m (2020: £63.7m)

Net replacement capex[11] in the period was £25.9m, £3.7m higher than prior period, driven mainly by a higher volume of fleet replacements compared to the prior period due to timing of the fleet rotation cycle.

Steady state cash generation decreased by £7.3m to £32.9m (2020: £40.2m) reflecting lower EBITDA and higher net replacement capex in the period. Growth capex[11] was £3.3m, relating to the fleet growth of 300 vehicles.

[10] Lease principal payments are included so that steady state cash generation includes all maintenance capex irrespective of funding method.
[11] 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.

## Redde

The Merger completed on 21 February 2020 therefore the tables below have no prior period comparators.

| Six months ended 31 October<br>**PROFIT & LOSS** (Underlying) | **H1 2021**<br>**£m** |
|---|---|
| Revenue – Claims and Services | **181.3** |
| Gross profit | **25.9** |
| *Gross margin %* | ***14.3%*** |
| Operating profit | **1.7** |
| Income from associates | **2.4** |
| EBIT | **4.1** |
| *EBIT margin %*[12] | ***2.3%*** |
| *ROCE %*[13] | ***7.9%*** |

***Revenue and profit***

Revenue for the period was £181.3m, of which £18.2m related to FMG RS external revenues. The main drivers of revenue, traffic volumes and thereby road traffic accidents, were materially reduced in the period. Initially the volume reduction was significant versus pre-COVID levels[14] as the first lockdown, with schools and many workplaces closed, led to a material reduction in traffic, and then, with sequential monthly improvements volume increased in the second quarter to approximately 20%-30% below pre COVID-19 levels. Lower volumes particularly impacted credit hire and credit repair revenues, but also to a lesser extent fleet management and legal services revenues.

Gross margin remained broadly in line with expectations at 14.3%, although it was impacted by COVID-19 from reduced fleet utilisation particularly in the first quarter, and thus gross profit was £25.9m. Gross profit was below expectations due primarily to the slower recovery in volumes above.

EBIT for the period was £4.1m. This was made up of an operating loss in FMG RS of £3.0m, in line with Board expectations, an operating profit in the other Redde businesses of £4.7m, and income from associates of £2.4m.

The £7.1m of EBIT in the other Redde businesses was below expectations mainly due to the slower recovery in volumes, and whilst the cost base was closely managed and reduced where possible, most overheads are fixed or semi-variable, thus reducing EBIT margins to 2.3%. A normalised EBIT margin of this business is substantially higher and would deliver a materially higher profit and ROCE than in the current period.

[12] Calculated as underlying EBIT divided by total revenue.
[13] Redde's ROCE calculated using a 12 month pro rata of the eight months of EBIT since acquisition, divided by the average of the acquired opening and period end closing capital employed excluding goodwill and acquired intangibles.
[14] Pre-COVID levels calculated as the normalised volumes of hires and repairs from the month prior to COVID-19.

***Management of fleet***

The total fleet in Redde closed the period at 6,500 vehicles, reduced from the level at 30 April 2020 of 9,000 vehicles due to the impact of COVID-19 as fleet size was reduced to reflect reduced volumes.

The average fleet age was 18 months reflecting the lower fleet holding period than in the Northgate businesses due to the different usage of the vehicles and business economics.

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

***Capex and cash flow***

| Six months ended 31 October | **H1 2021**<br>**£m** |
|---|---|
| Underlying EBITDA | **11.9** |
| Net replacement capex[15] | **5.2** |
| Lease principal payments[16] | **(13.4)** |
| Steady state cash generation | **3.7** |
| Growth capex | **(10.3)** |
| Debtor days | **144 days** |

Underlying EBITDA was £11.9m in the period, which was below expectations mainly due to the slower recovery in volumes.

Net replacement capex was a net inflow of £5.2m in the period due to the disposal proceeds of vehicles funded by HP compared to the timing of lease principal payments.

Steady state cash generation was £3.7m and included lease principal payments of £13.4m.

Growth capex was £10.3m and reflects payments for the FMG RS fixed assets acquired.

Debtor days were 144 days at 31 October 2020. 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. Debtor days increased from 123 days at year-end FY2020 due to the significant drop in revenues in the last eight months.

[15] Redde net replacement capex is total capex less growth capex. Redde growth capex represents the Nationwide assets acquired only.

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

## FINANCIAL REVIEW

### Group Revenue and EBIT

| Six months ended 31 October | **H1 2021** £m | H1 2020 £m | *Change* % |
|---|---|---|---|
| Revenue – Vehicle hire | **249.0** | 265.9 | (6.4%) |
| Revenue – Vehicle sales | **127.1** | 91.9 | 38.2% |
| Revenue – Claims and services | **180.0** | - | n/a |
| Total revenue | **556.0** | 357.8 | 55.4% |
| Rental profit | **29.8** | 33.8 | (11.7%) |
| Disposal profit | **18.3** | 5.1 | 255.2% |
| Claims and services profit | **1.7** | - | n/a |
| Underlying operating profit | **46.3** | 35.1 | 31.9% |
| Income from associates | **2.4** | - | n/a |
| Underlying EBIT | **48.7** | 35.1 | 38.7% |
| *Underlying EBIT margin* | ***8.8%*** | *9.8%* | *(1.0ppt)* |
| Statutory EBIT | **34.0** | *32.9* | 3.3% |

- Total Group revenue, including vehicle sales, of £556.0m was 55.4% higher (54.8% at constant exchange rates). Hire revenues were 6.4% lower due to the impact of both off-hires and customer support packages during the first lockdowns and vehicle sales revenues were 38.2% higher due to higher volumes (mainly from reducing stock impacted by April lockdown) and strong market pricing in the UK.
- Revenue (excluding vehicle sales) of £429.0m was 61.3% higher (60.8% at constant exchange rates) than the prior period with the increase attributable to Redde, which is included in revenue following the Merger on 21 February 2020.
- Underlying EBIT of £48.7m was 38.7% higher, reflecting the strong performance in the Northgate UK&I business, a resilient performance in the Northgate Spain business and the profits from the Redde business.
- Statutory EBIT of £34.0m was 3.3% higher, reflecting higher underlying EBIT offset by £9.6m of amortisation of acquisition intangibles[17] and £5.4m of exceptional costs, of which £2.6m related to restructuring and £2.6m related to FMG RS.

[17] Acquisition intangibles include customer relationships, brand names and other software and are estimated to have useful lives ranging from five to fifteen years.

**Group PBT and EPS**

| Six months ended 31 October | **H1 2021 £m** | H1 2020 £m | *Change %* |
|---|---|---|---|
| Underlying EBIT | **48.7** | 35.1 | *38.7%* |
| Net finance costs | **(8.1)** | (7.5) | *(7.6%)* |
| Underlying Profit before Tax | **40.6** | 27.6 | *47.2%* |
| Statutory Profit before Tax | **25.9** | 24.8 | *4.3%* |
| *Underlying effective tax rate* | ***18.8%*** | *14.7%* | *4.1ppt* |
| Underlying EPS | **13.4p** | 17.6p | *(24.1%)* |
| Statutory EPS | **8.6p** | 16.1p | *(46.8%)* |

- Underlying PBT was 47.2% higher, reflecting the higher EBIT and higher finance costs, which were 7.6% higher including Redde finance costs.
- Statutory PBT was 4.3% higher, reflecting the higher underlying PBT offset by £9.6m of amortisation of acquisition intangibles[18] and £5.4m of exceptional costs, of which £2.6m related to restructuring and £2.6m related to FMG RS.
- The underlying effective tax rate was 18.8%, which was 4.1ppt higher than prior year due primarily to one-offs in H1 FY2020, as highlighted at the time, from settlement of prior year tax positions.
- Underlying EPS of 13.4p was 24.1% lower, reflecting the lower profits from the Redde business in the period driven primarily by lower volumes due to COVID-19, particularly in the first quarter, as well as the higher tax rate.
- Statutory EPS of 8.6p was 46.8% lower, reflecting the movement in underlying EPS and the impact of exceptional costs and amortisation of acquisition intangibles[1].

***Business combinations***

The Group acquired certain businesses and certain assets of Nationwide Accident Repair Services on 4 September 2020 by way of a purchase from administrators, for an initial cash consideration of £10.6m, plus a deferred consideration of up to £5m conditional on retention of certain trade business on satisfactory terms. The provisional fair value of consideration is estimated to be £10.9m. A provisional purchase price allocation exercise has been undertaken in order to identify and recognise intangible assets with finite useful lives amounting to £3.6m and other net assets of £7.6m, resulting in negative goodwill of £0.3m which has been recognised in the income statement in the period.

***Depreciation rate changes***

Vehicle depreciation rates are regularly reviewed and changes are made, if expectations of future residual values change. Residual values have increased in the period due to the short term closure and re-opening of used vehicle markets as a result of COVID-19. This disruption is not anticipated to continue into the medium term, therefore there have been no changes to depreciation rate estimates in the period. The full year-on-year impact of previous depreciation rate changes in FY2021 EBIT is expected to be £4.0m in Spain and £1.4m in UK&I as previously outlined.

[18] Acquisition intangibles include customer relationships, brand names and other software and are estimated to have useful lives ranging from five to fifteen years.

***Dividend***

The Board has declared an interim dividend of 3.4p per share (2020: 6.3p) and will be paid on 29 January 2021 to shareholders on the register as at close of business on 18 December 2020.

**Group cash flow**

***Steady state cash generation***

| Six months ended 31 October | **H1 2021 £m** | H1 2020 £m | *Change £m* |
|---|---|---|---|
| Underlying EBIT | **48.7** | 35.1 | *13.6* |
| Depreciation and amortisation | **95.3** | 103.5 | *(8.3)* |
| Underlying EBITDA | **144.0** | 138.7 | *5.3* |
| Net replacement capex | **(46.7)** | (76.6) | 29.9 |
| Lease principal payments[19] | **(16.9)** | (2.9) | *(14.1)* |
| Steady state cash generation | **80.4** | 59.2 | *21.2* |

- Steady state cash generation remained strong at £80.4m and was £21.2m higher than H1 2020, driven by strong EBIT and lower net replacement capex.
- Underlying EBITDA was £5.3m higher driven by higher underlying EBIT partially offset by lower depreciation due to reduced rental fleet size.
- Net replacement capex was £29.9m lower reflecting lower purchases including the impact of contract hire purchases and the higher number of disposals and strong used vehicle prices in the period.

***Free cash flow***

| Six months ended 31 October | **H1 2021 £m** | H1 2020 £m | *Change £m* |
|---|---|---|---|
| Steady state cash generation | **80.4** | 59.2 | *21.2* |
| Exceptional costs | **(5.4)** | (2.2) | *(3.1)* |
| Working capital and non-cash items | **(20.7)** | (6.0) | *(14.6)* |
| Growth capex | **14.8** | (47.5) | *62.3* |
| Tax | **(5.6)** | (4.7) | *(0.9)* |
| Net operating cash | **63.5** | (1.2) | *64.8* |
| Distributions from associates | **2.6** | - | 2.6 |
| Interest and other financing | **(7.5)** | (11.5) | *4.0* |
| Free cash flow | **58.6** | (12.8) | *71.4* |
| Dividends paid | - | (16.0) | *16.0* |
| Lease principal payments[20] | **16.9** | 2.9 | *14.1* |
| Net cash generated (consumed) | **75.5** | (25.9) | *101.5* |

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

- Free cash flow remained strong at £58.6m driven by strong net operating cash, distributions from associates and lower interest and other financing costs than H1 2020.
- Exceptional costs were £5.4m and included £2.6m restructuring costs to delivery synergies and cost savings, and £2.6m costs relating to FMG RS.
- Working capital outflow of £20.7m included £9m relating to timing differences of payments and receipts over the COVID-19 period, and £7m relating to FMG RS as initial working capital positions were built.
- Growth capex of £14.8m inflow reflects a net reduction in fleet over the period of 3,000 vehicles.
- If the impact of growth capex in the period is removed from free cash flow, the underlying free cash flow of the Group was £43.8m (2020: £34.7m).
- No dividends were paid in the period as the final dividend of £16.7m was paid in November, later than the normal financial calendar due to the timing of the preliminary results announcement.

***Net debt***

Net debt reconciles as follows:

| Six months ended 31 October | **H1 2021** | H1 2020 |
|---|---|---|
| | **£m** | £m |
| Opening net debt | **575.9** | 436.9 |
| IFRS 16 transition | **-** | 48.5 |
| Net cash (generated) consumed | **(75.5)** | 26.0 |
| Non-cash movement on leases | **16.4** | - |
| Other non-cash items | **-** | (3.6) |
| Exchange differences | **14.1** | (3.2) |
| Closing net debt | **530.9** | 504.6 |

Closing net debt was £45.0m lower than opening net debt, driven by net cash generation of £75.5m. New leases acquired were £16.4m, and the overall foreign exchange impact on net debt was £14.1m.

***Borrowing facilities***

As at 31 October 2020 the Group had headroom on facilities of £281m, with £432m drawn (net of available cash balances) against total committed facilities of £713m as detailed below:

| | **Facility £m** | **Drawn £m** | **Headroom £m** | **Maturity** | **Borrowing Cost** |
|---|---|---|---|---|---|
| UK bank facilities | 608 | 334 | 274 | Nov-23 | 2.0% |
| Loan notes | 90 | 90 | - | Aug-22 | 2.4% |
| Other loans | 15 | 8 | 7 | Nov-21 | 1.0% |
| | **713** | **432** | **281** | | **2.1%** |

The other loans consist of £7m of local borrowings in Spain and £0.5m of preference shares.

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

The above drawn amounts reconcile to net debt as follows:

| | **Drawn £m** |
|---|---|
| Borrowing facilities | 432 |
| Unamortised finance fees | (5) |
| Leases arising following adoption of IFRS 16 | 70 |
| Leases arising under HP obligations | 34 |
| **Net debt** | **531** |

The overall cost of borrowings at 31 October 2020 is 2.1% (2020: 2.5%). There are three financial covenants under the Group's facilities as follows:

| | **Threshold** | **H1 2021** | **Headroom** | **H1 2020** |
|---|---|---|---|---|
| Interest cover | 3x | 5.6x | £34m (EBIT) | 5.5x |
| Loan to value | 70% | 42% | £305m (Net debt) | 44% |
| Debt leverage | 2.75x | 1.6x | £126m (EBITDA) | 1.7x |

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

**Balance sheet**

Net assets at 31 October 2020 were £882.1m (2020: £571.7m), equivalent to net assets per share of 358p (2020: 429p). Net tangible assets at 31 October 2020 were £585.9m (2020: £551.5m), equivalent to a net tangible asset value of 238p per share (2020: 414p per share).

On acquisition of Redde, net assets of £318.4m were recognised on the balance sheet, including £112.5m of goodwill, £186.6m other intangible assets and £19.3m of other net tangible assets.

**Foreign exchange risk**

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

| | October 2020 | October 2019 | April 2020 |
|---|---|---|---|
| | £ : € | £ : € | £ : € |
| Average | 1.11 | 1.12 | 1.14 |
| Period end | 1.11 | 1.16 | 1.15 |

**Going concern**

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios including the impacts of COVID-19 (as explained further in note 1 of the unaudited condensed financial statements), the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

**Risks and uncertainties**

The Board and the Group's management have clearly defined responsibility for identifying the major business risks facing the Group and for developing systems to mitigate and manage those risks.

The principal risks and uncertainties facing the Group at 30 April 2020 were set out in detail on pages 33 to 36 of the 2020 annual report, a copy of which is available at www.reddenorthgate.com, and were identified as:

- economic environment;
- market risk;
- vehicle holding costs;
- the employee environment;
- legal and compliance;
- IT systems;
- access to capital;
- COVID-19 pandemic; and
- recovery of contracts assets.

These principal risks have not changed since the last annual report and continue to be those that could impact the Group during the second half of the current financial year.

***Impact of the UK leaving the European Union without a new free trade agreement***

The Group has planned for the potential impact on its business of the UK leaving the European Union without a new free trade agreement in place. The greatest risks identified would be a disruption to the supply of new vehicles and vehicle components imported into the UK from the EU, including additional import costs which may be imposed:

- Around 90% of vehicles purchased or leased by the Group from UK OEMs are imported from the EU. Assurances have been sought from these OEMs, who are confident that there will be no material long-term disruption. Any potential short-term supply disruption can also be mitigated by the Group itself, by slowing the rate of vehicle de-fleets in order to maintain vehicle availability for customers as has been seen in the response to COVID-19.
- Components for vehicles manufactured in the UK are also imported from the EU. However, normal OEM stock levels are considered to be sufficient to address any potential short-term supply issues and we are in active discussions with FMG RS suppliers to ensure continuing supply.
- The introduction of import costs could potentially create some margin pressure in the short-term. However, the Company believes that in the medium-term, it will be able to pass through to end-users any significant additional costs that might be imposed on imported vehicles.

A potential upside for Northgate in the event of supply disruptions or higher purchase costs, would be the likely increase in rental demand and stronger residual values that could result.

**Glossary of terms**

The following defined terms have been used throughout this document:

| Term | Definition |
|---|---|
| Disposal profit(s) | This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs) |
| EBIT | Earnings before interest and taxation |
| EBITDA | Earnings before interest, taxation, depreciation and amortisation |
| EPS | Basic earnings per share |
| Facility headroom | Calculated as facilities of £713m less net borrowings of £432m. Net borrowings represent net debt of £531m excluding lease liabilities of £104m and unamortised arrangement fees of £5m and are stated after the deduction of £28m of net cash and overdraft balances which are available to offset against borrowings |
| Free cash flow | Net cash generated after principal lease payments and before the payment of dividends |
| FY2020 | The year ended 30 April 2020 |
| FY2021 | The year ending 30 April 2021 |
| FY2022 | The year ending 30 April 2022 |
| GAAP | Generally Accepted Accounting Practice: meaning compliance with IFRS |
| Growth capex | Growth capex represents the cash consumed in order to grow the total rental fleet or the cash generated if the fleet size is reduced in periods of contraction and includes fixed assets acquired as part of the Nationwide acquisition |
| H1/H2 | Half year period: H1 being the first half and H2 being the second half of the financial year |
| HP (leases) | Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16 |
| IFRS | International Financial Reporting Standards |
| IFRS 16 (leases) | Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16 |
| LCV | Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes |
| Lease principal payments | Includes the total principal payment on leases including those recognised before and after adoption of IFRS 16 |
| Nationwide | Nationwide Accident Repair Services trade and assets acquired by the Group on 4 September 2020 |

| | |
|---|---|
| Net replacement capex | Net capital expenditure other than that defined as growth capex and lease principal payments. |
| Net tangible assets | Net assets less goodwill and other intangible assets |
| Northgate | The Company and its subsidiaries prior to the Merger or that part of the business following the Merger |
| Northgate Spain | The Northgate Spain operating segment representing the commercial vehicle hire part of the Group located in Spain |
| Northgate UK&I | The Northgate UK&I operating segment representing the commercial vehicle hire part of the Group located in the United Kingdom and the Republic of Ireland |
| OEM | Original Equipment Manufacturer: a reference to our vehicle suppliers |
| PBT | Profit before taxation |
| PPU | Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposal profit (as defined), divided by the number of vehicles sold |
| Redde | The Redde operating segment representing the insurance claims and services part of the group or the Redde plc company and its subsidiaries prior to the Merger |
| ROCE | Underlying return on capital employed: calculated as underlying EBIT (see non-GAAP reconciliation) divided by average capital employed excluding acquired goodwill and intangible assets |
| Steady state cash generation | Underlying EBITDA less net replacement capex and lease principal payments |
| 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 |

## Reconciliation of GAAP to non-GAAP measures

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

In particular we refer to disposals profit. This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs). A reconciliation of GAAP to non-GAAP underlying measures is as follows:

| | **Six months to 31.10.20 £000** | **Six months to 31.10.19 £000** |
|---|---|---|
| Operating profit | 31,310 | 32,890 |
| Income from associates | 2,400 | – |
| Gain on bargain purchase | 258 | – |
| **EBIT** | **33,968** | **32,890** |
| *Add back:* | | |
| Gain on bargain purchase | (258) | – |
| Restructuring costs | 5,364 | 2,221 |
| Amortisation on acquired intangible assets | 9,639 | 6 |
| **Underlying EBIT** | **48,713** | **35,117** |
| | | |
| Profit before tax | 25,853 | 24,785 |
| *Add back:* | | |
| Exceptional operating expenses | 5,364 | 2,221 |
| Amortisation on acquired intangible assets | 9,639 | 6 |
| Gain on bargain purchase | (258) | – |
| Exceptional finance costs | – | 565 |
| **Underlying profit before tax** | **40,598** | **27,577** |
| | | |
| Profit for the period | 21,121 | 21,490 |
| *Add back:* | | |
| Exceptional operating expenses | 5,364 | 2,221 |
| Amortisation on acquired intangible assets | 9,639 | 6 |
| Gain on bargain purchase | (258) | – |
| Exceptional finance costs | – | 565 |
| Tax on exceptional items, brand royalty charges and intangible amortisation | (2,883) | (772) |
| **Underlying profit for the year** | **32,983** | **23,510** |
| Weighted average number of Ordinary shares | 246,091,423 | 133,232,518 |
| **Underlying basic earnings per share** | **13.4p** | **17.6p** |

| | **Six months to 31.10.20 £000** | **Six months to 31.10.19 £000** |
|---|---|---|
| Underlying EBIT | 48,713 | 35,117 |
| *Add Back* | | |
| Depreciation: vehicles for hire and vehicles for credit hire | 86,378 | 96,773 |
| Other depreciation | 8,666 | 6,265 |
| (Gain) loss on disposal of assets | (112) | 97 |
| Intangible amortisation included in underlying operating profit | 349 | 413 |
| **Underlying EBITDA** | **143,994** | **138,665** |
| Net replacement capex | (46,651) | (76,552) |
| Lease principal payments | (16,936) | (2,876) |
| **Steady state cash generation** | **80,407** | **59,237** |

| | Northgate UK&I 6 months to 31.10.20 £000 | Northgate Spain 6 months to 31.10.20 £000 | Group Sub-total 6 months to 31.10.20 £000 |
|---|---|---|---|
| Underlying operating profit | 32,097 | 16,000 | 48,097 |
| *Exclude:* | | | |
| Adjustments to depreciation charge in relation to vehicles sold in the period | (16,978) | (1,301) | (18,279) |
| **Rental profit** | **15,119** | **14,699** | **29,818** |
| *Divided by:* Revenue: hire of vehicles | 146,545 | 102,426 | 248,971 |
| **Rental margin** | **10.3%** | **14.4%** | **12.0%** |

| | Northgate UK&I 6 months to 31.10.19 £000 | Northgate Spain 6 months to 31.10.19 £000 | Group Sub-total 6 months to 31.10.19 £000 |
|---|---|---|---|
| Underlying operating profit | 19,409 | 19,500 | 38,909 |
| *Exclude:* | | | |
| Adjustments to depreciation charge in relation to vehicles sold in the period | (3,765) | (1,381) | (5,146) |
| **Rental profit** | **15,644** | **18,119** | **33,763** |
| *Divided by:* Revenue: hire of vehicles | 158,870 | 107,006 | 265,876 |
| **Rental margin** | **9.8%** | **16.9%** | **12.7%** |

| | Six months to 31.10.20 (Unaudited) £'000 | Six months To 31.10.19 (Unaudited) £'000 |
|---|---|---|
| Net replacement capex | 46,651 | 76,552 |
| Lease principal payments | 16,936 | 2,876 |
| Growth capex | (14,791) | 47,543 |
| **Total net capex** | **48,796** | **126,971** |
| Purchase of vehicles | 137,859 | 185,539 |
| Proceeds from disposal of vehicles | (112,767) | (68,758) |
| Other property, plant and equipment expenditure net of disposal proceeds | 6,768 | 7,314 |
| Lease principal payments | 16,936 | 2,876 |
| **Total net capex** | **48,796** | **126,971** |

## Condensed consolidated income statement

**for the six months ended 31 October 2020**

| | Note | Six months to 31.10.20 (Unaudited) Underlying £000 | Six months to 31.10.20 (Unaudited) Statutory £000 | Six months to 31.10.19 (Unaudited) Underlying £000 | Six months to 31.10.19 (Unaudited) Statutory £000 | Year to 30.04.20 (Audited) Underlying £000 | Year to 30.04.20 (Audited) Statutory £000 |
|---|---|---|---|---|---|---|---|
| Revenue: hire of vehicles | 2 | 248,971 | 248,971 | 265,876 | 265,876 | 518,157 | 518,157 |
| Revenue: sale of vehicles | 2 | 127,054 | 127,054 | 91,910 | 91,910 | 193,795 | 193,795 |
| Revenue: claims and services | 2 | 179,983 | 179,983 | – | – | 67,397 | 67,397 |
| **Total revenue** | 2 | **556,008** | **556,008** | **357,786** | **357,786** | **779,349** | **779,349** |
| Cost of sales | | (446,424) | (446,424) | (280,082) | (280,082) | (621,446) | (621,446) |
| **Gross profit** | | **109,584** | **109,584** | **77,704** | **77,704** | **157,903** | **157,903** |
| Administrative expenses (excluding exceptional items and amortisation on acquired intangible assets) | | (63,271) | (63,271) | (42,587) | (42,587) | (84,034) | (84,034) |
| Exceptional administrative expenses | 13 | – | (5,364) | – | (2,221) | – | (41,775) |
| Amortisation on acquired intangible assets | | – | (9,639) | – | (6) | – | (3,178) |
| Total administrative expenses | | (63,271) | (78,274) | (42,587) | (44,814) | (84,034) | (128,987) |
| **Operating profit** | 2 | **46,313** | **31,310** | **35,117** | **32,890** | **73,869** | **28,916** |
| Income from associates | 8 | 2,400 | 2,400 | – | – | 952 | 952 |
| Gain on bargain purchase | 14 | – | 258 | – | – | – | – |
| **EBIT** | | **48,713** | **33,968** | **35,117** | **32,890** | **74,821** | **29,868** |
| Interest income | | 15 | 15 | 42 | 42 | 122 | 122 |
| Finance costs (excluding exceptional items) | | (8,130) | (8,130) | (7,582) | (7,582) | (15,945) | (15,945) |
| Exceptional finance costs | 13 | – | – | – | (565) | – | (566) |
| **Profit before taxation** | | **40,598** | **25,853** | **27,577** | **24,785** | **58,998** | **13,479** |
| Taxation | 3 | (7,615) | (4,732) | (4,067) | (3,295) | (11,479) | (5,803) |
| **Profit for the period** | | **32,983** | **21,121** | **23,510** | **21,490** | **47,519** | **7,676** |

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

Underlying profit excludes exceptional items as set out in Note 13 as well as brand royalty charges, amortisation on acquired intangible assets and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

| **Earnings per share** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Basic | 4 | 13.4p | 8.6p | 17.6p | 16.1p | 30.8p | 5.0p |
| Diluted | 4 | 13.2p | 8.4p | 17.2p | 15.7p | 30.5p | 4.9p |

## Condensed consolidated statement of comprehensive income

**for the six months ended 31 October 2020**

| | Six months to 31.10.20 (Unaudited) £000 | Six months to 31.10.19 (Unaudited) £000 | Year to 30.04.20 (Audited) £000 |
|---|---|---|---|
| **Amounts attributable to owners of the Company** | | | |
| Profit attributable to owners | 21,121 | 21,490 | 7,676 |
| | | | |
| **Other comprehensive income (expense)** | | | |
| Foreign exchange differences on retranslation of net assets of subsidiary undertakings | 18,634 | (1,222) | 3,998 |
| Net foreign exchange differences on long term borrowings held as hedges | (13,432) | 2,278 | (1,682) |
| Foreign exchange difference on revaluation reserve | 44 | (1) | 9 |
| Net fair value gains on cash flow hedges | 184 | 335 | 807 |
| Deferred tax charge recognised directly in equity relating to cash flow hedges | (35) | (64) | (153) |
| **Total other comprehensive income for the period** | **5,395** | **1,326** | **2,979** |
| **Total comprehensive income for the period** | **26,516** | **22,816** | **10,655** |

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

## Condensed consolidated balance sheet

**31 October 2020**

| | Note | 31.10.20 (Unaudited) £000 | 31.10.19 (Unaudited) £000 | 30.04.20 (Audited) £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 6 | 116,105 | 3,589 | 116,105 |
| Other intangible assets | 6 | 180,068 | 16,661 | 185,710 |
| Property, plant and equipment: vehicles for hire | 7 | 908,507 | 939,671 | 884,711 |
| Property, plant and equipment: vehicles for credit hire | 7 | 42,179 | – | 51,040 |
| Other property, plant and equipment | 7 | 135,682 | 112,376 | 126,009 |
| Total property, plant and equipment | 7 | 1,086,368 | 1,052,047 | 1,061,760 |
| Deferred tax assets | | 10,350 | 5,589 | 10,133 |
| Interest in associates | 8 | 5,834 | – | 6,008 |
| **Total non-current assets** | | **1,398,725** | **1,077,886** | **1,379,716** |
| **Current assets** | | | | |
| Inventories | | 16,397 | 33,820 | 48,762 |
| Receivables and contract assets | | 328,903 | 75,833 | 295,765 |
| Cash and bank balances | 9 | 62,592 | 46,632 | 67,843 |
| **Total current assets** | | **407,892** | **156,285** | **412,370** |
| **Total assets** | | **1,806,617** | **1,234,171** | **1,792,086** |
| **Current liabilities** | | | | |
| Trade and other payables | | 281,415 | 94,361 | 222,342 |
| Provisions | 10 | 49 | – | 3,369 |
| Derivative financial instrument liabilities | 11 | – | 656 | 184 |
| Current tax liabilities | | 12,442 | 10,884 | 12,393 |
| Lease liabilities | | 41,925 | 6,333 | 33,691 |
| Short-term borrowings | | 41,537 | 44,424 | 54,684 |
| **Total current liabilities** | | **377,368** | **156,658** | **326,663** |
| **Net current assets (liabilities)** | | **30,524** | **(373)** | **85,707** |
| **Non-current liabilities** | | | | |
| Provisions | 10 | 296 | – | 1,208 |
| Lease liabilities | | 62,292 | 38,969 | 70,261 |
| Long term borrowings | | 447,777 | 461,509 | 485,073 |
| Deferred tax liabilities | | 36,814 | 5,306 | 37,314 |
| **Total non-current liabilities** | | **547,179** | **505,784** | **593,856** |
| **Total liabilities** | | **924,547** | **662,442** | **920,519** |
| **NET ASSETS** | | **882,070** | **571,729** | **871,567** |
| **Equity** | | | | |
| Share capital | | 123,046 | 66,616 | 123,046 |
| Share premium account | | 113,510 | 113,508 | 113,510 |
| Own shares reserve | | (2,519) | (2,273) | (3,090) |
| Hedging reserve | | – | (532) | (149) |
| Translation reserve | | 2,693 | (3,769) | (2,509) |
| Other reserves | | 330,521 | 68,636 | 330,477 |
| Retained earnings | | 314,819 | 329,543 | 310,282 |
| **TOTAL EQUITY** | | **882,070** | **571,729** | **871,567** |

Total equity is wholly attributable to owners of the Company.

## Condensed consolidated cash flow statement

**for the six months ended 31 October 2020**

| | Note | **Six months to 31.10.20 (Unaudited) £000** | **Six months to 31.10.19 (Unaudited) £000** | **Year to 30.04.20 (Audited) £000** |
|---|---|---|---|---|
| **Net cash generated from operations** | 12 | **79,718** | **1,827** | **33,699** |
| **Investing activities** | | | | |
| Interest received | | 15 | 42 | 122 |
| Distributions from associates | 8 | 2,574 | – | 590 |
| Cash acquired on acquisition | | – | – | 8,036 |
| Proceeds from disposal of vehicles for credit hire and other property, plant and equipment | | 7,954 | 772 | 3,823 |
| Purchases of other property, plant and equipment | | (10,408) | (2,496) | (5,250) |
| Purchases of intangible assets | | (4,314) | (5,590) | (6,509) |
| **Net cash (used in) generated from investing activities** | | **(4,179)** | **(7,272)** | **812** |
| **Financing activities** | | | | |
| Issue of shares | | – | – | 2 |
| Dividends paid | | – | (15,997) | (24,333) |
| Receipt of bank loans and other borrowings | | 27,195 | 150,246 | 137,257 |
| Repayments of bank loans and other borrowings | | (74,371) | (110,289) | (114,289) |
| Debt issue costs | | (34) | (4,509) | (4,878) |
| Principal element of lease payments under IFRS 16 | | (7,147) | (2,876) | (8,034) |
| Principal element of HP payments | | (9,789) | – | (3,490) |
| Net payments to acquire own shares for share schemes | | – | 4 | – |
| **Net cash (used in) generated from financing activities** | | **(64,146)** | **16,579** | **(17,765)** |
| **Net increase in cash and cash equivalents** | | **11,393** | **11,134** | **16,746** |
| Cash and cash equivalents at beginning of the period | | 16,780 | 805 | 805 |
| Effect of foreign exchange movements | | 157 | (281) | (771) |
| **Cash and cash equivalents at the end of the period** | | **28,330** | **11,658** | **16,780** |

Cash and cash equivalents consist of:

| | | | | |
|---|---|---|---|---|
| Cash and bank balances | 9 | 62,592 | 46,632 | 67,843 |
| Bank overdrafts | 9 | (34,262) | (34,974) | (51,063) |
| | | **28,330** | **11,658** | **16,780** |

## Condensed consolidated statement of changes in equity

**for the six months ended 31 October 2020**

| | Share capital and share premium £000 | Own shares £000 | Hedging reserve £000 | Translation reserve £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Total equity at 1 May 2019** | **180,124** | **(3,359)** | **(803)** | **(4,825)** | **68,637** | **323,842** | **563,616** |
| Share options fair value charge | – | – | – | – | – | 1,290 | **1,290** |
| Share options exercised | – | – | – | – | – | (1,082) | **(1,082)** |
| Profit attributable to owners of the Company | – | – | – | – | – | 21,490 | **21,490** |
| Dividends paid | – | – | – | – | – | (15,997) | **(15,997)** |
| Net purchase of own shares | – | 4 | – | – | – | – | **4** |
| Transfer of shares on vesting of share options | – | 1,082 | – | – | – | – | **1,082** |
| Other comprehensive income (expense) | – | – | 271 | 1,056 | (1) | – | **1,326** |
| **Total equity at 1 November 2019** | **180,124** | **(2,273)** | **(532)** | **(3,769)** | **68,636** | **329,543** | **571,729** |
| Share options fair value charge | – | – | – | – | – | 2,913 | **2,913** |
| Share options exercised | – | – | – | – | – | 1,101 | **1,101** |
| Loss attributable to owners of the Company | – | – | – | – | – | (13,814) | **(13,814)** |
| Dividends paid | – | – | – | – | – | (8,336) | **(8,336)** |
| Issue of share capital | 56,432 | – | – | – | 261,831 | – | **318,263** |
| Transfer of shares on vesting of share options | – | (817) | – | – | – | – | **(817)** |
| Deferred tax on share based payments recognised in equity | – | – | – | – | – | (1,125) | **(1,125)** |
| Other comprehensive income | – | – | 383 | 1,260 | 10 | – | **1,653** |
| **Total equity at 1 May 2020** | **236,556** | **(3,090)** | **(149)** | **(2,509)** | **330,477** | **310,282** | **871,567** |
| Share options fair value charge | – | – | – | – | – | 689 | **689** |
| Share options exercised | – | – | – | – | – | (571) | **(571)** |
| Profit attributable to owners of the Company | – | – | – | – | – | 21,121 | **21,121** |
| Dividends payable | – | – | – | – | – | (16,702) | **(16,702)** |
| Transfer of shares on vesting of share options | – | 571 | – | – | – | – | **571** |
| Other comprehensive income | – | – | 149 | 5,202 | 44 | – | **5,395** |
| **Total equity at 31 October 2020** | **236,556** | **(2,519)** | – | **2,693** | **330,521** | **314,819** | **882,070** |

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

# Unaudited notes

**1. Basis of preparation and accounting policies**

Redde Northgate plc is a Company incorporated in England and Wales under the Companies Act 2006.

The condensed consolidated interim financial report for the half-year reporting period ended 31 October 2020 has been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting'. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 April 2020 and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 3).

The condensed financial statements are unaudited and were approved by the Board of Directors on 8 December 2020. The condensed financial statements have been reviewed by the auditors and the independent review report is set out in this document.

The interim financial information for the six months ended 31 October 2020, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts. There are no new accounting standards have been adopted in the period.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 30 April 2020.

In particular, the expected adjustment for settlement of claims due from insurance companies and self-insuring organisations remains a critical area of accounting judgement and estimation uncertainty. The approach taken in the period remains consistent with that outlined in the accounting policies for the year ended 30 April 2020. The carrying value of contract assets for claims from insurance companies at 31 October 2020 was £157,137,000 (30 April 2020 £162,271,000). A 3% difference between the carrying amount of claims in the balance sheet and the amounts finally settled would lead to a £4.7m charge or credit to the income statement in subsequent periods.

**Significant changes in the current reporting period**

The financial position and performance of the group was particularly affected by the following events and transactions during the six months to 31 October 2020:

- On 4 September 2020 the Group acquired certain businesses and assets of Nationwide Accident Repair Services ("Nationwide") by way of a purchase from administrators. Further details are included in Note 14.
- Exceptional operating costs of £5,364,000 were incurred in the period as explained in Note 13.

**Going concern assumption**

The Directors have taken into account the following matters in concluding whether or not it is appropriate to prepare the interim financial statements on a going concern basis:

*Assessment of prospects*

The Merger has allowed the Group to further increase the service offering and widen our customer base. The Northgate business continues to maintain its position as a market leader in its core market of flexible commercial vehicle hire and has distinct competitive advantages in the minimum term rental and used vehicle sales markets. The Redde business is a leading provider of incident and accident management, legal and other mobility-related services. The integration of both businesses will deliver cost synergies and provide a platform for new revenue opportunities as the commercial proposition matures. The Combined Group is well established within the markets it operates and has demonstrated resilience through previous economic cycles.

*Impact of the UK leaving the European Union without a new free trade agreement*

The Group has planned for the potential impact on its business of the UK leaving the European Union without a new free trade agreement in place. The greatest risks identified would be a disruption to the supply of new vehicles and vehicle components imported into the UK from the EU, including additional import costs which may be imposed:

- Around 90% of vehicles purchased or leased by the Group from UK OEMs are imported from the EU. Assurances have been sought from these OEMs, who are confident that there will be no material long-term disruption. Any potential short-term supply disruption can also be mitigated by the Group itself, by slowing the rate of vehicle de-fleets in order to maintain vehicle availability for customers as has been seen in the response to COVID-19.

- Components for vehicles manufactured in the UK are also imported from the EU. However, normal OEM stock levels are considered to be sufficient to address any potential short-term supply issues and we are in active discussions with FMG RS suppliers to ensure continuing supply.
- The introduction of import costs could potentially create some margin pressure in the short-term. However, the Company believes that in the medium-term, it will be able to pass through to end-users any significant additional costs that might be imposed on imported vehicles.

A potential upside for Northgate in the event of supply disruptions or higher purchase costs, would be the likely increase in rental demand and stronger residual values that could result.

Given that the short term impact of the UK leaving the EU can be reasonably mitigated through management actions, no matters have been identified which would lead the Directors to conclude that the Group would not continue to be a going concern for at least 12 months from the date of this report in relation to this situation.

*Impact of COVID-19*

The COVID-19 pandemic and ensuing government counter measures have significantly reduced business activity across all areas of the Group, impacting trading in the period. A decrease in revenue has resulted from a reduction in vehicles on hire, temporary closure of vehicle sales operations within the rental business of the Group and a lower volume of accidents and incidents handled through the insurance claims and services business of the Group. Since the first lockdown in March-April 2020, most of the key operational performance indicators have recovered or substantially improved, including removal of customer support packages, increases in vehicles on hire, the re-opening of vehicle sales operations and an increase in volumes of accidents and incidents managed through the Redde business.

Significant actions were also taken by management in order to conserve cash and manage the liquidity of the Group throughout the COVID-19 period. Overall, this resulted in an increase of headroom against committed facilities of £81m from £200m at 29 February 2020 to £281m at 31 October 2020. Headroom against related debt covenants also remained adequate as outlined in the Financial Review which included £39m EBIT headroom against the interest cover covenant. This demonstrates the resilience of the Group's balance sheet and business model, and its ability to preserve liquidity throughout periods of uncertainty.

*Assessment of going concern*

The strategy and associated principal risks underpin the Group's three year strategic planning process (the Plan), which is updated annually. This process considers the current and prospective macro-economic conditions in the countries in which we operate and the competitive tension that exists within the markets that we trade in. The Plan was risk adjusted for the expected impact of COVID-19.

The Plan also encompasses the projected cash flows, dividend cover assuming operation of stated policy at the time of the Merger and headroom against borrowing facilities and financial covenants under the Group's existing facilities and the reasonable expectation of similar facilities being replaced if required throughout the planned period. The Plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required. Headroom against the Group's existing facilities at 31 October 2020 was £281m as detailed in the Financial Review. This compares to headroom of £234m at 30 April 2020. All of the Group's principal borrowing facilities have maturity dates outside of the period under review, therefore the Group's facilities provide sufficient headroom to fund the capital expenditure and working capital requirements for at least 12 months following the date of this report.

The Plan has been subsequently adjusted to include the impact of the acquisition of the trade and assets of Nationwide Repair Services and has been stress tested based on the trading performance in the current period, and by factoring in a severe but plausible downside scenario which assumes that government restrictions relating to COVID-19 will be more prolonged than envisaged in the Plan or that macro-economic conditions will be adversely affected following the end of restrictions.

The downside scenario includes the revenue impact of a reduction in vehicles on hire, closure of vehicle sales operations, and a prolonged reduction in insurance related accident and repair claims handled. Costs were assumed to be mitigated to the extent that they are directly related to revenue, with an assumption being made that there would be no further reduction in the indirect cost base of the Group and no further government support schemes would be available to access. Capital expenditure was only deferred to the extent of the reduction in demand and a working capital impact of reduced insurance claims collections was also included.

The downside scenario 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 improve cash generation and reduce debt.

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

**Information extracted from 2020 annual report**

The financial figures for the year ended 30 April 2020, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 30 April 2020 were prepared under IFRS and were delivered to the Registrar of Companies on 5 November 2020. The audit report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

**2. Segmental analysis**

Management has determined the operating segments based upon the information provided to the Board of Directors, which is considered to be the chief operating decision maker. The Group is managed, and reports internally, on a basis consistent with its three main operating divisions, Northgate UK&I, Northgate Spain and Redde. The principal activities of these divisions are set out in the Chief Executive review.

| | **Northgate UK&I Six months to 31.10.20 (Unaudited) £000** | **Northgate Spain Six months to 31.10.20 (Unaudited) £000** | **Redde Six months to 31.10.20 (Unaudited) £000** | **Corporate Six months to 31.10.20 (Unaudited) £000** | **Group eliminations Six months to 31.10.20 (Unaudited) £000** | **Group Total Six months to 31.10.20 (Unaudited) £000** |
|---|---|---|---|---|---|---|
| Revenue: hire of vehicles | 146,545 | 102,426 | – | – | – | 248,971 |
| Revenue: sale of vehicles | 94,134 | 32,920 | – | – | – | 127,054 |
| Revenue: claims and services | – | – | 179,983 | – | – | 179,983 |
| **External revenue** | **240,679** | **135,346** | **179,983** | – | – | **556,008** |
| Intersegment revenue | 432 | – | 1,297 | – | (1,729) | – |
| **Total revenue** | **241,111** | **135,346** | **181,280** | – | **(1,729)** | **556,008** |
| | | | | | | |
| Timing of revenue recognition: | | | | | | |
| At a point in time | 94,134 | 32,920 | 49,997 | – | – | 177,051 |
| Over time | 146,977 | 102,426 | 131,283 | – | (1,729) | 378,957 |
| | **241,111** | **135,346** | **181,280** | – | **(1,729)** | **556,008** |
| **Underlying operating profit (loss)** | **32,097** | **16,000** | **1,719** | **(3,503)** | – | **46,313** |
| Income from associates | – | – | 2,400 | – | – | **2,400** |
| **Underlying EBIT*** | **32,097** | **16,000** | **4,119** | **(3,503)** | – | **48,713** |
| Exceptional items (Note 13) | | | | | | (5,364) |
| Amortisation on acquired intangible assets | | | | | | (9,639) |
| Gain on bargain purchase (Note 14) | | | | | | 258 |
| **EBIT** | | | | | | **33,968** |
| Interest income | | | | | | 15 |
| Finance costs | | | | | | (8,130) |
| **Profit before taxation** | | | | | | **25,853** |

* 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.

| | Northgate UK&I Six months to 31.10.19 (Unaudited) £000 | Northgate Spain Six months to 31.10.19 (Unaudited) £000 | Corporate Six months to 31.10.19 (Unaudited) £000 | Group Total Six months to 31.10.19 (Unaudited) £000 |
|---|---|---|---|---|
| Revenue: hire of vehicles | 158,870 | 107,006 | – | 265,876 |
| Revenue: sale of vehicles | 68,864 | 23,046 | – | 91,910 |
| **Total revenue** | **227,734** | **130,052** | – | **357,786** |
| Timing of revenue recognition: | | | | |
| At a point in time | 68,864 | 23,046 | – | 91,910 |
| Over time | 158,870 | 107,006 | – | 265,876 |
| | **227,734** | **130,052** | – | **357,786** |
| **Underlying operating profit (loss)/EBIT *** | **19,409** | **19,500** | **(3,792)** | **35,117** |
| Exceptional costs (Note 13) | | | | (2,221) |
| Amortisation on acquired intangible assets | | | | (6) |
| **EBIT** | | | | **32,890** |
| Interest income | | | | 42 |
| Finance costs (excluding exceptional items) | | | | (7,582) |
| Exceptional finance costs (Note 13) | | | | (565) |
| **Profit before taxation** | | | | **24,785** |

| | Northgate UK&I Year to 30.04.20 (Audited) £000 | Northgate Spain Year to 30.04.20 (Audited) £000 | Redde Year to 30.04.20 (Audited) £000 | Corporate Year to 30.04.20 (Audited) £000 | Total Year to 30.04.20 (Audited) £000 |
|---|---|---|---|---|---|
| Revenue: hire of vehicles | 313,922 | 204,235 | – | – | 518,157 |
| Revenue: sale of vehicles | 137,124 | 56,671 | – | – | 193,795 |
| Revenue: claims and services | – | – | 67,397 | – | 67,397 |
| **Total revenue** | **451,046** | **260,906** | **67,397** | **–** | **779,349** |
| Timing of revenue recognition: | | | | | |
| At a point in time | 137,124 | 56,671 | 14,379 | – | 208,174 |
| Over time | 313,922 | 204,235 | 53,018 | – | 571,175 |
| | **451,046** | **260,906** | **67,397** | – | **779,349** |
| **Underlying operating profit (loss)** | **37,899** | **39,731** | **2,352** | **(6,113)** | **73,869** |
| Income from associates | – | – | 952 | – | 952 |
| **Underlying EBIT*** | **37,899** | **39,731** | **3,304** | **(6,113)** | **74,821** |
| Exceptional items (Note 13) | | | | | (41,775) |
| Amortisation on acquired intangible assets | | | | | (3,178) |
| **EBIT** | | | | | **29,868** |
| Interest income | | | | | 122 |
| Finance costs (excluding exceptional items) | | | | | (15,945) |
| Exceptional finance costs (Note 13) | | | | | (566) |
| **Profit before taxation** | | | | | **13,479** |

**3. Taxation**

The charge for taxation for the six months to 31 October 2020 is based on the estimated effective rate for the year ending 30 April 2021 of 18.3% (October 2019 – 13.1% and April 2020 – 43.1%). The April 2020 full year tax rate was impacted by one off non-deductible expenses relating to the Merger.

**4. Earnings per share**

| Basic and diluted earnings per share | Six months to 31.10.20 (Unaudited) Underlying £000 | Six months to 31.10.20 (Unaudited) Statutory £000 | Six months to 31.10.19 (Unaudited) Underlying £000 | Six months to 31.10.19 (Unaudited) Statutory £000 | Year to 30.04.20 (Audited) Underlying £000 | Year to 30.04.20 (Audited) Statutory £000 |
|---|---|---|---|---|---|---|
| The calculation of basic and diluted earnings per share is based on the following data: | | | | | | |
| **Earnings** | | | | | | |
| Earnings for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Company | 32,983 | 21,121 | 23,510 | 21,490 | 47,519 | 7,676 |
| **Number of shares** | | | | | | |
| Weighted average number of Ordinary shares for the purpose of basic earnings per share | 246,091,423 | 246,091,423 | 133,232,518 | 133,232,518 | 154,509,197 | 154,509,197 |
| Effect of dilutive potential Ordinary shares - share options | 3,998,211 | 3,998,211 | 3,733,760 | 3,733,760 | 1,048,391 | 1,048,391 |
| Weighted average number of Ordinary shares for the purpose of diluted earnings per share | 250,089,634 | 250,089,634 | 136,966,278 | 136,966,278 | 155,557,588 | 155,557,588 |
| Basic earnings per share | **13.4p** | **8.6p** | **17.6p** | **16.1p** | **30.8p** | **5.0p** |
| Diluted earnings per share | **13.2p** | **8.4p** | **17.2p** | **15.7p** | **30.5p** | **4.9p** |

**5. Dividends**

In the six months to 31 October 2020, a dividend of £nil was paid (2019 – £15,997,000). The Directors have declared a dividend of 3.4p per share for the six months ended 31 October 2020 (2019 – 6.3p).

Trade and other payables at 31 October 2020 include £16,702,000 (2019 – £nil) in relation to the final dividend of 6.8p for the year ended 30 April 2020 that was approved in October 2020. The dividend was paid in November 2020.

**6. Intangible assets**

| Net book value | Goodwill | Customer relationships | Brand names | Other software | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **At 1 May 2019** | **3,589** | **6** | **–** | **11,489** | **15,084** |
| Additions | – | – | – | 5,590 | 5,590 |
| Disposals | – | – | – | – | – |
| Amortisation | – | – | – | (419) | (419) |
| Exchange differences | – | – | – | (5) | (5) |
| **At 1 November 2019** | **3,589** | **6** | **–** | **16,655** | **20,250** |
| Acquisition | 112,516 | 169,600 | 12,800 | 4,200 | 299,116 |
| Additions | – | – | – | 919 | 919 |
| Disposals | – | (6) | – | (3) | (9) |
| Amortisation | – | (2,884) | (154) | (530) | (3,568) |
| Impairment | – | – | – | (14,910) | (14,910) |
| Exchange differences | – | – | – | 17 | 17 |
| **At 1 May 2020** | **116,105** | **166,716** | **12,646** | **6,348** | **301,815** |
| Asset acquisition (Note 14) | – | 1,000 | 450 | 2,100 | 3,550 |
| Additions | – | – | – | 764 | 764 |
| Disposals | – | – | – | (31) | (31) |
| Transfers | – | – | – | – | – |
| Amortisation | – | (8,662) | (445) | (881) | (9,988) |
| Exchange differences | – | – | – | 63 | 63 |
| **At 31 October 2020** | **116,105** | **159,054** | **12,651** | **8,363** | **296,173** |

| | | | | | |
|---|---|---|---|---|---|
| **At 31 October 2020** | | | | | |
| Cost or fair value | 116,105 | 170,600 | 13,250 | 38,682 | 338,637 |
| Accumulated amortisation and impairment | – | (11,546) | (599) | (30,319) | (42,464) |
| **Net book value** | **116,105** | **159,054** | **12,651** | **8,363** | **296,173** |

Amortisation was included within the income statement as follows:

| | 31.10.20 (Unaudited) | 31.10.19 (Unaudited) | 30.04.20 (Audited) |
|---|---|---|---|
| | £000 | £000 | £000 |
| Included within underlying operating profit as administrative expenses | 349 | 6 | 809 |
| Excluded from underlying operating profit* | 9,639 | 413 | 3,178 |
| | **9,988** | **419** | **3,987** |

* Amortisation excluded from underlying operating profit relates to intangible assets acquired on acquisitions.

**7. Property, plant and equipment**

| Net book value | Vehicles for hire | Vehicles for credit hire | Other property, plant & equipment | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **At 1 May 2019** | **900,335** | **–** | **68,843** | **969,178** |
| Recognised on transition to IFRS 16 | – | – | 47,845 | 47,845 |
| Additions | 208,338 | – | 2,969 | 211,307 |
| Disposals | (70,896) | – | (869) | (71,765) |
| Transfers | (47) | – | 47 | – |
| Depreciation | (96,773) | – | (6,265) | (103,038) |
| Exchange differences | (1,286) | – | (194) | (1,480) |
| **At 1 November 2019** | **939,671** | **–** | **112,376** | **1,052,047** |
| Acquisition | – | 52,475 | 17,515 | 69,990 |
| Additions | 137,608 | 3,718 | 4,844 | 146,170 |
| Disposals | (101,456) | (2,758) | (1,241) | (105,455) |
| Transfers | (80) | – | 80 | – |
| Depreciation | (95,688) | (2,395) | (6,954) | (105,037) |
| Impairment | – | – | (1,304) | (1,304) |
| Exchange differences | 4,656 | – | 693 | 5,349 |
| **At 1 May 2020** | **884,711** | **51,040** | **126,009** | **1,061,760** |
| Asset acquisition (Note 14) | – | – | 8,618 | 8,618 |
| Additions | 167,895 | 4,006 | 13,106 | 185,007 |
| Disposals | (79,627) | (7,419) | (1,232) | (88,278) |
| Transfers | 152 | – | (152) | – |
| Depreciation | (80,930) | (5,448) | (8,666) | (95,044) |
| Impairment (Note 13) | – | – | (4,341) | (4,341) |
| Exchange differences | 16,306 | – | 2,340 | 18,646 |
| **At 31 October 2020** | **908,507** | **42,179** | **135,682** | **1,086,368** |

| | | | | |
|---|---|---|---|---|
| **At 31 October 2020** | | | | |
| Cost or fair value | 1,323,287 | 45,671 | 213,745 | 1,582,703 |
| Accumulated depreciation | (414,780) | (3,492) | (78,063) | (496,335) |
| **Net book value** | **908,507** | **42,179** | **135,682** | **1,086,368** |

Included within property, plant and equipment above, are right of use assets under HP and IFRS16 with net book value of £101,008,000 (30 April 20: £105,298,000).

**8. Interest in associates**

| | £000 |
|---|---|
| **At 31 October 2019** | – |
| Acquisition | 5,646 |
| Group's share of: | |
| Profit from continuing operations | 952 |
| Distributions from associates | (590) |
| **At 30 April 2020** | **6,008** |
| Group's share of: | |
| Profit from continuing operations | 2,400 |
| Distributions from associates | (2,574) |
| **At 31 October 2020** | **5,834** |

**9. Analysis of consolidated net debt**

| | (Unaudited) to 31.10.20 £000 | (Unaudited) to 31.10.19 £000 | (Audited) to 30.04.20 £000 |
|---|---|---|---|
| Cash and bank balances | (62,592) | (46,632) | (67,843) |
| Bank overdrafts | 34,262 | 34,974 | 51,063 |
| Bank loans | 364,173 | 384,242 | 400,847 |
| Loan notes | 90,143 | 86,088 | 86,868 |
| Leases arising following adoption of IFRS 16 | 69,927 | 45,302 | 62,999 |
| Leases arising under HP obligations | 34,290 | – | 40,953 |
| Cumulative preference shares | 500 | 500 | 500 |
| Confirming facilities | 236 | 129 | 479 |
| **Consolidated net debt** | **530,939** | **504,603** | **575,866** |

**10. Provisions**

| | Onerous contracts £000 |
|---|---|
| **At 31 October 2019** | – |
| Acquisition | 4,616 |
| Provisions made | 369 |
| Provisions utilised | (408) |
| **At 30 April 2020** | **4,577** |
| Provisions made | – |
| Provisions utilised (Note 13) | (4,232) |
| **At 31 October 2020** | **345** |

**11. Derivative financial instruments**

At the balance sheet date, the Group held the following financial instruments at fair value:

| | 31.10.20 (Unaudited) £000 | 31.10.19 (Unaudited) £000 | 30.04.20 (Audited) £000 |
|---|---|---|---|
| Interest rate derivatives | – | (656) | (184) |
| | **–** | **(656)** | **(184)** |

The derivative financial instruments above all have fair values which are calculated by reference to observable inputs (i.e. classified as level 2 in the fair value hierarchy). They are valued using the discounted cash flow technique with an appropriate adjustment for counterparty credit risk. The valuations incorporate the following inputs:

- interest rates and yield curves observable at commonly quoted intervals;
- commonly quoted spot and forward foreign exchange rates; and
- observable credit spreads.

The carrying value of financial assets and liabilities recorded at amortised cost in the financial statements are approximately equal to their fair value.

**12. Notes to the cash flow statement**

| **Net cash generated from operations** | Six months to 31.10.20 (Unaudited) £000 | Six months to 31.10.19 (Unaudited) £000 | Year to 30.04.20 (Audited) £000 |
|---|---|---|---|
| Operating profit | **31,310** | **32,890** | **28,916** |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 95,044 | 103,038 | 208,075 |
| Impairment of property, plant and equipment | 4,341 | – | 1,304 |
| Amortisation of intangible assets | 9,988 | 419 | 3,987 |
| Impairment of intangible assets | – | – | 14,910 |
| (Gain) loss on disposal of property, plant and equipment | (143) | 97 | 135 |
| Loss on disposal of intangible assets | 31 | – | 9 |
| Share options fair value charge | 689 | 1,290 | 4,203 |
| **Operating cash flows before movements in working capital** | **141,260** | **137,734** | **261,539** |
| Decrease (increase) in non-vehicle inventories | 157 | 50 | (36) |
| (Increase) decrease in receivables | (28,739) | (6,428) | 4,250 |
| Increase (decrease) in payables | 9,491 | (960) | (1,355) |
| Decrease in provisions | (4,233) | – | (39) |
| **Cash generated from operations** | **117,936** | **130,396** | **264,359** |
| Income taxes paid, net | (5,606) | (4,718) | (10,165) |
| Interest paid | (7,520) | (7,070) | (14,774) |
| **Net cash generated from operations before net capex** | **104,810** | **118,608** | **239,420** |
| Purchases of vehicles for hire | (137,859) | (185,539) | (362,011) |
| Proceeds from disposal of vehicles for hire | 112,767 | 68,758 | 156,290 |
| **Net cash generated from operations** | **79,718** | **1,827** | **33,699** |

**13. Exceptional items**

During the period the Group recognised exceptional items in the income statement as follows:

| | Six months to 31.10.20 (Unaudited) £000 | Six months to 31.10.19 (Unaudited) £000 | Year to 30.04.20 (Audited) £000 |
|---|---|---|---|
| Restructuring costs | 2,645 | 2,221 | 8,609 |
| Acquisition expenses | 710 | – | 18,256 |
| FMG RS set up and integration costs | 1,900 | – | – |
| Property – provisions utilised | (4,232) | – | – |
| Property – impairment | 4,341 | – | – |
| Intangible impairment | – | – | 14,910 |
| **Exceptional administrative expenses** | **5,364** | **2,221** | **41,775** |
| Finance costs | – | 565 | 566 |
| **Exceptional finance costs** | **–** | **565** | **566** |
| **Total pre-tax exceptional items** | **5,364** | **2,786** | **42,341** |
| **Tax charge on exceptional items** | **(1,179)** | **(769)** | **(4,661)** |

**Restructuring costs**

The Group incurred total exceptional restructuring costs of £2,645,000 of which £1,057,000 arose in Redde, £1,261,000 arose in Northgate UK&I, £304,000 in Northgate Spain and £23,000 Corporate. These costs were incurred in relation to restructuring activities that were undertaken during the period as part of the integration and reorganisation of the Combined Group. These costs primarily related to expenses associated with reduction in headcount totalling £1,338,000 and costs incurred in relation to the closure and reorganisation of sites of £1,284,000.

**Acquisition expenses**

The Group incurred acquisition expenses of £710,000. These related to professional services expenses directly attributable to the acquisition of the trade and assets of Nationwide.

**FMG RS set up and integration costs**

The Group incurred costs of £1,900,000 in relation to the set up of FMG RS and integration of the business.

**Property**

Following the acquisition of Redde the Group acquired onerous contracts in relation to properties no longer occupied. During the period £4,232,000 relating to these provisions has been utilised and at the same time a property impairment of £3,260,000 has been recognised in relation to the same assets to which they relate. A further impairment of £1,081,000 has been recognised during the period for certain IFRS 16 land and building assets in relation to the closure and reorganisation of sites following the Merger.

**14. Business combinations**

*14(a) Current period*

On 4 September 2020 the Group acquired certain businesses and assets of Nationwide Accident Repair Services ("Nationwide") by way of a purchase from administrators. The acquisition is in line with Group strategy and vision to become the leading integrated mobility solutions provider. The acquisition has been included within the Redde segment. A provisional purchase price allocation exercise has been undertaken in accordance with IFRS 3 'Business Combinations'.

Details of this provisional purchase consideration, the net assets acquired and goodwill are as follows:

| **Purchase consideration** | **£000** |
|---|---|
| Cash payable | 10,600 |
| Contingent consideration | 290 |
| **Total purchase consideration** | **10,890** |

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

| | **£000** |
|---|---|
| Customer relationships (Note 6) | 1,000 |
| Brand (Note 6) | 450 |
| Other software (Note 6) | 2,100 |
| Property, plant and equipment (Note 7) | 8,618 |
| Stock and work in progress | 4,163 |
| Other payables | (4,993) |
| Deferred tax | (190) |
| **Net identified assets acquired** | **11,148** |

| | |
|---|---|
| **Gain on bargain purchase recognised in the income statement** | **258** |

*Acquisition costs*

Acquisition related costs in relation to Nationwide of £710,000 have been charged to the income statement as exceptional administrative expenses (Note 13).

*Contingent consideration*

The contingent consideration arrangement requires the Group to pay the former owners of Nationwide either £nil, £2.5m or £5m dependant on volumes of repair cases with a former customer of Nationwide, in the year from date of acquisition.

The fair value of the contingent consideration arrangement of £290,000 was estimated using the scenario-based method. The estimates are based on probability adjusted likelihood of certain repair case volumes being achieved. The liability is presented within trade and other payables in the balance sheet.

*Nationwide's contribution to the group results*

Nationwide's contribution to underlying operating profit was a £3,000,000 loss for the period from 4 September 2020 to 31 October 2020. Revenue during this period was £18,200,000.

*14(b) Prior period*

On 21 February 2020, the Group acquired 100% of the equity interests of Redde plc, thereby obtaining control. The acquisition was made to enhance the Group's position in the market and create a leading integrated mobility solutions platform. Details of this business combination were disclosed in note 4 of the Group's annual financial statements for the year ended 30 April 2020. No hindsight adjustments have been required in the period in relation to the fair values of assets acquired.

**15. Contingent liabilities**

The Group is currently in legal dispute with a provider of certain IT and software development services over the failure to deliver agreed software and services to the Group. Both parties are claiming against each other. However, the Group has disclaimed liability and is defending the action. No provision in relation to the claim has been recognised in the financial statements as legal advice indicates that on the balance of probabilities significant liability will not arise.

**Interim announcement – Statement of the Directors**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34;
- the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8 (disclosure of related party transactions and changes therein).

By order of the Board

Philip Vincent

Chief Financial Officer

8 December 2020

# Independent review report of Redde Northgate plc
# Report on the condensed consolidated interim financial statements

## Our conclusion

We have reviewed Redde Northgate plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Redde Northgate plc for the 6 month period ended 31 October 2020 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

## What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 31 October 2020;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Redde Northgate plc have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

# Responsibilities for the interim financial statements and the review

## Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne

8 December 2020