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If you sell or have sold or otherwise transferred all of your Existing Northgate Shares, please send this Circular (together with the accompanying documents) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Northgate Shares, you should retain this Circular and any accompanying documents and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take. However, neither this Circular nor any accompanying documents should be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular and any accompanying documents to any jurisdiction outside the UK, should seek appropriate advice before taking such action. The distribution of this Circular and any accompanying documents into jurisdictions other than the UK may be restricted by law. Any person not in the UK, into whose possession this Circular and any accompanying documents come, should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this Circular and any accompanying documents should not be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Redde Shareholders in that jurisdiction.

This Circular should be read in conjunction with the Prospectus relating to Northgate dated 12 December 2019 in connection with the Merger and which has been published on Northgate's website at www.northgateplc.com. This Circular does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

NORTHGATE

NORTHGATE PLC

(incorporated and registered in England and Wales with registered number 00053171)

Recommended all-share merger of Northgate plc and Redde plc

Circular to Northgate Shareholders and

Notice of the Northgate General Meeting

This Circular should be read as a whole. Your attention, in particular, is drawn to the risk factors set out in Part II (*Risk Factors*) and to the letter from your Chairman, which is set out in Part I (*Letter from the Chairman*) and which contains the unanimous recommendation of the Northgate Board that you vote in favour of the Northgate Resolutions to be proposed at the Northgate General Meeting.

Notice of the Northgate General Meeting to be held at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HS at 10:00 a.m. on 15 January 2020 is set out at pages 52 to 55 of this Circular.

The actions to be taken in respect of the Northgate General Meeting are set out in paragraph 19 of Part I (*Letter from the Chairman*) of this document. You may appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Northgate General Meeting. Appointing a proxy does not preclude you from attending the Meeting and voting in person. Proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting in Part IX (*Notice of General Meeting*). CREST members may appoint proxies using the CREST electronic proxy appointment service (see Part IX (*Notice of General Meeting*)). In each case, the appointment must be received by Northgate not less than 48 hours, excluding non-business days, before the time of the Meeting.

This Circular and the accompanying documents have been prepared to comply with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this Circular or the accompanying documents had been prepared in accordance with the laws of jurisdictions outside the UK.

Goldman Sachs International (“Goldman Sachs”), which is authorised in the UK by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Northgate and no one else in connection with the Merger, Admission and this Circular, and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to the Merger, Admission or this Circular, and will not be responsible to anyone other than Northgate for providing the protections afforded to clients of Goldman Sachs nor for providing advice in relation to the Merger, Admission or this Circular or any other matters referred to in this Circular.

Barclays Bank PLC, acting through its Investment Bank (“Barclays”), which is authorised in the UK by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Northgate and no one else in connection with the Merger, Admission and this Circular, and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to the Merger, Admission or this Circular, and will not be responsible to anyone other than Northgate for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Merger, Admission or this Circular or any other matters referred to in this Circular.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs and Barclays by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Goldman Sachs or Barclays nor any of their respective subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Goldman Sachs or Barclays for the contents of this Circular, including its accuracy, correctness or for any other statement made or purported to be made by it, or on its behalf in connection with Northgate, the Northgate Group, the Combined Group, the Merger and any other matters referred to in this Circular and nothing in this Circular is to be relied upon as a promise or representation in this respect, whether or not to the past or future. Save for the aforementioned responsibilities and liabilities, if any, which may be imposed under FSMA, Goldman Sachs and Barclays and each of their respective subsidiaries, branches and affiliates accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise which it might otherwise have in respect of this Circular or any other statement. Any reproduction or distribution of this Circular, in whole or in part, and any disclosure of its contents or use of any information contained in this Circular for any purpose other than considering the terms of the Merger is prohibited.

Availability of hard copies

Northgate Shareholders may request a hard copy of this Circular by contacting Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. – 5:30 p.m., Monday to Friday excluding public holidays in England and Wales or by submitting a request in writing to Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, UK. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you have received this

Circular in electronic form, copies of this Circular and any document or information incorporated by reference into this Circular will not be provided unless such a request is made.

Notice to all shareholders

This Circular is not intended to and does not constitute or form part of any offer or invitation to purchase or subscribe for, or any solicitation to purchase or subscribe for, ordinary shares in any jurisdiction. The information provided in this Circular is provided solely for the purpose of considering the Resolutions. Any reproduction or distribution of this Circular, in whole or in part, and any disclosure of its contents or use of any information contained in this Circular for any purpose other than considering the Resolutions is prohibited.

No person has been authorised to give any information or make any representations other than those contained in this Circular, the Prospectus and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been authorised by Northgate, the Northgate Directors, the Proposed Directors, Goldman Sachs or Barclays, or any other person involved in the Merger. Neither the delivery of this Circular nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of Northgate since the date of this Circular or that the information in this document is correct as at any time subsequent to its date. In particular, the contents of Northgate's and Redde's websites do not form part of this Circular and Northgate Shareholders should not rely on them.

The contents of this Circular are not to be construed as legal, business or tax advice. Each Shareholder should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice respectively.

Notice to US shareholders

The Merger relates to the securities of two English companies and is proposed to be implemented by means of a scheme of arrangement provided for under, and governed by, English law. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation nor the tender offer rules under the US Exchange Act of 1934, as amended (the "US Exchange Act"). Accordingly, the Merger will be subject to disclosure requirements and practices applicable in the UK to schemes of arrangement, which are different from the disclosure requirements of the US proxy solicitation and tender offer rules. The financial information included in this Circular been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If Northgate exercises its right to implement the Merger by way of a takeover offer, such offer will be made in compliance with applicable US tender offer and securities laws and regulations, including the exemptions therefrom.

It may be difficult for US holders to enforce their rights and claims arising out of the US federal securities laws, since Northgate and Redde are located in countries other than the US and are organised under the laws of England and Wales, and some or all of their officers and directors may be residents of countries other than the US. US holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its directors, officers and affiliates to subject themselves to a US court's jurisdiction and judgement.

The Merger is intended to be carried out under a scheme of arrangement provided for under English company law. It is expected that any securities to be issued under the Merger would be issued in reliance upon the exemption from registration requirements of the United States Securities Act of 1933, as amended (the "US Securities Act") provided by Section 3(a)(10) thereof and would not be registered under the US Securities Act.

Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Circular. Any representation to the contrary is a criminal offence in the United States. Distribution of this document by any recipient may

be restricted or prohibited by US law. Recipients are required to inform themselves of, and comply with, all such restrictions or prohibitions.

Information regarding forward-looking statements

This Circular (including information incorporated by reference into this Circular) includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Northgate Group's, the Redde Group's or the Combined Group's control and all of which are based on the Northgate Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates", "confident", "realisation", "consider" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Circular and include statements regarding the intentions, beliefs or current expectations of the directors concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Northgate Group, the Redde Group or the Combined Group and the industry in which they operate or will operate.

These forward-looking statements and other statements contained in this Circular regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Northgate Group, the Redde Group or the Combined Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Circular speak only as of the date of this Circular. Northgate, the Northgate Directors, the Proposed Directors, Redde, Goldman Sachs and Barclays expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Listing Rules, the Prospectus Regulation Rules or the Disclosure Guidance and Transparency Rules of the FCA.

The statements above related to forward-looking statements should not be construed as a qualification of the working capital statement contained in paragraph 8 of Part VII (*Additional Information*) of this Prospectus.

Northgate Quantified Financial Benefits Statement

Part V (*Northgate Quantified Financial Benefits Statement*) sets out the Northgate Quantified Financial Benefits Statement and contains details and bases of calculation of the anticipated financial benefits of the Merger.

The statements in the Northgate Quantified Financial Benefits Statement relate to future actions and circumstances which by their nature, involve risks, uncertainties and contingencies. The synergies and cost savings referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

Northgate Profit Forecast

The Northgate Profit Forecast is a profit forecast for the purposes of the Listing Rules. The Northgate Profit Forecast is repeated and confirmed by the directors of Northgate in Part VI (*Northgate Profit Forecast*), in line with the requirements of the Listing Rules. Other than the Northgate Profit Forecast, no statement in this document (including the Northgate Quantified Financial Benefits Statement) is intended to be, or should be construed as, a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per Northgate Share for the current or future financial years would necessarily match or be greater than or be less than the historical published earnings or earnings per Northgate Share.

THE CONTENTS OF THIS DOCUMENT OR ANY SUBSEQUENT COMMUNICATION FROM NORTHGATE OR ITS SPONSOR OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. NORTHGATE IS NOT AUTHORISED TO PROVIDE SUCH ADVICE. EACH NORTHGATE SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, STOCKBROKER, BANK MANAGER, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER OR OTHER INDEPENDENT PROFESSIONAL ADVISER AUTHORISED UNDER FSMA IF YOU ARE RESIDENT IN THE UK OR, IF YOU RESIDE ELSEWHERE, ANOTHER APPROPRIATELY AUTHORISED FINANCIAL ADVISER, FOR LEGAL, FINANCIAL OR TAX ADVICE.

This Circular is dated 12 December 2019.

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RELEVANT DOCUMENTATION

A prospectus in connection with the issue of the New Northgate Shares has been published by Northgate on its website at www.northgateplc.com and contains information regarding, among other things, the reasons for the Merger and further details concerning Northgate and Redde, historical financial information, the Northgate Directors, the Proposed Directors and the New Northgate Shares.

The Northgate Prospectus is available for inspection in accordance with paragraph 14 of Part VII (*Additional Information*) of this Circular. Paragraph 14 of Part VII (*Additional Information*) of this Circular sets out the various sections of the Northgate Prospectus which are incorporated by reference into this document. Only the parts of the documents identified therein are incorporated by reference in, and form part of, this Circular. The parts of the Prospectus which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Circular.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

PRINCIPAL EVENTS	TIME AND/OR DATE ⁽¹⁾
Prospectus and Circular published	12 December 2019
Scheme Document published	12 December 2019
Latest time and date for receipt of proxy appointment and voting instructions for Northgate General Meeting	10:00 a.m. on 13 January 2020 ⁽²⁾
Northgate General Meeting held.....	10:00 a.m. on 15 January 2020
Redde Court Meeting held.....	10:00 a.m. on 15 January 2020
Redde General Meeting held	10:15 a.m. on 15 January 2020 ⁽³⁾
High court hearing to sanction Scheme	A date expected to be during Q1 2020 (“D”) ⁽⁴⁾
Last day for dealings in, and for registration of transfers of, Redde Shares	D ⁽⁴⁾
Suspension of trading, and dealings, in Redde Shares	5:00 p.m. on D ⁽⁴⁾
Scheme Record Time	6:00 p.m. on D ⁽⁴⁾
Effective Date of the Scheme	D+1 (“S”) ⁽⁴⁾
New Northgate Shares issued to Scheme Shareholders	By 8:00 a.m. on the first Business Day following S ⁽⁴⁾
Admission and commencement of dealings of New Northgate Shares on the London Stock Exchange	8:00 a.m. on the first Business Day following S ⁽⁴⁾
Delisting of Redde Shares	8:00 a.m. on the first Business Day following S ⁽⁴⁾
CREST accounts of Scheme Shareholders credited with New Northgate Shares.....	On or after 8:00 a.m. on the First Business Day following S but no later than 14 days after the Effective Date ⁽⁴⁾
Latest date for CREST accounts to be credited with any cash due in relation to sale of fractional entitlements	14 days after the Effective Date ⁽⁴⁾
Latest date for despatch of share certificates for New Northgate Shares and cheques for the cash due in relation to the sale of fractional entitlements for those Scheme Shareholders who do not hold their Redde Shares in CREST	14 days after the Effective Date ⁽⁴⁾
Longstop Date.....	30 April 2020 ⁽⁵⁾

All times are UK times. Each of the times and dates in the above timetable is subject to change without further notice.

Notes:

- (1) The dates and times given are indicative only and are based on current expectations and may be subject to change.
- (2) Only persons entered in the register of members of Northgate at close of business on 13 January 2020 or, in the event that the meeting is adjourned, close of business on the date which is two working days prior to the reconvened meeting, shall be entitled to attend, speak and vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting or adjourned meeting.
- (3) To commence at the time fixed or, if later, immediately after the conclusion of the Redde Court Meeting.
- (4) The date of the Court hearing to sanction the Scheme and each of the subsequent dates set out in the timetable will depend, among other things, on the date on which: (i) the Conditions to the Scheme are satisfied or, if capable of waiver, waived; (ii) the Court sanctions the Scheme; and (iii) a copy of the Court order sanctioning the Scheme is delivered to the Registrar of Companies.
- (5) This is the latest date by which the Scheme may become effective unless Northgate and Redde agree in writing (with the Takeover Panel’s consent and as the Court may approve (if such consent(s)/approval(s) are required)).

INDICATIVE MERGER STATISTICS

Indicative Merger statistics

Consideration to be paid for each Redde Scheme Share.....0.3669 New Northgate Shares

Number of Northgate Shares in issue as at 6 December 2019
(being the Latest Practicable Date)133,232,518

Number of Northgate Shares to be issued pursuant to the Merger.....114,755,965

New Northgate Shares as a percentage of the Northgate ordinary share capital
in issue immediately following Admission⁽¹⁾approximately 46%⁽¹⁾

Number of Northgate Shares in issue immediately following issue of
Merger consideration247,988,483⁽²⁾

When admitted to trading, the New Northgate Shares will be registered with ISIN number GB00B41H7391 and SEDOL number B41H739, and trade under the symbol “NTG”.

Notes:

(1) Based on Northgate’s issued share capital as at the Latest Practicable Date.

(2) On the assumption that no further Northgate Shares are issued between 6 December 2019 (being the Latest Practicable Date) and Admission.

NORTHGATE DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Northgate Directors	Avril Palmer-Baunack (<i>Non-executive Chairman</i>) John Pattullo OBE (<i>Senior Independent Director</i>) Philip Vincent (<i>Chief Financial Officer</i>) William Spencer (<i>Non-executive Director</i>) Claire Miles (<i>Non-executive Director</i>) Mark Butcher (<i>Non-executive Director</i>) Fernando Cogollos (<i>Non-executive Director</i>)
Proposed Directors	Martin Ward (<i>Chief Executive Officer</i>) John Davies (<i>Non-executive Director</i>) Mark McCafferty (<i>Non-executive Director</i>) Stephen Oakley (<i>Non-executive Director</i>)
Company Secretary	Katie Tasker-Wood
Registered and head office of Northgate	Northgate Centre Lingfield Way Darlington DL1 4PZ UK
Sponsor and Lead Joint Financial Adviser	Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU UK
Joint Financial Adviser and Corporate Broker	Barclays Bank PLC, acting through its Investment Bank 5 The North Colonnade Canary Wharf London E14 4BB UK
English legal advisers to Northgate	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS UK
Auditors	PricewaterhouseCoopers LLP Central Square South Orchard Street Newcastle-Upon-Tyne NE1 3AZ UK
Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH UK
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK

PART I

LETTER FROM THE CHAIRMAN

Registered Office
Northgate Centre
Lingfield Way
Darlington DL1 4PZ
United Kingdom

12 December 2019

To Northgate Shareholders and, for information only, to persons with information rights

Dear Shareholder

Recommended all-share merger of Northgate plc and Redde plc and Notice of General Meeting

1. Introduction

On 29 November 2019, the boards of Northgate and Redde announced that they had reached agreement on the terms of a recommended all-share merger of Northgate and Redde (the “Merger”). It is intended that the Merger will be implemented by means of a Court-sanctioned scheme of arrangement of Redde and the Redde Shareholders under Part 26 of the Companies Act, with the entire issued and to be issued share capital of Redde being acquired by Northgate.

I am now writing to you to provide you with an explanation of the background to and reasons for the Merger and to explain further why the Northgate Board considers the Merger to be in the best interests of our shareholders as a whole and unanimously recommends that you vote in favour of the Northgate Resolutions, as the Northgate Directors have irrevocably undertaken to do in respect of their own individual holdings.

2. Summary of the terms of the Merger

Under the terms of the Merger, which is subject to the Conditions (including those summarised below in paragraph 10 of this Part I (*Letter from the Chairman*)) and to the full terms and conditions set out in the Scheme Document, each holder of Redde Scheme Shares (“Scheme Shareholder”) at the Scheme Record Time will be entitled to receive:

0.3669 New Northgate Shares for each Redde Share

Immediately following completion of the Merger (“Completion”), Northgate Shareholders will own approximately 54% and Redde Shareholders will own approximately 46% of the share capital of the Combined Group (based on the fully diluted ordinary issued share capital of Northgate and the fully diluted share capital of Redde, in each case as at the Latest Practicable Date).

The Boards of Northgate and Redde have agreed to retain their current dividend policies for the period prior to Completion.

The New Northgate Shares will be issued as fully paid and will rank equally in all respects with the Northgate Shares in issue at the time the New Northgate Shares are issued pursuant to the Merger and will be entitled to receive any dividends and/or other distributions declared, made or paid, or any other return of capital (whether by reduction of share capital, share premium account or otherwise) made by Northgate in respect of the Northgate Shares with a record date falling after the Effective Date. Northgate will seek approval for the New Northgate Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange’s Main Market.

In the event that the Merger is to be implemented by way of a Takeover Offer, the Redde Shares will be acquired pursuant to the Takeover Offer fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto.

3. Background to and reasons for the Merger

Background

The Boards of Northgate and Redde believe that the UK mobility and automotive services sector is a structurally attractive yet highly fragmented market with opportunities to remove inefficiencies that would enhance the customer proposition and unlock value for shareholders. Numerous players offer different aspects of the value chain and life-cycle of a vehicle across vehicle provision (sales, rental, term hire and leasing), vehicle fit out, fleet management, servicing maintenance and repair, breakdown and recovery, accident management, legal services, vehicle disposal (retail and trade) and salvage.

Northgate is a leading specialist business providing light commercial vehicles and cars to business customers in the UK, Spain and Ireland on flexible and minimum-term hire contracts.

Redde is a leading support services company in the UK specialising in accident and incident management and legal services to motorists. Primarily, it provides replacement vehicle, repair and recovery services to insurance company customers as well as accident and incident support services to private and public organisations who have contractual relationships with Redde. Redde aims to restore their mobility through the provision of hire vehicles and support them in achieving recoveries to which they are entitled.

The markets in which Northgate and Redde operate are subject to a number of trending dynamics as participants seek to grow through expanding their business model and providing new services and solutions as a means of driving differentiation to competitors and gaining exposure to more aspects of the value chain. These dynamics include:

- shifts by businesses and customers from owning to renting vehicles;
- the convergence of mobility solutions;
- increasing use of offering services and support to differentiate customer propositions relative to competitors; and
- interacting and providing customers with a broader end-to-end experience.

Rationale for the Merger

Northgate and Redde believe that the Merger will provide the opportunity to combine two highly complementary businesses into a Combined Group with a comprehensive suite of mobility services and a platform from which to create a leading integrated mobility solutions and automotive services business of scale.

Each company has previously stated their intention to and the benefits of diversifying their customer propositions and the Merger will enable both businesses to materially accelerate their complementary diversification strategies.

The Merger will enable Northgate to broaden the provision of capital-light fleet solutions such as market-leading fleet and accident management, strengthen the customer offer, and deliver low capex growth opportunities in attractive and adjacent markets. As well as immediately broadening its service offering, the Merger will provide Northgate with a platform from which to add further services, potentially extending to a turnkey fleet management suite of services with an attractive financial returns profile.

Redde specialises in responding to vehicle-related incidents, in particular road traffic accidents. Its expertise allows it to compete effectively with larger hire businesses despite scale disadvantages. Following the Merger, as part of a major vehicle hire group with an enlarged branch network throughout the UK, Redde will be able to strengthen the customer offer through an even more responsive service to its business partners

and their customers. Northgate's support and its infrastructure is expected to enable Redde to provide a broader range of car hire services to complement its accident-related services and scale in selected markets where the returns and investment case are attractive.

The Combined Group will have the expertise, experience and infrastructure required to provide businesses and personal customers with a comprehensive suite of mobility services and a range of automotive services, supplying vehicles to meet their regular mobility needs, servicing and supporting them when unforeseen events occur to ensure that they remain mobile while providing support for any resulting claims.

In summary, Northgate and Redde believe that the Merger will:

- establish a complementary combination with a comprehensive suite of mobility services and a platform from which to create a leading integrated mobility solutions and automotive services business of scale;
- create a market-leading customer proposition;
- generate cost synergies underpinned by enhanced scale and optimisation potential;
- provide the opportunity to unlock attractive revenue synergies; and
- position the Combined Group with a strong financial profile.

Complementary combination with a comprehensive suite of mobility services

The Combined Group will serve customers across core rental and accident and incident management business lines and achieve greater diversification across its territories, service lines and customer base, with a strong financial profile and balance sheet.

The Merger will create a leading integrated mobility solutions and automotive services platform spanning the vehicle life-cycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale. It creates the platform onto which further value accretive services can be overlaid, delivering customer value across a broader range of services utilised by a vehicle through its life.

The Combined Group will have enhanced scale and be able to supply a far wider range of services to existing and new customers both as a function of cross-selling each other's services and through the creation of new services enabled by the Merger. It will have a combined network of enhanced scale and density with over 110,000 vehicles in its own fleet and over 400,000 managed vehicles managed through a combined rental network of over 100 branches in the UK and Spain with the ability to provide one stop-shop service, maintenance and repair operations. In addition, the Combined Group will have an extensive vehicle disposal network through which it can efficiently dispose of vehicles.

Consideration will be given to Northgate's Spanish operations and the extent to which this can be used as a suitable platform to build out the enlarged capabilities of the Combined Group.

A market-leading customer proposition

The Merger will create a market-leading customer proposition, providing fleet customers and insurers with access to an increased scope of services, a combined fleet, an increased and enhanced geographic coverage, benefits from cost efficiencies and a combination of existing capabilities.

Fleet customers of the Combined Group will benefit from the combination of a leading light commercial van rental provider and an efficient, leading fleet management, accident management and legal services provider. It is envisaged that fleet customers would benefit from the outstanding service proposition, have a greater choice and fulfilment ability, and be able to access the enhanced network of the Combined Group providing more proximate locations for service fulfilment, aiding overall responsiveness to customer requests.

The insurance customers of the Combined Group will benefit from credit hire service levels that are further enhanced through greater branch coverage and access to the breadth of vehicle fleet that the Combined

Group would manage. The credit hire fleet of the Combined Group will be more cost effectively serviced and maintained.

Cost synergies underpinned by enhanced scale and optimisation potential

Northgate and Redde have identified significant savings that they expect to be delivered through the Merger. The Boards of Northgate and Redde expect that the Merger will generate pre-tax cost synergies of at least £10 million per annum, with target run-rate phasing of £7 million at the end of the first 12 months following Completion and £10 million at the end of the second 12 months following Completion.

These cost synergies are expected to be delivered from the following areas:

- *Corporate and support functions (approximately 45% of total pre-tax cost synergies):* Rationalisation and consolidation of corporate and support functions, removal of duplicate public company costs and optimisation of procurement;
- *Network (approximately 35% of total pre-tax cost synergies):* Operational savings from optimisation of the combined networks given enhanced scale of the Combined Group which is expected to enable the removal of branch overlap and the better optimisation of the network density of the Combined Group; and
- *Accident and fleet management (approximately 20% of total pre-tax cost synergies):* Operational savings from consolidating and rationalising the accident and fleet management capabilities of the Combined Group.

In achieving these cost synergies, the Combined Group expects to incur aggregate cash implementation costs of approximately £10 million. It is expected that approximately 70% of the total integration costs will be incurred in the first 12 months following Completion with the balance being incurred in the second 12 months following Completion.

Aside from these one-off costs, the Boards of Northgate and Redde do not expect any material dis-synergies to arise from the creation of the Combined Group.

The identified synergies are contingent on the Merger and would not be achieved independently.

Attractive revenue synergies

The Combined Group is expected to realise revenue synergies from cross-selling Northgate's vehicle rental proposition to Redde customers as well as cross-selling Redde's FMG fleet management capabilities to Northgate customers. Further revenue synergies are anticipated to be available from accidents involving Northgate vehicles being channelled through FMG, and the service and maintenance of FMG customer vehicles through the enlarged service network of the Combined Group. The Boards of Northgate and Redde further believe that revenue growth opportunities exist from the launch of a UK flexible car rental proposition leveraging Redde's credit hire fleet operations alongside Northgate's considerable UK network.

Strong financial profile

The Combined Group is anticipated to have a strong financial profile with a diversified revenue mix, an attractive margin profile and improved cash flow characteristics.

The Boards of Northgate and Redde have considered the future capital management policy for the Combined Group. It is anticipated that this strong cash flow generation will enable the Combined Group to further strengthen the balance sheet over time with the Combined Group seeking to maintain a net debt to underlying EBITDA ratio of 1.0 times to 2.0 times in the near term.

The Merger is anticipated to deliver a post-tax return on invested capital which exceeds Northgate's weighted average cost of capital by the end of the first full financial year following Completion.

4. Dividends and dividend policy of the Combined Group

The Boards of Northgate and Redde have agreed to retain their current dividend policies for the period prior to Completion. Accordingly, Northgate and Redde have agreed that:

- Northgate Shareholders will be entitled to retain the Northgate interim dividend for the six month period to 31 October 2019 of 6.3 pence per Northgate Share announced by Northgate on 29 November 2019 (the “Permitted Northgate Dividend”); and
- if the Effective Date has not occurred before 6 March 2020, being the record date for any Redde dividend that may be declared for the six month period to 31 December 2019, Redde Shareholders will be entitled to retain such dividend provided it is equal to or less than 5.5 pence per Redde Share (the “Permitted Redde Dividend”).

Reduction to Exchange Ratio

If, after the date of the Merger Announcement, any dividend, distribution or return of capital is declared, made or paid or becomes payable in respect of the Redde Shares (other than, or in excess of, any Permitted Redde Dividend or any Redde Equalisation Dividend) with a record date on or before the Effective Date (each a “Non-Permitted Redde Dividend”), Northgate reserves the right to reduce the Exchange Ratio accordingly so as to reflect the aggregate value attributable to any such Non-Permitted Redde Dividend.

Redde Equalisation Dividend

If, after the date of the Merger Announcement, any dividend (other than, or in excess of, any Permitted Northgate Dividend), distribution or return of capital is declared, made or paid or becomes payable in respect of the Northgate Shares with a record date on or before the Effective Date (a “Non-Permitted Northgate Dividend”), then Redde will be entitled (in addition to any Permitted Redde Dividend) to declare and pay, and the Redde Shareholders will be entitled to receive and retain an equalisation dividend in sterling (the “Redde Equalisation Dividend”) in respect of the Redde Shares of an amount per Redde Share equal to the amount of the Non-Permitted Northgate Dividend per Northgate Share multiplied by the Exchange Ratio (taking into account any reduction to the Exchange Ratio arising as a result of any Non-Permitted Redde Dividends in accordance with the above paragraph entitled “*Reduction to Exchange Ratio*”).

Dividend policy of the Combined Group

Following the Merger and subject to the approval of the board of the Combined Group, the Combined Group intends to adopt a progressive dividend policy consistent with a strategy which balances returns to shareholders with the need to retain sufficient funds to drive growth. In setting its initial dividend, it is expected that the dividend will be covered by the Combined Group’s profit after tax by around two times. The Combined Group will look to pay interim dividends that are 50% of the prior final dividend.

5. Information relating to Northgate

Northgate is the leading light commercial vehicle hire business in the UK, Ireland and Spain by fleet size and has been operating in the sector since 1981.

Northgate’s core business is the hire of light commercial vehicles to businesses on a flexible or minimum-term basis, giving customers the ability to manage their fleet requirements in a way which can adapt best to changing business needs.

Northgate operates a modern fleet of over 100,000 vehicles from more than 100 sites across the UK, Ireland and Spain. Through this network it partners with a wide spectrum of customers from sole traders to blue chip multi-nationals across multiple sectors. Northgate generated revenues of £745.5 million and underlying operating profit of £76.2 million in the financial year ended 30 April 2019.

Northgate is headquartered in Darlington, County Durham and employs over 3,000 employees.

Northgate Shares are listed on the premium listing segment of the Official List and are traded on the London Stock Exchange’s Main Market.

6. Northgate's current trading, trends and prospects

On 29 November 2019, Northgate released its interim results for the six month period to 31 October 2019 with total revenue of £357.8 million, underlying operating profit of £35.1 million and underlying earnings per share of 17.6 pence. Northgate also reported the Company's overall financial performance expected for the year ending 30 April 2020 is in line with its expectations.

7. Redde's current trading, trends and prospects

As announced on 30 October 2019, the first quarter's trading of Redde's new financial year is in line with Redde management expectations.

8. Employees, management and locations

Strategic plans for the Combined Group

The Combined Group will create a leading integrated mobility solutions and automotive services business of scale. The Combined Group intends to move quickly to combine the existing businesses and create a combined business which harnesses the assets, best practices and skilled teams of both companies. It is expected that the Combined Group will:

- bring together some of the best talent in its industry;
- be focused on placing consumers at the centre of its business through a broader, more attractive, customer proposition;
- leverage its nationwide coverage and end-to-end portfolio of services;
- benefit from the expertise of both companies to provide best in class services for its customers;
- have a strong balance sheet and financial flexibility; and
- have a governance model which will support and challenge its management to ensure that the interests of all stakeholders are considered.

Given the complementary nature of Northgate and Redde in terms of their respective propositions to customers and the nature of customers that each business addresses, it is anticipated that there will be limited impact from the Merger on customers and employees, in particular in the short term. Upon Completion, the Combined Group will initiate a detailed review of the operations of both businesses to assess how they can work most effectively and efficiently together. The review, which is expected to take at least three months following Completion, will consider the current operating and organisational structures of both businesses and provide the basis for the development of an integration programme designed to minimise disruption to customers and employees whilst delivering the expected opportunities and benefits of the Merger for the Combined Group's stakeholders.

The Combined Group will retain extensive operations across the UK, Ireland and Spain, and, given the complementary nature of the businesses and the limited areas of overlap, it is anticipated that there will be minimal consolidation of the existing operational centres of both businesses. While an initial assessment has been undertaken as part of the preparation of the Northgate Quantified Financial Benefits Statement, following Completion the Combined Group will perform a detailed review of the enlarged branch network to identify opportunities to realise infrastructure and operating efficiencies. The review, which is expected to take at least three months following Completion, will identify the optimal network by removing overlap and enhancing overall scale along with greater density to align with the needs of the Combined Group's portfolio of services and its efficient delivery to customers. It is expected that this will be achieved by ensuring that vehicles are closer to customers resulting in lower delivery and collection costs. In respect of head office and corporate functions, where overlap and duplication does exist, it is intended that, following a review of the options available, activities will be consolidated and rationalised to allow for the better integration of the Combined Group.

The proposed board and management of the Combined Group, who have a proven track record of delivering on strategic initiatives, plan to evolve the strategy of the Combined Group through three phases:

- *Focus*: complete the integration of the two businesses alongside initiation of the delivery of the anticipated cost synergies, development of the Combined Group's product and services, and start to leverage the platform to enable revenue growth on the basis of the broader offering;
- *Drive*: complete the initiatives around the cost synergies, product and service portfolio and platform, and initiate service diversification into complementary markets alongside exploring further market and geographic growth opportunities; and
- *Broaden*: accelerate the service diversification and exploration of market and geographic growth opportunities.

Governance

The Combined Group will draw on the array of talent and experience in both companies to drive the business forward. Following the Merger, it is intended that the Combined Group will have a Board comprising members of both Northgate and Redde's existing Boards.

- Avril Palmer-Baunack, currently non-executive chairman of Northgate, will become non-executive chairman of the Combined Group;
- Martin Ward, currently CEO of Redde, will become CEO of the Combined Group; and
- Philip Vincent, currently CFO of Northgate, will become CFO of the Combined Group.

In addition, John Davies and Mark McCafferty, currently non-executive directors of Redde, and Stephen Oakley, currently CFO of Redde, will join the board of Northgate as non-executive directors from Completion. William Spencer, John Pattullo, Claire Miles, Mark Butcher and Fernando Cogollos, currently non-executive directors of Northgate, will remain on the board of Northgate following Completion. Mark Chessman, currently chief operating officer of Redde, will step down from the board of Redde upon Completion.

It is intended that, following Completion, the composition and size of the board of Northgate will be reviewed with a view to ensuring that the board of Northgate is commensurate with the size and nature of the Combined Group.

In conjunction with the proposed governance arrangements and board composition of the Combined Group, Northgate confirmed in the Merger Announcement that Kevin Bradshaw had stepped down, by agreement with the board of Northgate, from his position as a director and CEO of Northgate on that day and with immediate effect.

Employees

Northgate attaches great importance to the skills and experience of the existing management and employees of Redde and Northgate and believes that they will benefit from greater opportunities within the Combined Group following the Merger. Northgate confirms that it intends to safeguard fully the existing statutory and contractual employment and pension rights of the Redde Group's employees and management and to make no material changes to the conditions of employment or change to the balance of skills and functions of employees across the Redde Group.

The board of Northgate recognises that in order to achieve the expected benefits of the Merger, it will be necessary to perform a detailed review of how best to integrate the two businesses. Northgate believes that there is the potential to generate cost savings in the Combined Group through business, operational and administrative restructuring following Completion. As part of the preparation of the Northgate Quantified Financial Benefits Statement, Northgate's initial analysis has identified that there is likely to be an opportunity to rationalise certain corporate overheads and support functions, including public company related costs and central functions, and that there may be duplication at a limited number of operational branches capable of rationalisation without impacting customers. At this stage, Northgate has not yet

developed a proposal as to how such integration and restructuring would be implemented and will only be able to develop and implement such proposals once the Combined Group has completed its review, which is expected to take at least three months following Completion.

Subject to the outcome of the detailed review of the integration options, it is possible that there may be a low to mid-single digit percentage reduction in the Combined Group's headcount, where there is duplication across Northgate's and Redde's existing corporate and support functions. At this early stage in integration planning, the Combined Group has not yet developed a proposal as to how any such headcount reductions might be implemented and will only develop and implement such a proposal once the review referred to above has been completed. The Combined Group will aim to retain the best talent and will consult as appropriate with relevant employees, employee representatives and other stakeholders before any proposals are finalised.

Northgate Share Plans

Northgate and Redde have agreed that the participants in the Northgate Share Plans will, so far as possible, be treated equitably with the participants in the Redde Share Plans. In order to achieve that equitable treatment, it is expected that the terms of certain of the Northgate Share Plans will be adjusted and that performance conditions that would not be relevant in the context of the Combined Group would be tested on Completion and the awards would thereafter be conditional only upon continued employment with the Combined Group. Northgate will seek shareholder approval for an amendment to its directors' remuneration policy so that the chief financial officer's awards can be treated in a manner that is consistent with all other Northgate employees.

Northgate Value Creation Plan

The board of Northgate has proposed to introduce a new long-term incentive plan (the "Value Creation Plan") for a small number of senior employees in the Combined Group, including the CEO, to support in the delivery of the integration of Northgate and Redde and in the delivery of the anticipated strategic benefits of the Merger.

The Value Creation Plan provides a clear link between the remuneration of the participants and the creation of value for shareholders by rewarding the delivery of significant, sustainable absolute returns to shareholders over the long-term. The award has no value on grant but gives the participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle over a performance period of at least three and a half years.

Awards take the form of entitlements to acquire ordinary shares in Northgate at nil or nominal cost (or as cash-settled equivalents). The number of ordinary shares to which a participant is entitled is determined by reference to the shareholder value created. Each participant's award will represent a percentage of the shareholder value created. A minimum compound annual growth rate ("CAGR") in total shareholder return of 5% must be achieved above the initial share price in order for participants to receive any awards and participants only receive a share of value created above that level.

Participants will be able to sell sufficient shares to cover any tax or national insurance liabilities arising and up to one third of the after tax shares. The remaining shares will be subject to a further two year holding period following completion of the performance period.

The value that can be delivered by the Value Creation Plan is linked to the shareholder value created over the relevant performance period. A minimum CAGR in total shareholder return of 5% must be achieved above an initial share price following announcement of the Merger.

The total pool for all participants in the scheme will be 5% of the growth in total shareholder return above the hurdle where the CAGR is between 5% and 10%, reducing to 2.75% once a CAGR of 10% is achieved and to 0.5% once a CAGR of 30% is achieved. The value of the pool will then be divided by the 40 dealing day volume weighted average share price to determine the number of shares to be issued under the plan. The maximum allocations of the pool to the CEO will be 45%.

A total cap of 2.0% of the issued share capital of Northgate will apply on vesting of all awards under the VCP. There is a cap of 0.9% for the CEO and a proportionate cap for other executive directors of the Combined Group and participants. The Northgate remuneration committee may set a lower cap for any participant by reference to a fixed monetary amount or a fixed number of shares.

At the discretion of the Northgate remuneration committee, a portion of an award may be subject to additional performance conditions.

Awards to executive directors of the Combined Group or eligible employees who leave at any time prior to vesting will lapse unless they leave by reason of death, retirement, ill health, injury or disability, redundancy, on the sale out of the Combined Group of the participant's employing company or business or in other circumstances at the discretion of the remuneration committee ("good leavers").

Awards for good leavers will normally vest on the original vesting date, on assessment of the performance criteria at that time, and will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation relative to the performance period.

In the event of a change of control, the scheme will be assessed by reference to the performance criteria at that time. The Northgate remuneration committee will retain discretion to modify the vesting outcome in any particular case if it considers it appropriate.

An award may be satisfied with new issue shares, a transfer of treasury shares or shares purchased in the market.

Northgate requires shareholder approval to introduce the Value Creation Plan. This is being proposed at the Northgate Shareholder Meeting. See more information set out in the Notice of General Meeting in Part IX (*Notice of General Meeting*).

Other senior employees of the Combined Group will receive share awards under the existing Northgate EPSP consistent with Northgate's existing practice.

Locations, headquarters and research and development

Management recognise that it is in the Combined Group's best interest for the head office functions of both Northgate and Redde to be combined. While an initial assessment has been undertaken as part of the preparation of the Northgate Quantified Financial Benefits Statement, following Completion the Combined Group will consider the migration and rationalisation of the combined corporate head office function to allow for the better integration of both businesses and may result in the rationalisation of the Combined Group's head office locations. A number of options are under consideration but no decision has been taken on the preferred outcome and the Combined Group will only develop and implement such a proposal once the review referred to above has been completed.

Beyond the potential changes identified above in relation to the Combined Group's branch network and corporate head office, there are no further plans to change the locations of Northgate's or Redde's operational places of business or redeploy the fixed assets of Redde.

Neither Northgate nor Redde currently has a research and development function and Northgate has no plans in this regard.

Pensions

Following Completion, the Combined Group does not intend to make any changes with regard to the agreed employer contributions into Redde's existing defined contribution pension scheme(s) or the accrual of benefits to existing members or the admission of new members to such pension schemes.

Name of the Combined Group

Upon Completion, it is intended that the name of the Combined Group will be Redde Northgate plc.

Listing locations

Prior to the Scheme becoming effective, it is intended that applications will be made to the London Stock Exchange to cancel trading in the Redde Shares on AIM, with effect from or shortly following the Effective Date, and to re-register Redde as a private company.

Northgate will seek approval for the New Northgate Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market.

Other

The financial year end of the Combined Group will be 30 April.

9. Information relating to Redde

The Redde Group offers a comprehensive package of motor claims accident management services, including vehicle replacement and repair management together with full claims-handling assistance, as well as legal and other bespoke services. It is positioned to provide its key business partners with a range of services, from direct assistance to the non-fault motorist, through to partially or fully outsourced case-handling facilities. The Redde Group's business partners are insurance companies, brokers and other motoring organisations such as car dealerships, motor manufacturers, leasing companies and repair centres.

The Redde Group is a leading supplier to the motor insurance industry and aims to be the preferred claims outsourcing partner for UK motor insurers by providing claims solutions which reduce their administrative work and expenditure and provide their customers with an excellent vehicle repair and temporary replacement service. The Redde Group also provides specialised large fleet accident and incident management services for over 400,000 fleet vehicles through the FMG group of companies.

Redde was established in 1992 and is headquartered in Bath, with accident management operational centres in Peterlee and Huddersfield. As at 30 June 2019, the Redde Group had a vehicle distribution network consisting of 27 branches, employed approximately 2,400 staff and had a fleet of over 10,000 vehicles with access to an additional 50,000 vehicles through selected rental partnerships. The Redde Group provides solicitors' services through Principia from Northwich and NewLaw from Bristol, Cardiff and an associated office in Glasgow.

For the financial year ended 30 June 2019, Redde's revenue was £589.7 million and profit before tax was £41.6 million. Redde Shares are admitted to trading on AIM, a market of the London Stock Exchange.

10. Structure of the Merger and Procedure

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Redde and the Scheme Shareholders, under Part 26 of the Companies Act. The procedure involves, among other things, an application by Redde to the Court to sanction the Scheme, in consideration for which the Scheme Shareholders will receive New Northgate Shares on the basis described in paragraph 2 of this Part I (*Letter from the Chairman*) above. The purpose of the Scheme is to provide for Northgate to become the owner of the entire issued and to be issued share capital of Redde.

The Merger is subject to the Conditions (including those summarised below) and to the full terms and conditions set out in the Scheme Document, and will only become effective if, among other things, the following events occur on or before the Longstop Date:

- a resolution to approve the Scheme is passed by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Redde Court Meeting, either in person or by proxy, representing 75% or more in value of the Redde Scheme Shares held by those Scheme Shareholders;
- the Redde Special Resolution necessary to implement the Scheme is passed by the requisite majority of Redde Shareholders at the Redde General Meeting;
- the Northgate Resolutions are passed by the requisite majority of Northgate Shareholders at the Northgate General Meeting;

- the relevant approvals required from the FCA and SRA in connection with the Merger are obtained;
- the Scheme is sanctioned by the Court (with or without modification, on terms agreed by Northgate and Redde); and
- an office copy of the Scheme Court Order is delivered to the Registrar of Companies (upon which the Scheme shall become effective).

Upon the Scheme becoming effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Redde Court Meeting or the Redde General Meeting (and if they attended and voted, whether or not they voted in favour); (ii) Redde will be a wholly owned subsidiary of Northgate; and (iii) share certificates in respect of Redde Shares will cease to be valid and entitlements to Redde Shares held within the CREST system will be cancelled. The New Northgate Shares will be allotted to Scheme Shareholders on the Effective Date and issued to Scheme Shareholders as soon as practicable thereafter. It is expected that Admission will become effective and that dealings for normal settlement in the New Northgate Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date.

If the Scheme does not become effective on or before the Longstop Date, it will lapse and the Merger will not proceed (unless the Takeover Panel otherwise consents).

The Scheme Document will include full details of the Scheme, together with notices of the Redde Court Meeting and the Redde General Meeting. The Scheme Document will also contain the expected timetable for the Merger, and will specify the necessary actions to be taken by Redde Shareholders. The Scheme Document, together with the forms of proxy, will be posted to Redde Shareholders and, for information only, to persons with information rights and to holders of options granted under the Redde Share Plans, as soon as practicable and, in any event, within 28 days of the Merger Announcement (or on such later date as may be agreed by Northgate and Redde with the consent of the Takeover Panel). Subject, amongst other things, to the satisfaction or waiver of the Conditions, it is expected that the Scheme will become effective during the first quarter of 2020.

Fractions of New Northgate Shares will not be issued to Scheme Shareholders under the Scheme. Fractional entitlements to New Northgate Shares will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the relevant Scheme Shareholders. However, individual entitlements to amounts (after the deduction of all commissions and expenses incurred in connection with such sale, including any value added tax payable on the proceeds of sale) of less than £5 will not be paid to the relevant Scheme Shareholder but will be retained for the benefit of Northgate.

11. Irrevocable undertakings

Irrevocable undertakings in respect of the Northgate Shares

The Northgate Directors who hold Northgate Shares have irrevocably undertaken to vote in favour of the Northgate Resolutions, and, subject to the terms of the relevant undertaking, any other resolution that may be proposed at the Northgate General Meeting, in respect of their own beneficial holdings of, in aggregate, 65,023 Northgate Shares (representing approximately 0.05% of the Northgate Shares in issue on 6 December 2019, being the Latest Practicable Date).

Irrevocable undertakings in respect of the Redde Shares

The Redde Directors (together with a close relative of Martin Ward) who hold Redde Shares have irrevocably undertaken to vote in favour of the Scheme at the Redde Court Meeting and the resolutions to be proposed at the Redde General Meeting in respect of their own beneficial holdings of, in aggregate, 4,687,303 Redde Shares (representing approximately 1.53% of the Redde Shares in issue on 6 December 2019, being the Latest Practicable Date).

12. Merger-Related Arrangements

Confidentiality agreement

Northgate and Redde have entered into a mutual confidentiality agreement dated 21 October 2019 pursuant to which each of Northgate and Redde has undertaken, amongst other things, to: (a) keep confidential information relating to the Merger and the other party and not to disclose it to third parties (other than certain permitted parties) unless required by law or regulation; and (b) use the confidential information for the sole purpose of evaluating, negotiating, advising on or implementing the potential Merger.

These confidentiality obligations remain in force until the earlier of: (i) two years from the date of the confidentiality agreement; and (ii) the Effective Date. The agreement also contains provisions pursuant to which each party has agreed not to solicit certain employees, suppliers and customers of the other party, subject to customary carve-outs, for a period of 12 months from the date of the confidentiality agreement.

Co-operation Agreement

Northgate and Redde have entered into the Co-operation Agreement dated 29 November 2019, pursuant to which Northgate and Redde have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to regulatory clearances and authorisations. Northgate and Redde have also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

The Co-operation Agreement records Northgate's and Redde's intention to implement the Merger by way of the Scheme, subject to the ability of Northgate to proceed by way of a Takeover Offer in certain circumstances.

The Co-operation Agreement also contains provisions that will apply in respect of the Redde Share Plans, the Northgate Share Plans and certain other employee incentive arrangements.

The Co-operation Agreement shall be terminated with immediate effect if: (i) Northgate and Redde so agree in writing; (ii) if the Merger is, with the permission of the Takeover Panel, withdrawn or lapses in accordance with its terms prior to the Longstop Date; or (iii) if the Scheme has not become effective by the Longstop Date.

Northgate has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Redde (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) any Condition in so far as it relates to Redde is not satisfied or waived or becomes incapable of satisfaction or waiver (where such invocation has been permitted by the Takeover Panel) by the Longstop Date.

Redde has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Northgate (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) Northgate breaches clause 8.3 of the Co-operation Agreement.

In addition, either party has the right to terminate the Co-operation Agreement if: (i) there is a Redde Adverse Recommendation Change (as defined in the Co-operation Agreement); or (ii) there is a Northgate Adverse Recommendation Change (as defined in the Co-operation Agreement).

13. Delisting of Redde and re-registration of Redde

It is intended that dealings in Redde Shares will be suspended at 5.00 p.m. London time on the Business Day prior to the Effective Date. It is further intended that an application will be made to the London Stock Exchange for the cancellation of trading of the Redde Shares on AIM, with effect from or shortly following the Effective Date.

From the Effective Date, share certificates in respect of Redde Shares will cease to be valid and entitlements to Redde Shares held within the CREST system will be cancelled.

It is also intended that, following the Effective Date, Redde will be re-registered as a private company under the relevant provisions of the Companies Act.

14. Admission of New Northgate Shares

Following Completion, the New Northgate Shares will be issued as fully paid and will rank equally in all respects with the Northgate Shares in issue at the time the New Northgate Shares are issued pursuant to the Merger and will be entitled to receive any dividends and/or other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital, share premium account or otherwise) made, by Northgate in respect of the Northgate Shares with a record date falling after the Effective Date.

Northgate will seek approval for the New Northgate Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the New Northgate Shares will commence on the London Stock Exchange at 8.00 a.m. on the first Business Day following the Effective Date.

The New Northgate Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

The one million cumulative preference shares in the capital of Northgate will remain in issue after Completion and the rights attaching to such shares will be unaffected by the Merger.

15. Dilution

Assuming the issue of up to 114,755,965 New Northgate Shares pursuant to the Merger, immediately following Admission, the Existing Northgate Shareholders are expected to hold 133,232,518 Northgate Shares, representing approximately 54% of the total number of Northgate Shares in issue at that time (assuming no further Northgate shares are issued between 6 December 2019 (being the Latest Practicable Date) and Admission)).

16. Risk Factors

For a discussion of certain risk factors which should be taken into account when considering whether or not to vote in favour of the Northgate Resolutions, see Part II (Risk Factors).

17. Northgate General Meeting and the Northgate Resolutions

As described in paragraph 2 of this Part I (*Letter from the Chairman*), as a result of its size, the Merger is conditional on, among other things, Northgate Shareholders passing the Northgate Resolutions at the Northgate General Meeting, which will be held at 10:00 a.m. on 15 January 2020 at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HS:

- that the Merger be approved as a Class 1 transaction and that the Northgate Directors be authorised to implement the Merger; and
- that the Northgate Directors be authorised to allot the New Northgate Shares up to an aggregate of 114,755,965 shares in connection with any allotment of New Northgate Shares:
 - pursuant to the Scheme; or
 - that would be required to be issued in accordance with certain amendments to be made to the articles of association of Redde in connection with the Scheme.

The authority to allot the New Northgate Shares represents approximately 86% of the total issued ordinary share capital of Northgate as at the Latest Practicable Date (as at the Latest Practicable Date, Northgate did not hold any shares in treasury). The passing of the Northgate Resolutions requires more than 50% of the votes cast in respect of the Northgate Resolutions to be in favour of them. If the Northgate Resolutions are passed, this authority will expire on 30 April 2020 (unless previously revoked, renewed, varied or extended).

The full text of the Northgate Resolutions and other matters is set out in the Notice of the Northgate General Meeting attached to this Circular. If the Northgate Resolutions are not passed, the Scheme will not proceed.

18. Action to be taken

Your support is important to us. Please vote on the Northgate Resolutions. Even if you cannot attend the Northgate General Meeting, you can still vote and I would urge you, regardless of the number of shares you own, to appoint a proxy. Proxies may be appointed by using the electronic proxy appointment service by visiting www.signalshares.com and following the instructions. Alternatively, CREST members who wish to appoint a proxy by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website www.euroclear.com/CREST). In either case, further details on the relevant procedures for appointing a proxy electronically are set out in the Notice of General Meeting in Part IX (Notice of General Meeting) at the end of this Circular. The appointment must be received by Northgate not less than 48 hours, excluding non-business days, before the time of the Meeting. Appointing a proxy does not preclude you from attending the Meeting and voting in person if you wish.

19. Further information

Your attention is drawn to the further information set out in Part II (*Risk Factors*) to Part VII (*Additional Information*) of this Circular, together with the Prospectus and the Scheme Document. In particular, Northgate Shareholders should consider fully and carefully the risk factors associated with the Combined Group and the Merger, which are set out in Part II (*Risk Factors*). **Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.**

20. Financial and Other Advice

The Northgate Directors have received financial advice from Goldman Sachs (as lead joint financial adviser) and Barclays (as joint financial adviser and corporate broker) in relation to the Merger. In providing their advice, Goldman Sachs and Barclays have taken into account the commercial assessments of the Northgate Directors.

21. Recommendation

The Merger (as a class 1 transaction for Northgate for the purposes of the Listing Rules) and the issuance of New Northgate Shares under the Merger require the Northgate Resolutions to be approved by simple majority of the votes cast by Northgate Shareholders represented in person or by proxy at the Northgate General Meeting.

The Northgate Directors consider the Merger to be in the best interests of Northgate Shareholders as a whole and unanimously recommend that Northgate Shareholders vote in favour of the Northgate Resolutions. The Northgate Directors who hold Northgate Shares have irrevocably undertaken to vote in favour of the Northgate Resolutions and, subject to the terms of the relevant undertaking, any other resolutions that may be proposed at the Northgate General Meeting, in respect of their own beneficial holdings, which amount in total to 65,023 Northgate Shares, representing approximately 0.05% of Northgate's total issued ordinary share capital as at the Latest Practicable Date.

Yours sincerely,



Avril Palmer-Baunack
Non-executive Chairman

PART II

RISK FACTORS

Northgate Shareholders should consider the following risks and uncertainties together with all the other information set out in, or incorporated by reference into, this document prior to making any decision as to whether or not to vote in favour of the Merger. The Northgate Group's, the Redde Group's and, if the Merger becomes effective, the Combined Group's business, results of operations, financial condition and prospects could be materially and adversely affected by any of these risks. The market price of Northgate Shares may decline due to any of these risks or other factors and Northgate Shareholders may lose all or part of their investment.

The risks disclosed in this Circular are those which are material risks relating to the Merger or are existing material risks for the Northgate Group which will be impacted by the Merger. There are other risks relating to the Northgate Group and the Combined Group which are not within the scope of risk categories outlined above and such risks can be found in the Prospectus. The risks described below and those in the Prospectus are not the only ones which the Northgate Group and the Redde Group face and, if the Merger becomes effective, the Combined Group will face. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not currently known to Northgate, or those that it currently deems not to be material, may become material and adversely affect the Northgate Group's, the Redde Group's and, if the Merger becomes effective, the Combined Group's business, results of operations, financial condition and prospects and/or the value of Northgate Shares. This Circular also contains estimates and projections that involve risks and uncertainties. The Northgate Group's, the Redde Group's and, if the Merger becomes effective, the Combined Group's results may differ significantly from those previously projected as a result of certain factors, including the risks which they face, as described below and in other sections of this document and in the Prospectus and/or the Scheme Document.

The information given in this section is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Takeover Panel, the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, the City Code or any other applicable law or regulation, will not be updated. Any forward looking statements are made subject to the reservations specified in "Information regarding forward-looking statements" on page 4 of this Circular.

EXISTING MATERIAL RISKS RELATING TO THE NORTHGATE GROUP WHICH WILL BE IMPACTED IF THE MERGER BECOMES EFFECTIVE

The demand for the products and services of the Northgate Group and, following the Merger, the Combined Group, could be affected by a downturn in economic activity, including as a result of the UK's withdrawal from the European Union.

Should there be an economic downturn, particularly in the UK, but also in Ireland or Spain, including as a result of Brexit or other factors, the impact would likely be felt by the Northgate Group's and, following the Merger, the Combined Group's customers, in particular with a decline in the construction and other industrial markets. There could be a decline in both activity and demand. Negative developments in, or the general weakness of, the UK, Irish and Spanish economies and, in particular, any restriction on infrastructure of capital spending projects, higher unemployment and lower household income may have a direct negative impact on the spending patterns of customers. Adverse changes in economic conditions could result in continued or further changes to driving patterns or decreased vehicle usage, and this may also result in lower numbers of accidents and therefore reduced business volumes for the Redde Group. Such negative impacts could be further compounded by competitor activity, which could in turn cause pricing pressure. Economic uncertainty might also affect the Combined Group's key business partners and referrers and/or generally have an adverse impact on the insurance or other industries in which Redde's key trading partners operate. In addition, an adverse change in macro-economic conditions could also increase the risk of customer failure and therefore incidences of bad debts.

Failure to attract, develop and retain individuals with the appropriate skills will inhibit the successful achievement of the Northgate Group's and, following the Merger, the Combined Group's strategy.

Failure to attract, motivate and retain talented employees and develop the Combined Group's desired culture, leadership and behaviours may result in employees experiencing a decline in engagement or job satisfaction and may disrupt Northgate's business operations and damage its reputation, and could result in a material adverse change in the Northgate's business, results of operations, financial condition and prospects.

Failure to comply with laws and regulations would put the reputation of the business at risk, both in attracting fines and penalties, and in maintaining good customer and supplier relationships.

The Northgate Group's sites located across the UK, Ireland and Spain expose it to a range of different laws and regulations. These laws and regulations address multiple aspects of the Northgate Group's operations, such as worker safety, environmental considerations, product safety, quality and liability, consumer rights, privacy, employee benefits and may also impact other areas of the Northgate Group's business, such as pricing. There are often different requirements in different jurisdictions. Similarly, certain of the Redde Group's activities and arrangements are subject to regulation, failure to comply with which may result in the imposition of fines or an obligation to pay compensation, or may prevent Redde from carrying on a part of its business. If any of the laws or regulations to which the Combined Group are subject were to change or the Combined Group's management, employees or suppliers were to fail to comply with them, the Combined Group may be required to implement extensive system and operating changes, and as a result, could experience delays in the getting its vehicles on hire to customers, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for its services and damage its business, financial condition, results of operations or prospects.

Changes in these requirements, or any material failure by the Combined Group to comply with them, may increase the Combined Group's costs, negatively affect its reputation, reduce its business, require significant management time and attention and generally otherwise impact the Combined Group's business, financial condition, results of operations or prospects in materially adverse ways.

Information technology ("IT") systems are integral to the Northgate Group's operations. Failure to invest in the Northgate Group's or, following the Merger, the Combined Group's systems appropriately, and in the security and continuity of those systems, could result in a loss of commercial agility, loss or theft of sensitive data, and an inability to carry out the Combined Group's business activities effectively.

The Northgate Group depends on its IT systems for the efficient functioning of its business. The Northgate Group's IT systems facilitate its ability to monitor and control its assets and operations and adjust to changing market conditions and customer needs. Any significant disruptions or failure in these systems to operate as expected could, depending on the magnitude of the problem, adversely affect proper functioning of the Combined Group's business. In addition, because the Northgate Group's systems sometimes contain information about individuals and businesses, its failure to appropriately safeguard the security of the data it holds, whether as a result of its own error or the malfeasance or errors of others, could harm its reputation or give rise to legal liabilities. IT and operational risks are also present in the Redde Group's business, including the risk of direct and/or indirect loss resulting from inadequate or failed internal and external processes, systems, or infrastructure from fraud or human error or from external events. The Redde Group's business is dependent on processing a large number of incidents for management, claims and vehicle hires and repairs. There could be a failure, weakness in, or security breach of, the Redde Group's systems, processes or business continuity arrangements. The impact of such risks on the Combined Group could lead to lower revenue, increased costs and other material adverse effects on the Combined Group's business, financial condition, results of operations or prospects.

In addition, Northgate's UK operations are currently in the process of developing a new IT system. This could take longer than expected, disrupt or fail to effectively integrate with the Northgate Group's current systems, fail to achieve the expected benefits and/or result in cost overruns.

RISKS AND OTHER CONSIDERATIONS RELATING TO THE MERGER

In addition to the material risks above that apply generally to the Northgate Group as a whole, and that will be impacted if the Merger becomes effective, the risks identified below set out the principal risks relating specifically to the Merger. The Merger-related risks described below are those that Northgate currently believes may materially affect the value of Northgate Shares. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties relating to the Merger. Additional risks and uncertainties relating to the Merger that are not currently known to Northgate, or those that it currently deems not to be material, may become material and adversely affect the Northgate Group's, the Redde Group's and, if the Merger becomes effective, the Combined Group's business, results of operations, financial condition and prospects and/or the value of Northgate Shares. The Northgate Group's, the Redde Group's and, if the Merger becomes effective, the Combined Group's business, results of operations, financial condition and prospects could be materially and adversely affected by any of these risks. The market price of Northgate Shares may decline due to any of these risks or other factors and Northgate Shareholders may lose all or part of their investment.

The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Redde Group effectively, including employee engagement, and realise the synergy benefits estimated to result from the Merger.

The Merger will result in the integration of the Northgate Group and the Redde Group, and the success of the Merger will depend in part on the effectiveness of this integration process and, relatedly, the ability of the Combined Group to realise the anticipated benefits and synergies from combining the respective businesses. The process of integration could potentially lead to the interruption of the operations of the businesses or a loss of their respective customers and/or key personnel, either or both of which could have an adverse effect on the business, financial condition and results of operations of the Combined Group.

Integration may be adversely impacted, for example, by any negative reaction to the Merger by the employees of both businesses, which could also lead to short-term business disruption if employees focus on the Merger and impending organisational changes rather than maintaining day-to-day operations. Employee uncertainty may also lead to increased staff turnover, the loss of key personnel, higher absenteeism, an increase in employment related claims against either company, increased risk of loss of commercially sensitive data and/or an increased risk of malicious acts against the Combined Group by affected persons. There is also a risk that the challenges associated with managing the integration of the businesses will result in management distraction and that consequently the underlying businesses will not perform in line with expectations. Any delays or difficulties encountered in connection with the integration of the businesses could also lead to reputational damage to the Combined Group. In addition, some of the potential challenges in combining the businesses may not be known until after Completion.

Cost and revenue synergies resulting from the Merger have been identified. The Northgate Directors expect that the Merger will generate pre-tax cost synergies of at least £10 million per annum, with target run-rate phasing of £7 million at the end of the first 12 months following Completion and £10 million at the end of the second 12 months following Completion. The ability to achieve the projected synergies is dependent upon a significant number of factors, some of which may be beyond the control of the Combined Group. There is a risk that the projected synergy benefits will fail to materialise, will take longer to materialise or will be materially lower than have been estimated, or that costs or dis-synergies expected to arise in respect of implementation of the Merger may be greater than expected. Any one or more of these factors could result in a loss of reputation, trust and goodwill with investors and/or have a material adverse effect on the Combined Group's business, results of operations, financial condition and prospects. See further Part V (*Northgate Quantified Financial Benefits Statement*) of this Circular.

The implementation of the Merger is subject to the satisfaction or waiver, where applicable, of a number of conditions.

Implementation of the Merger is subject to, among other things, approval of the Scheme by the Scheme Shareholders, the passing of the Northgate Resolutions by the Northgate Shareholders, obtaining the relevant approvals required from the FCA and SRA, and the sanctioning by the Court of the Scheme. For more information, see paragraph 10 of Part I (*Letter from the Chairman*).

While the Northgate Group and the Redde Group believe that all conditions to the Merger can be satisfied or waived, as applicable, there can be no guarantee that the conditions will be timely met or waived, as applicable, on terms acceptable to both the Northgate Group and the Redde Group, or at all, or that such conditions can only be met after a significant diversion of financial resources or a significant devotion of management time and attention. If this were the case, the Merger may be delayed, which would prolong the period of uncertainty for both the Northgate Group and the Redde Group and may result in additional costs to their businesses, or may not become effective, either of which could have a material adverse effect on the business, results of operations, financial condition, or prospects of the Northgate Group and the Redde Group and, if the Merger becomes effective, the Combined Group.

Even if a material adverse change to the Redde Group's business or prospects were to occur, in certain circumstances, Northgate may not be able to invoke the conditions and terminate the Merger.

Northgate will only be permitted by the Takeover Panel to invoke a condition to terminate the Merger if the Takeover Panel is satisfied that the underlying circumstances which Northgate is relying on to terminate the Merger are considered to be of material significance to Northgate in the context of the Merger. This is a high threshold to satisfy. In some cases, invoking a condition will require the relevant circumstances to be of very considerable significance and strike at the purpose of the Merger. This test, however, may not align with Northgate's commercial interests. There is, therefore, a risk that Northgate will be required to proceed with the Merger where circumstances have arisen which make, or may make, Completion commercially undesirable for Northgate. This could have a material adverse effect on the Northgate Group's business, results of operations, financial condition and prospects.

The Northgate Shares may be subject to market price volatility and the market price of the Northgate Shares may fluctuate significantly.

The market price of Northgate Shares may be volatile and subject to wide fluctuations. Fluctuations may occur as a result of a variety of factors including, but not limited to, the factors referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Northgate Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Northgate Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Northgate Group; speculation about the Northgate Group in the press or the investment community, including unfavourable press in relation to the Merger; an unfavourable view of the stock market in respect of the Merger; strategic actions by competitors, including acquisitions and restructurings; regulatory changes; and changes in market conditions, including broader market volatility and movements.

PART III

HISTORICAL FINANCIAL INFORMATION IN RELATION TO REDDE AND THE REDDE GROUP

Section A

The audited consolidated financial information of Redde for the three years ended 30 June 2019, as set out in the Prospectus, are hereby incorporated by reference.

Cross Reference List

The following list is intended to enable Northgate Shareholders to identify easily specific items of financial information which have been incorporated by reference into this document.

Each of the financial statements listed below has been extracted without material adjustment (in each case, as originally published) and reproduced in Part 18 (*Redde Historical Financial Information*) of the Prospectus. Consequently, page numbers and other references may no longer be valid (in particular, there may be references to other parts of the annual reports not reproduced in this Part). The terms used in the Redde historical financial information have the meaning given to them in the relevant annual report and accounts.

Year ended 30 June 2019

<u>Information incorporated by reference into this Circular</u>	<u>Reference document</u>	<u>Page number in reference document</u>
Consolidated Income Statement.....	Prospectus	100
Consolidated Statement of Comprehensive Income	Prospectus	101
Consolidated Statement of Financial Position	Prospectus	102
Consolidated Statement of Cash Flows	Prospectus	103
Notes to the Consolidated Financial Statements.....	Prospectus	105

Year ended 30 June 2018

<u>Information incorporated by reference into this Circular</u>	<u>Reference document</u>	<u>Page number in reference document</u>
Consolidated Income Statement.....	Prospectus	135
Consolidated Statement of Comprehensive Income	Prospectus	136
Consolidated Statement of Financial Position	Prospectus	137
Consolidated Statement of Cash Flows	Prospectus	138
Notes to the Consolidated Financial Statements.....	Prospectus	140

Year ended 30 June 2017

<u>Information incorporated by reference into this Circular</u>	<u>Reference document</u>	<u>Page number in reference document</u>
Consolidated Income Statement.....	Prospectus	167
Consolidated Statement of Comprehensive Income	Prospectus	168
Consolidated Statement of Financial Position	Prospectus	169
Consolidated Statement of Cash Flows	Prospectus	170
Notes to the Consolidated Financial Statements.....	Prospectus	172

Section B

The Northgate Directors confirm that no material adjustment needs to be made to the financial information of the Redde Group for the year ended 30 June 2017, 2018 or 2019 to achieve consistency with the Northgate Group's accounting policies for the year ended 30 April 2019.

PART IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

Section A

Unaudited pro forma financial information of the Combined Group

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the proposed Merger on the income statement of the Combined Group as if it had occurred on 1 May 2018 and the net assets of the Combined Group as if it had occurred on 30 April 2019. The unaudited pro forma income statement and the unaudited pro forma statement of net assets have been prepared on the basis of, and should be read in conjunction with, the notes set out below.

This pro forma financial information is unaudited and is produced for illustrative purposes only; by its nature it addresses a hypothetical situation and therefore does not represent the Combined Group's actual financial position or the results of the Merger nor is it indicative of the results that may, or may not, be expected to be achieved in the future. It has been prepared in accordance with IFRS accounting policies adopted in the Northgate Group's consolidated financial statements for the year ended 30 April 2019, on the basis of the notes below and in accordance with the requirements of Listing Rule 13.3.3R.

The pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

Shareholders should read the whole of this document and not rely solely on the unaudited pro forma financial information in this Part IV (*Unaudited pro forma financial information of the Combined Group*). PricewaterhouseCooper's report on the unaudited consolidated pro forma financial information is set out in Section B of this Part IV (*Unaudited pro forma financial information of the Combined Group*).

Pro forma consolidated income statement (unaudited)

	Northgate	Redde	Adjustment	Adjustment	Adjustment	Pro forma
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
			(£000)			
Revenue.....	745,470	589,724	–	–	–	1,335,194
Cost of sales	(592,598)	(452,034)	1,222	–	–	(1,043,410)
Gross profit	152,872	137,690	1,222	–	–	291,784
Administrative expenses (excluding exceptional items and certain intangible amortisation).....	(76,672)	(93,375)	–	(1,082)	–	171,129
Exceptional administrative expenses	–	(5,244)	–	1,082	(24,300)	(28,462)
Certain intangible amortisation	(709)	(2,390)	–	–	–	3,099
Total administrative expenses.	(77,381)	(101,009)	–	–	(24,300)	(202,690)
Operating profit.....	75,491	36,681	1,222	–	(24,300)	89,094
Share of associates	–	5,261	–	–	–	5,261
EBIT	75,491	41,942	1,222	–	(24,300)	94,355
Interest income	39	37	–	–	–	76
Finance costs	(15,124)	(325)	(1,222)	–	–	(16,671)
Profit before taxation	60,406	41,654	–	–	(24,300)	77,760
Taxation	(8,988)	(7,148)	–	–	–	(16,136)
Profit for the year.....	51,418	34,506	–	–	(24,300)	61,624

Notes:

- (1) The income statement of Northgate has been extracted without material adjustment from its audited financial statements for the year ended 30 April 2019.
- (2) The income statement of Redde has been extracted without material adjustment from its audited financial statements for the year ended 30 June 2019.
- (3) Interest costs related to finance lease expense on finance-leased vehicles included with cost of sales within the financial statements of Redde have been reclassified to interest costs, in line with the presentation of the equivalent costs within the financial statements of Northgate.
- (4) Share based payments expenses included as non-trading administrative expenses within the financial statements of Redde have been reclassified to underlying administrative expenses in line with the presentation of the equivalent costs within the financial statements of Northgate.
- (5) Adjustment represents the costs of the Merger. Such costs consist of advisor and other transaction fees and are wholly attributable to the acquisition and are non-recurring.
- (6) In preparing the unaudited pro forma income statement, no account has been taken of the trading activity or other transactions of the Northgate Group since 30 April 2019 or the Redde Group since 30 June 2019. Neither has any adjustment been made for any synergies, or related costs (which will be incurred post-transaction), which are anticipated to be achieved from the Merger. Further, no adjustment has been to Northgate's interest costs in the event that Northgate is required to draw on the Backstop Facilities Agreement as set out in Part VII (*Additional Information*).

Pro forma consolidated balance sheet (unaudited)

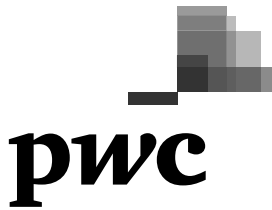
	Northgate	Redde	Adjustment	Adjustment	Adjustment	Pro forma
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
			(£000)			
Non-current assets						
Goodwill.....	3,589	85,077	204,780	–	–	293,446
Other intangible assets	11,495	14,137	(14,137)	–	–	11,495
Interest in associates.....	–	4,401	–	–	–	4,401
Property, plant and equipment:						
vehicles for hire.....	900,335	40,169	–	–	–	940,504
Other property, plant and equipment	68,843	5,853	–	–	–	74,696
Total property, plant and equipment.....	969,178	46,022	–	–	–	1,015,200
Deferred tax assets	6,620	6,940	–	–	–	13,560
	990,882	156,577	190,643	–	–	1,338,102
Current assets						
Inventories	29,826	–	–	–	–	29,826
Trade and other receivables	71,802	219,645	–	–	–	291,447
Current tax assets	116	–	–	–	–	116
Cash and bank balances	35,742	11,880	–	(24,300)	–	23,322
	137,486	231,525	–	(24,300)	–	344,711
Total assets	1,128,368	388,102	190,643	(24,300)	–	1,682,813
Current Liabilities						
Trade and other payables	72,487	171,301	–	–	–	243,788
Derivative financial instruments	77	–	–	–	–	77
Current tax liabilities.....	13,425	–	–	–	–	13,425
Short term borrowings	44,190	24,535	–	–	(9,000)	59,725
Provisions	–	3,401	–	–	–	3,401
	130,179	199,237	–	–	(9,000)	320,416
Net current assets	7,307	32,288	–	(24,300)	9,000	24,295
Non-current liabilities						
Derivative financial instrument liabilities.....	914	–	–	–	–	914
Long term borrowings.....	428,409	22,030	–	–	9,000	459,439
Deferred tax liabilities.....	5,250	3,800	–	–	–	9,050
Provisions	–	1,951	–	–	–	1,951
	434,573	27,781	–	–	9,000	471,354
Total liabilities	564,752	227,018	–	–	–	791,770
Net assets	563,616	161,084	190,643	(24,300)	–	891,043

Notes:

- (1) The net assets of Northgate have been extracted without material adjustment from its audited financial statements for the year ended 30 April 2019.
- (2) The net assets of Redde have been extracted without material adjustment from its audited financial statements for the year ended 30 June 2019.
- (3) (i) The adjustment in Note 3 represents the goodwill that will be recognised in Northgate's consolidated financial statements upon completion of the acquisition, with the acquisition being accounted for as a business combination in accordance with IFRS 3

	<i>(£'000)</i>
Acquisition adjustments	
Equity consideration (a)(b)	351,727
Less: net assets acquired of Redde (c)	(61,870)
Goodwill	289,857
Less: goodwill already included within Redde (c)	(85,077)
Pro forma adjustment required	204,780

- (ii) The consideration is due to be settled as follows:
 - (a) The consideration of £352 million has been calculated as the issue of 114.8 million shares at a share price of 307p being the closing price per Northgate ordinary share on 6 December 2019 and based on the Exchange Ratio for the Merger of 0.3669 of New Northgate Shares in exchange for each Redde ordinary share
 - (b) The consideration payable at completion will be different to the consideration included in this pro forma financial information as the number of shares to be issued and the share price will be calculated at the completion date.
 - (c) The net assets acquired of £62 million comprise the consolidated net assets of Redde as at 30 June 2019 of £161 million net of the elimination of goodwill and intangible assets of £99 million included in the Redde balance sheet as at 30 June 2019.
- (iii) Under IFRS acquisition accounting (IFRS 3), it is necessary to fair value the consideration paid and all the assets and liabilities of the acquired business. The excess of consideration over the book value acquired has been reflected in this pro forma financial information as goodwill. A fair value exercise to allocate the purchase price will be completed following the completion of the Merger; therefore, no account has been taken in the pro forma of any fair value adjustments that may arise on the acquisition, or for the value of customer-related or other intangibles to be recognised at the date of acquisition. Similarly, no pro forma amortisation has been applied. The allocation of the purchase price and fair value adjustments, when finalised post completion of the Merger, may be material.
- (4) Adjustment represents the estimated costs of the acquisition, which have been charged to the income statement. Such estimated costs consist of advisor and other transaction fees, which are wholly attributable to the acquisition and are non-recurring.
- (5) Borrowings in Redde of £9 million are drawn under Redde's revolving credit facilities, which are repayable upon change of control. In such an event, this adjustment reflects that the repayment will be funded out of the undrawn borrowing facilities of Northgate.
- (6) In preparing the unaudited pro forma net assets statement, no account has been taken of the trading activity or other transactions, including dividend payments which have been made between the respective year end dates and the date of the Merger Announcement, of the Northgate Group since 30 April 2019 or the Redde Group since 30 June 2019. Further, no adjustment has been to Northgate's borrowings in the event that Northgate is required to draw on the Backstop Facilities Agreement as set out in Part VII (*Additional Information*).



Section B – Accountants’ report on the Unaudited Pro Forma Financial Information for the Combined Group

The Directors
Northgate plc (the “**Company**”)
Northgate Centre
Lingfield Way
Darlington
DL1 4PZ

Goldman Sachs International (the “**Sponsor**”)
Plumtree Court
25 Shoe Lane
London
EC4A 4AU

12 December 2019

Dear Ladies and Gentlemen

Northgate plc (the “Company”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section A of Part IV of the Company’s circular dated 12 December 2019 (the “**Circular**”) which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 30 April 2019. This report is required by item 13.3.3R of the Listing Rules of the Financial Conduct Authority (the “**Listing Rules**”) and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

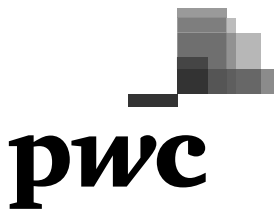
It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by 13.3.3R of the Listing Rules as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART V

NORTHGATE QUANTIFIED FINANCIAL BENEFITS STATEMENT

1. Northgate Quantified Financial Benefits Statement

Northgate and Redde have identified significant savings that they expect to result from the Merger. The boards of Northgate and Redde expect that the Merger will generate pre-tax cost synergies of at least £10 million per annum, with target run-rate phasing of £7 million at the end of the first 12 months following Completion and £10 million at the end of the second 12 months following Completion.

These cost synergies are expected to be delivered from the following areas:

- *Corporate and support functions (approximately 45% of total pre-tax cost synergies):* Rationalisation and consolidation of corporate and support functions, removal of duplicate public company costs and optimisation of procurement;
- *Network (approximately 35% of total pre-tax cost synergies):* Operational savings from optimisation of the combined networks given enhanced scale of the Combined Group which is expected to enable the removal of branch overlap and the better optimisation of the network density of the Combined Group; and
- *Accident and fleet management (approximately 20% of total pre-tax cost synergies):* Operational savings from consolidating and rationalising the accident and fleet management capabilities of the Combined Group.

In achieving these cost synergies, the Combined Group expects to incur aggregate cash implementation costs of approximately £10 million. It is expected that approximately 70% of the total integration costs will be incurred in the first 12 months following Completion with the balance being incurred in the second 12 months following Completion.

Aside from these one-off costs, the Northgate Board and Redde Board do not expect any material dis-synergies to arise from the creation of the Combined Group.

The identified synergies are contingent on the Merger and would not be achieved independently. Further information on the bases of belief supporting the Northgate Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out below.

The identified synergies reflect both the beneficial elements and the relevant costs.

Further information on the basis of belief supporting the Northgate Quantified Financial Benefits Statement, including the principal assumptions and sources of information is set out below.

2. Basis of belief

Following commencement of discussions regarding the creation of the Combined Group, a team with members of the management team from Northgate and Redde (the “Synergy Team”) was established to identify areas of potential savings and validate the cost benefit plan. The Northgate and Redde teams worked collaboratively to identify integration initiatives and estimate the timing and quantum of cost benefits available.

In preparing the Northgate Quantified Financial Benefits Statement, both Northgate and Redde have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential cost benefits available from the creation of the Combined Group. In circumstances where data have been limited for commercial or other reasons, the Synergy Team has made estimates and assumptions to aid its development of individual cost benefit initiatives.

In general, the cost benefit assumptions have in turn been risk adjusted, exercising a degree of prudence in the calculation of the estimated cost benefits set out above.

In arriving at the Northgate Quantified Financial Benefits Statement, Northgate have assumed:

- no material change in law and regulations, changes in government policies and changes in accounting standards;
- no unanticipated financial impact of the UK's EU Referendum on 23 June 2016;
- no significant impact on the underlying operations of either business from the creation of the Combined Group;
- no material change in foreign exchange rates; and
- no material divestments from either the Northgate or Redde existing businesses.

The baselines used for the quantified cost synergies were:

- For Northgate: full year operating expenses for the financial year ended 30 April 2019; and
- For Redde: full year operating expenses for the financial year ended 30 June 2019.

3. Notes

The statements of estimated cost benefits relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost benefits referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

Other than the Northgate Profit Forecast, no statement in the Northgate Quantified Financial Benefits Statement or this Circular generally should be construed as a profit forecast or interpreted to mean that Northgate's earnings in the full first full year following the Merger, or in any subsequent period, would necessarily match or be greater than or be less than those of Northgate and/or Redde for the relevant preceding financial period or any other period.

Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost benefits may be materially greater or less than those estimated.

PART VI

NORTHGATE PROFIT FORECAST

On 29 November 2019, Northgate announced its interim results for the six months ended 31 October 2019. As part of that announcement Northgate made the following statements regarding the outlook for its business (the “Interim Statements”) as an update to statements made on 25 June 2019 at the time of the announcement of its results for the 12 months ended 30 April 2019 (the “Full Year Statements”):

“The Company re-confirms its guidance for the current year in relation to the Group’s hire revenue growth, where we continue to expect low to mid single digit year-on-year growth %.”

“The Company now expects the Group rental profit margin to improve by at least 50 basis points year-on-year.”

“Group disposal profits are now expected to decrease by approximately 20% on the prior year.”

When considered together the Interim Statements imply an expected level of revenue and underlying profit before tax for the 12 months ending 30 April 2020 which is unchanged from the expected level implied by the Full Year Statements (the “Implied Forecast”).

The Full Year Statements and the Implied Forecast were originally published before Northgate made any approach to Redde and, accordingly, the requirements of Rule 28.1(c) of the City Code on Takeovers and Mergers apply in relation to the Full Year Statements.

The Northgate Directors confirm that the Implied Forecast remains valid and confirm that the Implied Forecast has been properly compiled on the basis of the assumptions stated below. The Northgate Directors confirm that the Implied Forecast has been compiled and prepared on a basis which is both comparable with Northgate’s historical financial information and consistent with Northgate’s accounting policies.

Assumptions

The Full Year Statements, Interim Statements and the Implied Forecast were prepared on the basis of the following assumptions, any of which could turn out to be incorrect and therefore affect the validity of the Full Year Statements, Interim Statements and the Implied Forecast:

Factors within the influence and control of the Northgate Directors

- There is no material change in the operational strategy of Northgate from the date of this Circular.
- There will be no further acquisitions or disposals which will have a material impact on Northgate’s results.
- There are no material strategic investments over and above those currently planned.

Factors outside the influence or control of the Northgate Directors

- There will be no material macroeconomic change in the principal markets and regions in which Northgate operates.
- There will be no unanticipated financial impact of the UK’s EU Referendum on 23 June 2016.
- There will be no material adverse events which will have a significant impact on Northgate’s financial results.
- There will be no changes in interest rates, bases of taxation, regulatory environment or legislation that have a material impact on Northgate, including in relation to operations or accounting policies.
- There will be no material changes in customer demand or the competitive environment in which Northgate operates.
- There will be no business disruptions that materially affect Northgate or its customer or supplier partners.

PART VII

ADDITIONAL INFORMATION

1. Responsibility Statement

Northgate and the Northgate Directors, whose names appear below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Northgate and the Northgate Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and this Circular does not omit anything likely to affect the import of such information.

2. Northgate Information

Northgate was incorporated on 2 July 1897 as a public limited company with the name of Goode Durrant & Murray Group Public Limited Company. Northgate subsequently changed its name on 14 January 1987 to Goode Durrant PLC. On 16 September 1999 Northgate changed its name to Northgate plc. It was incorporated with limited liability in England and Wales, and operates as a public limited company under the Companies Act, with registered number 00053171. Northgate is a resident of the UK for UK tax purposes.

Northgate's registered office and principal place of business is at Northgate Centre, Lingfield Way, Darlington, England DL1 4PZ and its telephone number is +44 (0)1325 467558. Northgate's website is www.northgateplc.com. The contents of Northgate's website do not form part of this Circular.

The principal laws and legislation under which Northgate operates are the Companies Act and the regulations made thereunder.

3. Northgate Directors

Avril Palmer-Baunack (*Non-executive Chairman*)

John Pattullo OBE (*Senior Independent Director*)

Philip Vincent (*Chief Financial Officer*)

William Spencer (*Non-executive Director*)

Claire Miles (*Non-executive Director*)

Mark Butcher (*Non-executive Director*)

Fernando Cogollos (*Non-executive Director*)

4. Proposed Directors

Martin Ward (*Chief Executive Officer*)

John Davies (*Non-executive Director*)

Mark McCafferty (*Non-executive Director*)

Stephen Oakley (*Non-executive Director*)

5. Proposed Directors' terms of employment and remuneration

Service agreement of Martin Ward

It is anticipated that a new service agreement will be put in place between Martin Ward and Northgate. No discussions have taken place in respect of the terms of Martin Ward's new service agreement. However, it is intended that the terms will be appropriate for a CEO of a group of the size and nature of the Combined Group, which will take into account appropriate and recognised benchmarking. Martin Ward will be eligible to participate in the proposed Value Creation Plan and further information on that plan and his participation is set out in paragraph 8 of Part I (*Letter from the Chairman*).

Non-executive directors' letters of appointment

It is intended that John Davies, Mark McCafferty and Stephen Oakley, as non-executive directors of the Combined Group, will have letters of appointment with the Combined Group on substantially the same terms as Northgate's existing non-executive directors.

6. Material contracts

Northgate

Confidentiality Agreement

On 21 October 2019, Northgate and Redde entered into a mutual confidentiality agreement pursuant to which each of Northgate and Redde has undertaken, amongst other things, to: (a) keep confidential information relating to the Merger and the other party and not to disclose it to third parties (other than certain permitted parties) unless required by law or regulation; and (b) use the confidential information for the sole purpose of evaluating, negotiating, advising on or implementing the potential Merger. These confidentiality obligations remain in force until the earlier of: (i) two years from the date of the confidentiality agreement; and (ii) the Effective Date. The agreement also contains provisions pursuant to which each party has agreed not to solicit certain employees, suppliers and customers of the other party, subject to customary carve-outs, for a period of 12 months from the date of the confidentiality agreement.

Co-operation Agreement

On 29 November 2019, Northgate and Redde entered into the Co-operation Agreement, pursuant to which Northgate and Redde have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to regulatory clearances and authorisations. Northgate and Redde have also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

The Co-operation Agreement records Northgate's and Redde's intention to implement the Merger by way of the Scheme, subject to the ability of Northgate to proceed by way of a Takeover Offer in certain circumstances. The Co-operation Agreement also contains provisions that will apply in respect of the Redde Share Plans, the Northgate Share Plans and certain other employee incentive arrangements.

The Co-operation Agreement shall be terminated with immediate effect if: (i) Northgate and Redde so agree in writing; (ii) if the Merger is, with the permission of the Takeover Panel, withdrawn or lapses in accordance with its terms prior to the Longstop Date; or (iii) if the Scheme has not become effective by the Longstop Date.

Northgate has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Redde (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) any Condition in so far as it relates to Redde is not satisfied or waived or becomes incapable of satisfaction or waiver (where such invocation has been permitted by the Takeover Panel) by the Longstop Date. Redde has the right to terminate the Co-operation Agreement if: (i) a Competing Proposal for Northgate (as defined in the Co-operation Agreement) completes, becomes effective, or is declared or becomes unconditional in all respects; or (ii) Northgate breaches clause 8.3 of the Co-operation Agreement. In addition, either party has the right to terminate the Co-operation Agreement if: (i) there is a Redde Adverse Recommendation Change (as defined in the Co-operation Agreement); or (ii) there is a Northgate Adverse Recommendation Change (as defined in the Co-operation Agreement).

Facilities Agreement

On 16 September 2019, Northgate plc entered into a senior multicurrency term and revolving facilities agreement made between Northgate, ABN Amro Bank N.V., Barclays Bank PLC, Lloyds Bank plc and The Royal Bank of Scotland plc as arrangers, Northgate and Northgate Vehicle Hire Limited as borrowers, Northgate, Northgate Vehicle Hire Limited, and Northgate (Europe) Limited as guarantors, ABN Amro Bank N.V., Barclays Bank PLC, Lloyds Bank plc, The Royal Bank of Scotland plc, The Governor and Company of the Bank of Ireland, Banco de Sabadell S.A., London Branch, Banco Bilbao Vizcaya Argentaria, S.A.,

London Branch, CaixaBank, S.A. United Kingdom Branch, and Bank of China Limited, London Branch as lenders (the “Lenders”), and National Westminster Bank plc as agent (the “Agent”), as amended and restated from time to time (the “Facilities Agreement”) consisting of (i) a senior multicurrency term loan facility of €89,560,000 (the “Term Loan”) and (ii) a revolving credit facility of £477,500,000 (the “RCF” and, together with the Term Loan, the “Facilities”).

As at 6 December 2019, the full amount of the Term Loan has been drawn down. The Term Loan facility matures on 30 November 2022 and accrues interest at EURIBOR, plus an applicable margin.

The base currency of the RCF is sterling but is available in optional currencies subject to certain conditions. The RCF may be utilised for the general corporate purposes of the Northgate Group, including refinancing indebtedness and financing acquisitions.

As at 6 December 2019, Northgate had approximately £345,000,000 drawn down under the RCF. The RCF matures on 30 November 2023 and accrues interest at LIBOR plus an applicable margin.

Each loan under the RCF is repayable on the last day of its interest period. The interest period can be one, three, or six months or any such period as agreed between Northgate and the Agent.

The Facilities Agreement also contains customary prepayment, cancellation and default provisions and customary representations and warranties (subject to certain exceptions and qualifications) and a financial covenant based on the ratio of total net debt to EBITDA.

The Facilities Agreement limits the ability of Northgate and the obligors to make acquisitions, enter mergers or joint ventures, incur additional financial indebtedness, make disposals, grant security or make a substantial change to the general nature of the business of Northgate and its subsidiaries as well as other customary covenants.

The covenants, events of default and representations in the Facilities Agreement are customary for facilities of this type and are subject to certain carve-outs and/or materiality thresholds.

Backstop facilities agreement

The Facilities Agreement contains a covenant restricting acquisitions that does not currently permit the completion of the Merger. The Company has approached the Lenders (as defined in the Facilities Agreement) for the required consent to waive this provision in respect of the Merger (the “Consent”).

The Company has entered into a commitment letter with Barclays Bank PLC pursuant to which Barclays Bank PLC has underwritten certain backstop facilities (the “Backstop Facilities”) and has agreed to execute a backstop facilities agreement (the “Backstop Facilities Agreement”) upon one Business Day’s request by Northgate.

The Backstop Facilities are, in aggregate, sufficient to refinance and provide equivalent headroom to the Facilities and, upon the execution of the Backstop Facilities Agreement and satisfaction of relevant conditions precedent, they would be available to be drawn to refinance the Facilities and (to the extent provided as revolving facilities) for general corporate purposes. The completion of the Merger is permitted under the Backstop Facilities Agreement.

In the event that the Consent is not granted by the Majority Lenders under and as defined in the Facilities Agreement, Northgate will be entitled to require the execution of the Backstop Facilities Agreement by Barclays Bank PLC.

The Backstop Facilities have a term of 12 months from the date of the Backstop Facilities Agreement, subject to a six months extension (exercisable at the option of Northgate only).

The representations, financial covenants, general covenants and events of default under the Backstop Facilities Agreement generally reflect those of the Facilities Agreement (other than permitting the completion of the Merger) and the Backstop Facilities Agreement contains customary prepayment and cancellation provisions for backstop facilities.

Note purchase agreement

On 31 July 2015, Northgate entered into a note purchase agreement to authorise the issue and sale of €100,000,000 aggregate principal amount of its senior notes to the Prudential Insurance Company of America, the Prudential Retirement Insurance and Annuity Company, the Prudential Legacy Insurance Company of New Jersey, and International Kapitalanlagegesellschaft MBH, Dusseldorf (together, the “Purchasers”) (the “Note Purchase Agreement”).

The unpaid principal balance of each is due and payable on 1 August 2022. Interest is due on the 31st day of January and July in each year, commencing from the date the note was issued. Voluntary prepayment, either in full or in part may be made by giving prior notice to each noteholder, subject to certain make-whole provisions.

The Note Purchase Agreement limits the ability of the Company to substantially change the general nature of the Company’s business, enter into certain mergers (such as those that would result in the Company being incorporated outside the United Kingdom or certain other jurisdictions), make investments which could result in the imposition of sanctions, incur financial indebtedness, grant security and make disposals (in each case, subject to certain exceptions, and as not otherwise permitted in the Note Purchase Agreement).

The covenants, events of default and representations in the Note Purchase Agreement are customary for facilities of this type and are subject to certain carve-outs and/or materiality thresholds.

Redde

Redde is party to each of the Confidentiality Agreement and the Co-operation Agreement described above.

Facility agreement

Redde (and certain other Redde Group companies) entered into an unsecured credit facility agreement on 2 December 2015 (as amended and restated by an amendment and restatement agreement dated 7 August 2019) pursuant to which HSBC UK Bank plc (the “Redde Lender”) (originally HSBC Bank plc but, pursuant to an Order of the High Court on 21 May 2018, HSBC Bank plc transferred part of its banking business to HSBC UK Bank plc with effect from 1 July 2018) agreed to make available a committed revolving credit facility of up to £50 million (the “Redde Facility Agreement”) for the general corporate and working capital purposes of the Redde Group. The Redde Facility Agreement is documented on terms which are customary for a company with a public listing.

All amounts outstanding under the Redde Facility Agreement must be repaid in full on 7 August 2024. Voluntary cancellations and prepayment may be made, by giving prior notice, either in full or in part with minimum cancellation and prepayment amounts if in part. Mandatory prepayment events will occur in the event of illegality, a change of control in relation to Redde or a sale of all or substantially all of the business and/or assets of the Redde Group.

The interest payable on amounts outstanding under the Redde Facility Agreement for each interest period (which can be selected as one, three or six months or any other period agreed between Redde and the Redde Lender) is calculated on the basis of LIBOR plus a margin. The margin is subject to a margin ratchet calculated by reference to a total net debt to consolidated earnings before interest, depreciation and amortization financial covenant test. Default interest is payable on unpaid amounts and a commitment fee is payable on the available commitments (as is customary).

The Redde Facility Agreement includes: (i) a total net debt to consolidated earnings before interest, depreciation and amortisation financial covenant test which is set at 4:1; and (ii) a consolidated earnings before interest, depreciation and amortisation to net finance charges interest cover test which is set at 3:1, in

each case, in respect of any testing period based on the LMA model but with negotiated definitions. The covenants are tested half yearly.

The representations, undertakings and events of default are customary for the facility of this type and a borrower of this nature with the usual materiality tests, carve outs, de minimis amounts and grace/remedy periods. Upon the occurrence of an event of default, the Redde Lender will be able to, among other things, cancel the available commitments, declare all outstanding payments to be immediately due and payable and/or exercise any or all of rights, remedies, powers or discretions available to the Redde Lender under the finance documents.

The consent of Redde, not to be unreasonably withheld or delayed, is required for any assignment or transfer unless such assignment or transfer is: (i) to another lender or affiliate of a lender; or (ii) made at a time when an event of default is continuing.

The Redde Facility Agreement is cross guaranteed by 17 Redde Group companies (including Redde) incorporated in England and Wales. There is a requirement that the aggregate earnings before interest, tax, depreciation and amortisation and the aggregate gross assets, in each case, of the guarantors of the Redde Facility Agreement must comprise at least 80% of the consolidated earnings before interest, tax, depreciation and amortisation and 80% of the consolidated gross assets of the Redde Group as a whole. There is also a material companies test whereby any Redde Group company comprising more than 10% of the consolidated earnings before interest, tax, depreciation and amortisation or more than 10% of the consolidated gross assets, in each case, of the Redde Group as a whole is required to accede as a guarantor (if not already a guarantor). The Redde Facility Agreement also contains market standard guarantor accession and resignation mechanics.

Overdraft facility

Redde (and certain other Redde Group companies) have also entered into an uncommitted sterling net overdraft facility of up to £5 million in respect of various Redde Group accounts with HSBC UK Bank plc, under their standard terms and conditions and only to be used in the ordinary course of trading of the Redde Group.

7. Litigation

Northgate

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which Northgate is aware) during the 12 months preceding the date of this Circular, which may have, or have had in the recent past, a significant effect on Northgate and/or the Northgate Group's financial position or profitability.

Redde

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which Northgate is aware) during the 12 months preceding the date of this Circular, which may have, or have had in the recent past, a significant effect on Redde and/or the Redde Group's financial position or profitability.

8. Working Capital

Northgate is of the opinion that, taking into account bank and other facilities available to the Combined Group, the Combined Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Circular.

9. Northgate's Current Trading, Trends and Prospects

On 29 November 2019, Northgate released its interim results for the six month period to 31 October 2019 with total revenue of £357.8 million, underlying operating profit of £35.1 million and underlying earnings per share of 17.6 pence. Northgate also reported the Company's overall financial performance expected for the year ending 30 April 2020 is in line with its expectations.

10. Redde's Current Trading, Trends and Prospects

As announced on 30 October 2019, the first quarter's trading of Redde's new financial year is in line with Redde management expectations.

11. No Significant Change

The Northgate Group

There has been no significant change in the financial position or financial performance of the Northgate Group since 31 October 2019, the date to which the last interim unaudited financial statements of the Northgate Group were prepared.

The Redde Group

Other than the payment on 7 November 2019 of the final dividend for the financial year ended 30 June 2019, there has been no significant change in the financial position or financial performance of the Redde Group since 30 June 2019, being the date to which the Redde Group's latest audited consolidated accounts were prepared.

12. Consents

Goldman Sachs, who has acted as sponsor and lead joint financial adviser to Northgate and whose registered address is at Plumtree Court, 25 Shoe Lane, London EC4A 4AU, has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which it appears.

Barclays, who has acted as joint financial adviser and corporate broker to Northgate and whose registered address is at 5 The North Colonnade, Canary Wharf, London E14 4BB, has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which it appears.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the inclusion of its accountant's report on the unaudited pro forma financial information of the Combined Group set out in Section B of Part IV (*Unaudited Pro Forma Financial Information of the Combined Group*) in this Circular, in the form and context in which it appears.

No adviser has an interest in the Merger that is material.

13. Information Incorporated by Reference

The following sections of the Prospectus are incorporated by reference into this Circular. Where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this Circular for any purpose. The Prospectus has been published by Northgate and can be viewed on its website (www.northgateplc.com).

<u>Information incorporated by reference</u>	<u>Sections of the Prospectus incorporated by reference</u>	<u>Prospectus page number</u>
Information on Northgate		
Taxation	Part 20	206
Northgate Directors', Proposed Directors' and Senior Managers' interests in Northgate	Part 21, paragraph 6	223
Northgate Directors' terms of employment	Part 21, paragraph 7	225
Principal Shareholders	Part 31, paragraph 8	231
Northgate employee share plans	Part 21, paragraph 9	231
Related party transactions	Part 21, paragraph 17	249
Information on Redde		
Historical Financial Information of Redde	Part 18	99

14. Documents available for inspection

Copies of the following documents are available for inspection for a period beginning on the date of this Circular and ending on the Effective Date at www.northgateplc.com:

- the Northgate Articles of Association;
- the Prospectus;
- this Circular;
- the Scheme Document;
- the Merger Announcement;
- Northgate's Annual Report and Financial Statements 2019;
- Northgate's Annual Report and Financial Statements 2018;
- Northgate's Annual Report and Financial Statements 2017;
- the report by PricewaterhouseCoopers set out in Part B of Part IV (*Unaudited Pro Forma Financial Information of the Combined Group*); and
- the consent letters referred to in paragraph 12 of this Part VII (*Additional Information*).

PART VIII

DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise:

“£”, “sterling”, “pence” or “p”	pound sterling, the lawful currency of the UK;
“Admission”	admission of the New Northgate Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s Main Market;
“Barclays”	Barclays Bank PLC, acting through its Investment Bank;
“Business Day”	a day (other than a Saturday, Sunday or public or bank holiday in England and Wales) on which banks are generally open for business in London;
“CEO”	chief executive officer;
“CFO”	chief financial officer;
“Circular”	this document, which is to be sent by Northgate to Northgate Shareholders summarising the background to and reasons for the Merger and which includes a notice convening the Northgate General Meeting;
“City Code”	the UK City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Takeover Panel;
“Combined Group”	the enlarged group following Completion comprising the Northgate Group and the Redde Group;
“Companies Act”	the UK Companies Act 2006, as amended from time to time;
“Completion”	completion of the Merger;
“Conditions”	the conditions to the implementation of the Merger (including the Scheme) as set out in the Scheme Document;
“Co-operation Agreement”	the co-operation agreement between Northgate and Redde dated 29 November 2019;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form;
“Disclosure Guidance and Transparency Rules”	the disclosure rules made by the FCA and forming part of the FCA Handbook of Rules and Guidance, as amended from time to time;
“EBITDA”	earnings before interest, taxes, depreciation, and amortisation
“Effective Date”	the date upon which either: (i) the Scheme becomes effective in accordance with its terms; or (ii) if Northgate (subject to the consent of the Takeover Panel and the terms of the Co-operation Agreement) elects to implement the Merger by means of a Takeover Offer, the date on which the Takeover Offer becomes or is declared unconditional in all respects;

“Exchange Ratio”	the exchange ratio of 0.3669 New Northgate Shares in exchange for each Redde Scheme Share;
“Excluded Shares”	any Redde Shares beneficially owned by Northgate or any other member of the Northgate Group immediately prior to the Scheme Record Time;
“Existing Northgate Shareholders”	means the holders of Existing Northgate Shares (any such holder being an “Existing Northgate Shareholder”);
“Existing Northgate Shares”	means the Northgate Shares in issue at the Latest Practicable Date;
“FCA”	the Financial Conduct Authority or its successor from time to time;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“Goldman Sachs”	Goldman Sachs International;
“IFRS”	International Financial Reporting Standards as adopted by the European Union;
“Latest Practicable Date”	means 6 December 2019, being the latest practicable date prior to the publication of this Circular;
“Listing Rules”	the listing rules made by the FCA pursuant to Part 6 of the FSMA, referred to in Section 73A(2) of the same, and contained in the FCA’s publication of the same name;
“London Stock Exchange”	London Stock Exchange plc, together with any successors thereto;
“Longstop Date”	30 April 2020 or such later date as may be agreed in writing by Northgate and Redde (with the Takeover Panel’s consent and as the Court may approve (if such consent(s)/approval(s) are required);
“Main Market”	the Main Market of the London Stock Exchange;
“Merger”	the recommended share-for-share merger of Northgate and Redde by the acquisition of the entire issued and to be issued share capital of Redde by Northgate, to be implemented by way of a Scheme or (should Northgate so elect, subject to the consent of the Takeover Panel and the terms of the Co-operation Agreement) by way of a Takeover Offer and, where the context admits, any subsequent revision, variation, extension or renewal thereof;
“Merger Announcement”	the announcement of the Merger dated 29 November 2019;
“New Northgate Shares”	the new Northgate Shares which are to be issued to Scheme Shareholders pursuant to the Merger;
“Non-Permitted Northgate Dividend”	has the meaning given to it in paragraph 4 of Part 1 (<i>Letter from the Chairman</i>);
“Non-Permitted Redde Dividend”	has the meaning given to it in paragraph 4 of Part 1 (<i>Letter from the Chairman</i>);
“Northgate”	Northgate plc, a public limited company incorporated in England and Wales with company number 00053171, the name of which is proposed to be changed to Redde Northgate plc with effect from and subject to Completion;

“Northgate Articles of Association”	the Articles of Association of Northgate from time to time;
“Northgate Board”	the Northgate Directors collectively;
“Northgate Directors”	the directors of Northgate as at the date of this Circular or, where the context so requires, the directors of Northgate from time to time;
“Northgate EPSP”	the Northgate 2019 Executive Performance Share Plan as amended and approved on 23 September 2019;
“Northgate General Meeting”	the general meeting of Northgate to be convened in connection with the Merger, notice of which is set out in Part IX (<i>Notice of General Meeting</i>) of this Circular, including any adjournment thereof;
“Northgate Group”	Northgate, its subsidiaries and its subsidiary undertakings from time to time;
“Northgate Quantified Financial Benefits Statement”	the statements of estimated cost savings and synergies arising from the Merger described in Part V (<i>Northgate Quantified Financial Benefits Statement</i>) of this Circular;
“Northgate Resolutions”	the ordinary shareholder resolutions of Northgate required to satisfy the Conditions to the Merger, being to: (i) approve the Merger as a class 1 transaction for the purposes of the Listing Rules; and (ii) grant authority to the directors of Northgate to allot the New Northgate Shares (and any amendments thereto);
“Northgate Share Plans”	the Northgate EPSP, the Northgate All Employee Share Scheme and the Deferred Annual Bonus Plan;
“Northgate Shareholders”	the registered holders of Northgate Shares from time to time;
“Northgate Shares”	the ordinary shares of 50 pence each in the capital of Northgate;
“Notice of General Meeting”	the notice of the Northgate General Meeting included at Part IX (<i>Notice of General Meeting</i>) of this Circular;
“Official List”	the Official List maintained by the FCA;
“Permitted Northgate Dividend”	has the meaning given to it in paragraph 4 of Part 1 (<i>Letter from the Chairman</i>);
“Permitted Redde Dividend”	has the meaning given to it in paragraph 4 of Part 1 (<i>Letter from the Chairman</i>);
“PRA”	the Prudential Regulation Authority or its successor from time to time;
“PricewaterhouseCoopers”	PricewaterhouseCoopers LLP;
“Proposed Directors”	the Redde Directors proposed to join the board of Northgate from Completion, being Martin Ward as CEO and executive director and John Davies, Mark McCafferty and Stephen Oakley as non-executive directors;
“Prospectus”	the prospectus to be published by Northgate at or around the same time as the Scheme Document and this Circular for the purpose of Admission;
“Prospectus Regulation Rules”	the prospectus rules published by the FCA under section 73 A of FSMA;

“Redde”	Redde plc, a public limited company incorporated in England and Wales with company number 03120010;
“Redde Board”	the Redde Directors collectively;
“Redde Court Meeting”	the meeting(s) of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act, notice of which is set out in the Scheme Document, for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment), including any adjournment thereof;
“Redde Directors”	the directors of Redde as at the date of the Merger Announcement or, where the context so requires, the directors of Redde from time to time;
“Redde General Meeting”	the general meeting of Redde to be convened in connection with the Scheme and the Merger, notice of which is set out in the Scheme Document, including any adjournment thereof;
“Redde Group”	Redde, its subsidiaries and its subsidiary undertakings from time to time;
“Redde Scheme Shares”	<p>Redde Shares:</p> <ul style="list-style-type: none"> • in issue as at the date of the Scheme Document; • (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and • (if any) issued on or after the Scheme Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme, <p>but in each case other than the Excluded Shares;</p>
“Redde Shareholders”	the registered holders of Redde Shares from time to time;
“Redde Shares”	ordinary shares of 0.1 pence each in the capital of Redde;
“Redde Special Resolution”	the special resolution to be proposed by Redde at the Redde General Meeting in connection with, among other things, the approval and implementation of the Scheme and the alteration of Redde’s articles of association and such other matters as may be necessary to implement the Scheme and the delisting of the Redde Shares;
“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Scheme”	the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Redde and the Scheme Shareholders to implement the Merger, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Redde and Northgate;
“Scheme Document”	the document to be sent to (among others) Redde Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the Redde Court Meeting and Redde General Meeting;
“Scheme Record Time”	the time and date specified in the Scheme Document;

“Scheme Shareholders”	holders of Redde Scheme Shares;
“Scheme Voting Record Time”	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined;
“Sponsor”	Goldman Sachs International;
“SRA”	Solicitors Regulation Authority;
“Takeover Offer”	a takeover offer as defined in Part 28 of the Companies Act;
“Takeover Panel”	the UK Panel on Takeovers and Mergers;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“US” or “United States”	the United States of America, its territories and possessions, any state or political subdivision of the United States and the District of Columbia.
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“US Securities Act”	the United States Securities Act of 1933, as amended

PART IX

NORTHGATE PLC

Notice of General Meeting

Notice is hereby given that a general meeting of Northgate plc (“the Company”) will be held at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HS at 10 a.m. on 15 January 2020 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1, 3 and 4 will be proposed as ordinary resolutions and resolution 2 will be proposed as a special resolution.

1. That:

(A) the proposed acquisition by the Company of the entire issued and to be issued ordinary share capital of Redde plc (“Redde”), to be effected pursuant to a scheme of arrangement of Redde under Part 26 of the Companies Act 2006 (the “Scheme”) (or by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act 2006 in the circumstances set out in the cooperation agreement entered into between the Company and Redde dated 29 November 2019 (an “Offer”)) (the “Recommended Merger”) substantially on the terms and subject to the conditions as described in:

- (i) the circular to shareholders of the Company dated 12 December 2019 (the “Circular”) outlining the Recommended Merger, of which this notice convening this General Meeting (the “Notice”) forms part; and
- (ii) the prospectus prepared by the Company in connection with Admission (defined below) dated 12 December 2019,

be and is hereby approved and the directors of the Company (the “Directors”) (or a duly authorised committee thereof) be and are hereby authorised to do or procure to be done all such acts and things as they consider necessary, expedient or appropriate in connection with the Recommended Merger and this resolution and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Recommended Merger (provided that such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Recommended Merger for the purposes of the Financial Conduct Authority’s Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as the Directors (or a duly authorised committee thereof) may in their absolute discretion think fit; and

(B) subject to and conditional upon:

- (i) the conditions for the Scheme to become effective being satisfied, except for the conditions relating to:
 - a. the Financial Conduct Authority having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the new ordinary shares of 50 pence each in the capital of the Company to be issued pursuant to the Scheme (or, as the case may be, the Offer) (the “New Northgate Shares”) to listing on the premium listing segment of the Official List maintained by the Financial Conduct Authority has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the “listing conditions”)) will become effective as soon as a dealing notice has been issued by the Financial Conduct Authority and any listing conditions having been satisfied; and
 - b. London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Northgate

Shares will be admitted to trading on the main market of the London Stock Exchange plc (“Admission”); or, as the case may be,

- (ii) an Offer becoming or being declared wholly unconditional (except for Admission),

the Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authority granted to the Directors at the general meeting of the Company held on 23 September 2019, which remains in full force and effect and without prejudice to the continuing authority of the directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made) to exercise all the powers of the Company to allot the New Northgate Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £57,377,982.50, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit, subject always to the terms of the Recommended Merger and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Recommended Merger, and which authority shall expire at the close of business on 30 April 2020 (unless previously revoked, renewed or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or enter into an agreement that would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

2. That, subject to and conditional upon:

- a. the conditions for the Scheme to become effective being satisfied; or, as the case may be,
- b. an Offer becoming or being declared wholly unconditional,

the registered name of the Company be changed to Redde Northgate plc.

3. That, subject to and conditional upon:

- a. the conditions for the Scheme to become effective being satisfied; or, as the case may be,
- b. an Offer becoming or being declared wholly unconditional,

the Northgate plc Value Creation Plan (the “VCP”), the principal terms of which are set out in Appendix 1 to this notice and the rules of which shall be produced at the Meeting and, for the purposes of identification, initialled by the Chairman of the Meeting, be approved and adopted, and the Directors be authorised to do all acts and things which they may consider necessary or desirable to carry the VCP into effect (including, without limitation, making any amendments to the rules of the VCP or establishing any sub-plans or appendices to take account of tax, exchange control, securities law, regulatory or other legal issues in particular jurisdictions).

4. That, the directors’ remuneration policy of the Company, the amended terms of which are described in Appendix 2 to this notice, be approved as amended with such amended policy to become effective on the Scheme becoming effective or, as the case may be, an Offer becoming or being declared wholly unconditional.

By Order of the Board
Katie Tasker-Wood (*Company Secretary*)
12 December 2019

Registered Office:

Northgate Centre
Lingfield Way
Darlington
DL1 4PZ

Notes

1. A member entitled to attend, speak and vote at the general meeting (“the Meeting”) may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. Proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours, excluding non-business days, before the time of the Meeting.
4. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (“a Nominated Person”). The rights to appoint a proxy in this notice cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
5. To be entitled to attend and vote, whether in person or by proxy, at the Meeting, members must be registered in the register of members of the Company at close of business on 13 January 2020 or, in the case of an adjourned meeting, at close of business on the day which is two days before the meeting (excluding days which are not working days). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
6. Shareholders wishing to appoint a proxy online should visit www.signalshares.com and follow the instructions on screen. If you have not already registered for the Signal Shares shareholder portal you will need your personal Investor Code which you can find on your share certificate or a dividend confirmation. To be valid your proxy appointment(s) and instructions should reach Link Asset Services no later than 48 hours, excluding non-business days, before the time set for the Meeting.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members and those members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (“a CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
9. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it would interfere unduly with the preparation for the Meeting or if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
10. As at 6 December 2019 (being the latest practicable date prior to the publication of this notice), the Company’s issued share capital consists of 133,232,518 ordinary shares of 50 pence each, carrying one vote each and 1,000,000 preference shares of 50 pence each, which do not carry any rights to vote on the above resolutions. Therefore, the total voting rights in the Company are 133,232,518.
11. The contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights that members are entitled to exercise at the Meeting and, if applicable, any members’ statements, members’ resolutions or members’ matters of business received by the Company after the date of this notice will be available on the Company’s website: www.northgateplc.com/investors.php.

12. The following documents will be available for inspection during normal business hours until the close of the Meeting on 15 January 2020 at Freshfields Bruckhaus Deringer, 65 Fleet St, Temple, London EC4Y 1HS:
 - copies of the executive directors' service contracts;
 - copies of the letters of appointment of the non-executive directors; and
 - the documents listed in paragraph 14 of Part VII (Additional Information) of the Circular.
13. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.

Appendix 1

Summary of the Northgate plc Value Creation Plan

Purpose and link to strategy

The Value Creation Plan provides a clear link between the remuneration of the participants and the creation of value for shareholders by rewarding the delivery of significant, sustainable absolute returns to shareholders over the long-term.

The award has no value on grant but gives the participants the opportunity to share in a proportion of the total value created for shareholders above a hurdle over a performance period of at least three and a half years.

Operation

Awards take the form of entitlements to acquire ordinary shares in the Company at nil or nominal cost (or as cash-settled equivalents). The number of ordinary shares to which a participant is entitled is determined by reference to the shareholder value created. Each participant's award will represent a percentage of the shareholder value created. A minimum compound annual growth rate ("CAGR") in total shareholder return of 5% must be achieved above the initial share price in order for participants to receive any awards and participants only receive a share of value created above that level.

Participants will be able to sell sufficient shares to cover any tax or national insurance liabilities arising and up to one third of the after tax shares. The remaining shares will be subject to a further two year holding period following completion of the performance period.

Performance assessment

The value that can be delivered by the Value Creation Plan is linked to the shareholder value created over the relevant performance period. A minimum CAGR in total shareholder return of 5% must be achieved above an initial share price following announcement of the Merger.

The total pool for all participants in the scheme will be 5% of the growth in total shareholder return above the hurdle where the CAGR is between 5% and 10%, reducing to 2.75% once a CAGR of 10% is achieved and to 0.5% once a CAGR of 30% is achieved.

The value of the pool will then be divided by the 40 dealing day volume weighted average share price to determine the number of shares to be issued under the plan. The maximum allocations of the pool to the CEO will be 45% and no other participant will have a maximum allocation greater than the CEO.

A total cap of 2.0% of the issued share capital of the company will apply on vesting of all awards under the VCP. There is a cap of 0.9% for the CEO and a proportionate cap for other executive directors and participants. The remuneration committee may set a lower cap for any participant by reference to a fixed monetary amount or a fixed number of shares.

At the discretion of the remuneration committee, a portion of an award may be subject to additional performance conditions.

Cessation of employment

Awards to executive directors or eligible employees who leave at any time prior to vesting will lapse unless they leave by reason of death, retirement, ill health, injury or disability, redundancy, on the sale out of the Group of the participant's employing company or business or in other circumstances at the discretion of the remuneration committee ("good leavers").

Awards for good leavers will normally vest on the original vesting date, on assessment of the performance criteria at that time, and will normally be pro-rated on the basis of the period of time after the grant date and ending on the date of cessation relative to the performance period.

Change of Control

In the event of a change of control, the scheme will be assessed by reference to the performance criteria at that time. The remuneration committee will retain discretion to modify the vesting outcome in any particular case if it considers it appropriate.

Adjustment of awards

If there is a variation in the share capital of the Company a demerger, payment of a special dividend or other similar event which may impact the value of the VCP, the award may be adjusted to reflect that variation.

Rights attaching to shares

A participant will not have any voting or dividend rights prior to the realisation of the award. All shares allotted under the VCP will carry the same rights as any other issued ordinary shares in the Company and application will be made for the shares to be listed by the UK Financial Conduct Authority and traded on the London Stock Exchange.

Benefits received under the VCP are not pensionable and may not be assigned or transferred except on a participant's death.

Alterations to the VCP

The remuneration committee will have authority to amend the rules of the VCP, provided that no amendments to the advantage of the participants or eligible employees may be made to provisions relating to the key features of the VCP without the prior approval of shareholders in a general meeting unless the amendment is minor and made to benefit the administration of the VCP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group. Key features are: who can be a participant, the limits on the number of shares which can be issued under the VCP, the basis for determining a participant's entitlement to shares and the terms on which shares can be acquired, and the provisions relating to adjustments in the event of a variation of the Company's share capital.

Satisfaction of awards

An award may be satisfied with new issue shares, a transfer of treasury shares or shares purchased in the market.

Limits on the issue of shares

In any 10 year period, the Company may not grant awards under the VCP if such grant would cause the number of shares that could be issued under the VCP or any other share plan adopted by the Company or any other company under the Company's control to exceed 10% of the Company's issued ordinary share capital at the proposed date of grant.

In addition to any 10 year period, the Company may not grant awards under the VCP if such grant would cause the number of ordinary shares that could be issued under the VCP or any discretionary share plans adopted by the Company or any other company under the Company's control to exceed 5% of the Company's issued ordinary share capital at the proposed date of grant. The satisfaction of awards with treasury shares will be treated as an issue of ordinary shares for the purposes of the above limits for so long as institutional shareholder guidelines recommend this. If awards are satisfied by a transfer of existing ordinary shares, the percentage limits stated above will not apply.

Inspection of the VCP

A copy of the rules of the VCP will be available from the date of this Circular to the start of the general meeting at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS and at the general meeting itself for at least 15 minutes before and during the meeting.

Appendix 2

Amendments to the remuneration policy of the Company

The Company's existing directors' remuneration policy (the "Existing Policy") was approved by shareholders at the Company's annual general meeting in 2019. In order to align the Existing Policy with the strategy of the Combined Group following completion of the Merger, a revised directors' remuneration policy (the "Proposed Policy") is being put forward for shareholder approval, conditional upon completion of the Merger. The Proposed Policy is identical to the Existing Policy save that it amends the operation of the Northgate Executive Performance Share Plan and allows for the introduction of the Northgate Value Creation Plan 2020. Further details on the proposed amendments are set out below.

Amendments to the operation of the Executive Performance Share Plan

As a result of the Merger, the performance conditions applicable to the outstanding awards under the Executive Performance Share Plan ("EPSP") would no longer be appropriate for the Combined Group. Accordingly, the remuneration committee of the Company has concluded that it would be appropriate to test the performance conditions applicable to outstanding awards under the EPSP on completion of the Merger and for the performance tested awards to continue until their original vesting date subject to continued employment. In order to allow Philip Vincent, the Company's Chief Financial Officer (the "CFO"), to be treated in the same manner as all other participants in the EPSP, the Proposed Policy would permit a performance period of less than three years for his outstanding EPSP awards to allow the performance conditions to be tested on completion of the Merger. The performance tested awards would vest on the third anniversary of grant subject to continued employment in that period. On vesting, the after-tax vested shares would continue to be subject to the holding period. As well as aligning the CFO with other employees of the Company, this would also better align him with the treatment of Martin Ward, the proposed Chief Executive Officer of the Combined Group, whose awards under the Redde share plans will vest early as a result of the Merger.

Northgate Value Creation Plan 2020

Following a review of the Company's long term incentive arrangements, the Board is seeking approval for the adoption of the Northgate Value Creation Plan 2020 (the "VCP") under which the Company will grant each of the executive directors of the Company awards which would entitle them to share in the growth in the shareholder value of the Combined Group above a preferred return to shareholders. Further details on the VCP and its operation are set out in Appendix 1, as the adoption of the VCP itself is the subject of a separate shareholder resolution. However, as the VCP is not currently contemplated by the Existing Policy, the Proposed Policy would permit the grant and satisfaction of awards under the VCP.