



**Annual Report and  
Accounts 2017**



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# Operational and financial headlines

**Redde is a well positioned business with unique capabilities and a growing presence in its markets. This year has seen another solid performance with significant revenue and profit growth mainly from new business take up.**

**The strength and predictability of our income continues to support a full dividend payout and, subject to shareholder approval, this will represent our twelfth consecutive dividend. Since June 2013 the Group, including the recommended final dividend, will have paid out £105m (38p per share) to shareholders and the Group continues to build momentum.**

## Highlights

- Turnover £472.3m (2016: £379.2m)
- Adjusted\* EBIT of £40.2m (2016: £34.5m)
- Adjusted\* profit before taxation of £40.0m (2016: £34.6m)
- Adjusted\* basic EPS of 11.26p (2016: 9.64p)
- Recommended final dividend of 5.60p per share making 10.60p for the year as a whole (2016: 5.15p making 9.65p for the year as a whole)
- Net cash inflow from operating activities of £47.2m (2016: £42.1m)
- Net cash inflow from operating activities to EBITDA ratio of 91% (2016: 98%)
- Debtor days further reduced to 91 days (2016: 94 days)
- Total cash balances of £36.3m (2016: £34.6m)
- Net debt of £9.7m (2016: £5.2m)

	2017	2016	% movement
<b>Financial KPIs</b>			
Revenue (£'000)	<b>472,344</b>	379,244	24.6
Gross profit (£'000)	<b>116,007</b>	98,276	18.0
Gross margin	<b>24.6%</b>	25.9%	(1.3)pt
Profit before taxation (£'000)	<b>31,771</b>	31,305	1.5
Earnings before interest and taxation ("EBIT") (£'000)	<b>31,921</b>	31,261	2.1
Adjusted* profit before taxation (£'000)	<b>40,024</b>	34,627	15.6
Adjusted* EBIT (£'000)	<b>40,174</b>	34,500	16.4
Adjusted* EBIT margin as % of revenue	<b>8.5%</b>	9.1%	(0.6)pt
EBITDA** (£'000)	<b>51,848</b>	43,013	20.5
Operating cash flow/EBITDA**	<b>91%</b>	98%	(7)pt
Statutory debtor days	<b>91</b>	94	(3)

\* Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') and are as shown on the consolidated income statement on page 29 and are also analysed and described in note 4.

\*\* See page 32

# Business profile

**Founded in 1992, and working predominantly with insurance companies, insurance brokers, prestige motor dealerships, leasing companies and large national fleet owners the Group provides a range of accident management, incident management and legal services.**

**The name Redde is associated in Latin with the concept of restoration.**

## Our services

The 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 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 internal expenditure and administration. Claims made upon the at-fault motorists' insurers represent the majority of our receivables at any given point.

The Group also provides specialised large fleet accident and incident management services through the FMG group of companies with over 350,000 fleet vehicles under management.

Our business partners are insurance companies, brokers and other motoring organisations such as car dealerships, motor manufacturers, leasing companies and repair centres.

## Our operations

The Group provides its accident management services from operational contact centre sites in Peterlee, County Durham, Huddersfield and Croydon as well as solicitors' services through Principia from Northwich and NewLaw from Bristol, Cardiff and an associated office in Glasgow.

The Group manages its own fleet of over 8,300 vehicles and has access to over 50,000 vehicles through selected rental partnerships.

## Our locations

The Group employs over 2,300 people across its offices and operational sites including 26 branches. The Group is well-placed to ensure that replacement vehicles can be delivered to customers promptly.

### Operational sites

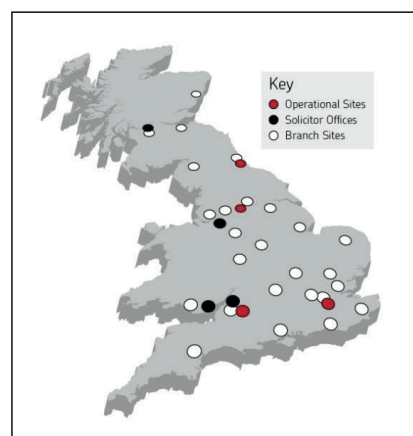
Bath (Head office)  
Croydon  
Huddersfield  
Peterlee

### Solicitor Offices

Bristol  
Cardiff  
Glasgow  
Northwich

### Branch sites

Aberdeen	Leeds
Ashford	Leicester
Birmingham	Lincoln
Brentwood	London/Acton
Bridgend	London/Croydon
Brighton	Manchester
Bristol	Milton Keynes
Carlisle	Newcastle
Doncaster	Norwich
Edinburgh	Oxford
Exeter	Southampton
Glasgow	Stansted
Haydock	Stoke



# Chairman's statement

The year to 30 June 2017 was another year of further significant progress in the Group strategy of focus on Growth, Profitability and Sustainability. Additional new contract wins and increases in the volume of business handled with existing customers was also instrumental in achieving this goal.

Consequently, I am pleased to be able to report to shareholders that the Group achieved an adjusted profit before taxation of £40.0m compared to £34.6m last year, an increase of 15.6%.

## Results

Revenues were £472.3m (2016: £379.2m), an increase of £93.1m (24.6%). Revenues include an amount of £98.2m in respect of the fleet and incident management business of FMG which was acquired on 27 October 2015 and whose activities now include the Group's fleet management activities previously carried out by Total Accident Management. Combined sales of these merged businesses for 2016 was £65.4m. Excluding FMG, like for like ("LFL") sales growth was 19.2% driven by a 21.2% growth in the number of credit hires and a 14.3% increase in the total number of repairs undertaken.

The adjusted earnings before interest and taxation ("EBIT") for the year was £40.2m, an increase of 16.4% over the £34.5m achieved last year and included £6.2m (2016: £3.8m) in respect of FMG as outlined above.

There was a net interest charge of £0.2m (2016: adjusted credit of £0.1m) reflecting a reduction of interest income as a result of the fall in bank base rates, lower average cash balances following the cash cost of the acquisition of FMG in October 2015 as well as the full year effect of the costs of committed, but unutilised, bank facilities available to the Group since December 2015.

Adjusted profit before tax for the year was therefore £40.0m (2016: £34.6m), an increase of 15.6%.

A charge of £2.4m (2016: £1.6m) in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG) and a £2.0m cost (2016: £0.7m) recorded under IFRS2 in respect of the charge under share based payments on incentive share schemes was incurred in the year.

This year also saw a pre-tax exceptional charge of £3.9m (2016: £nil) in respect of provisions made for the Group's plans to mitigate against the holding costs between now and the end date of certain onerous long term leases of premises no longer occupied by the Group.

In 2016 there was a pre-tax exceptional net charge of £1.1m reflecting:

- a charge of £0.3m in respect of reorganisation costs and integration costs on acquisitions;
- a charge of £0.1m in respect of the unwind of discount charges on certain provisions;
- acquisition costs of £0.7m charged as an expense as required by IFRS3.

After the amortisation of intangible assets and the charge for share based payments together with the exceptional items above, statutory profit before tax was £31.8m (2016: £31.3m).

There was a net tax charge of £5.0m (2016: £6.0m) and therefore the statutory profit after tax was £26.8m (2016: £25.3m).

## Earnings per share ("EPS")

Statutory basic EPS is 8.93p (2016: 8.66p). Statutory diluted EPS is 8.68p (2016: 8.26p).

The adjusted EPS is 11.26p (2016: 9.64p). The adjusted diluted EPS is 10.95p (2016: 9.20p).

The adjusted figures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') described in Note 4.

## Dividends

The Board is pleased to propose a final dividend of 5.60p per share, which if approved at the Annual General Meeting to be held on Wednesday 25 October 2017 will be paid on Thursday 02 November 2017 to those shareholders on the Register at the close of business on Friday 06 October 2017. The shares will become ex-dividend on Thursday 05 October 2017.

An interim dividend of 5.00p per share was paid on 30 March 2017 and including this the total dividend for the year is 10.60p compared to a total of 9.65p for the interim and final dividends last year, an increase of 9.8%.

## Outlook

The new financial year has started well with performance in this short period since the year end being ahead of the corresponding period last year. Given the new business already secured and contract renewals made this year the Board continues to be confident for the future.

## **Our people**

The enthusiasm, energy and commitment of our people makes Redde a great place to work which reflects in the service that we provide to customers as evidenced in the positive customer feedback we receive.

We were particularly pleased to see that our investment in people was also recognised with FMG being named in February this year in the annual Sunday Times 100 Best Companies to Work For awards and also that our contact centre in Peterlee was again shortlisted for awards in the North East Contact Centre of the Year (over 250 seats) category and was runner-up in the People Development Heroes category.

Well done and thank you to all of our colleagues.

## **Annual General Meeting**

The Group's Annual General Meeting will be held on Wednesday 25 October 2017. The Notice of the Meeting accompanies this Annual Report and Accounts.

### **Avril Palmer-Baunack**

Chairman

6 September 2017

# Group Strategic Report

## Market and business model

### Operational review

During the year the Group further developed its existing, successful GPS strategy (Growth, Profitability and Sustainability) by including more focus on improvement and integration. We refer to this enhanced strategy as GPSii. In accordance with this strategy the period has seen considerable activity towards more fully integrating our operations and commercial offerings, with a range of new initiatives. As a consequence the period has seen more investment in our telephony systems, IT systems and infrastructure to provide both insurance customers and business partners seamless access to the services that the Group provides and this will continue in the new financial year.

These initiatives, as well as developments in our on-line portals, have enhanced the Group's image as a leading partner of choice within our industry. In addition to the improvements that have been delivered in operational efficiency the Group's use of telematics and partner/customer-accessible web-based portals have been instrumental in enhancing customers' experiences and have facilitated renewing existing, and securing new, business opportunities with business partners who share our vision for the customer journey.

Several projects to secure synergies from various overlapping aspects of the Group's operations were initiated during the period so that the Group now benefits from Group-wide Human Resources and IT structures and approaches to underlying systems. In addition the various repair teams within the Group and the associated networks of repairers have now been merged under one Group wide structure and the associated synergistic benefits are starting to be delivered. In addition the Group's fleet management activities formerly carried out under the Total Accident Management brand have been merged within FMG. Other areas of the business continue to be reviewed to seek further opportunities to optimise efficiency and net contribution.

In accordance with the Group's GPSii strategy the Group also continues to focus on sustainability by considering the potential future shape of the market and how to adapt and develop its services to meet its business partners' changing requirements without losing sight of the growing near-term demand for its services. Increased investment was therefore made in staff and infrastructure during the year to meet this growing demand, the benefits of which will flow through in the future.

The Group continues its efforts to further build its market penetration, presence and cross fertilisation within its distribution channels as well as seeking new relationships based on emerging technologies.

During the year our historical accident management and fleet operations were successfully re-branded under the name of Auxillis. In support of this, and as a result of our ability to offer enhanced technology backed services, additional investment was made in our supporting sales and marketing teams. These initiatives have already stimulated increased interest in the Group's total package of services resulting in an encouraging, developing pipeline of possible new opportunities as the market continues to evolve. This one stop shop approach provides the potential to grow and develop more vehicle incident and accident management services to both business and insurance customers, supporting the Group's position as a leader in vehicle mobility, rapid roadside recovery, repair, legal and other support services. This vision has gained further traction during the year and proposals to potential new customers and existing customers are now being made to include a number of the enlarged Group's services where appropriate and this concept is being well received.

During the year negotiations were successfully completed on a number of contract renewals. Additionally, contracts with new customers were secured which resulted in some start up costs being incurred ahead of revenue. As a result of these business wins the mix of vehicles on the fleet changed and there was an expected reduction in hire length. The combination of these events influenced changes in the resultant margins but produced a better overall result for the Group.

Continued progress was made in the year in developing suitable protocol arrangements with insurers and this has contributed to the further reduction in debtor days seen against last year. Such protocols demonstrably provide better outcomes in net cost terms for both parties including the reduction of associated administrative costs.

The Group has continued to build its range of legal services and has also pursued the additional opportunities available to it. In support of this, during the year the Group has made investment, and strengthened its teams, in its employment law practice and its private client practice dealing with wills, probate and trusts. In addition the Group has seen further growth in those areas of its practice dealing with employers' liability and medical negligence and has increased its professional staff in these areas. By their very nature such cases will take longer to settle than personal injury claims arising from road traffic accidents which now represent a reducing proportion of the Group's business in this area. An additional 'joint venture' ABS was licensed by the SRA in May 2017 named 'Your Law' which was launched by National Accident Helpline and supported by our NewLaw legal firm. Your Law started trading on 3 July 2017 and represents an exciting growth potential for the Group.



## Technology

The year saw significant investment in updated technology to support the Group's telephony and Wide Area Network to facilitate further integration of services within the Group and also with insurers and customers. In addition further progress was made in the design and implementation of on-line access for customers and business partners by way of portals relating to both repair and hire operations.

Advances and investment in the Group's Ingenium technology platform led to the successful launch of Ingenium II, an externally-facing, web-based, incident management solution which allows customers to select specific "self-serve" modules within our fleet management services. The number of innovative and enhanced capabilities Ingenium II has provided in the management of incidents and fleets both for, and by, our customers has been recognised by FMG winning the Fleetworld Industry Award for Innovation in Fleet Management.

During the period new investment was also initiated in technology and infrastructure within our legal businesses to meet anticipated changes in working processes and also to cater for expanding demand for our services and these projects will continue into 2018.

In addition to the above, significant investment was made in all businesses to enhance operational and security controls improving both perimeter protection and internal issue and vulnerability alerting.

## Relationships and customer service

Our significant investment in people was also recognised with FMG being named in the annual Sunday Times 100 Best Companies to Work For awards.

Recognition of the Group for providing outstanding customer service was again evident this year at the prestigious North East Contact Centre Awards where, building upon last year's Customer Experience Champion Award, Auxillis was again shortlisted for awards in the Contact Centre of the Year (over 250 seats) category and was runner-up in the People Development Heroes category.

The Group is passionate about customer service delivery and has a strong focus on the resultant net promoter scores. Over the year, the performance feedback on our operational service delivery and customer satisfaction rates continue to grow. We are not complacent and throughout the Group we are continually seeking ways to make incremental improvements to service delivery that makes it easier for our customers and partners to transact with us.

## Vehicle fleet

The Group continues to operate highly effective fleet services through a hybrid solution of ownership, contract hire and, during peak periods, cross-hiring from daily rental companies. This combination gives the Group flexibility to dispose of excess fleet in the event of a downturn, balance the total number and the mix of the fleet in response to changes in mix of the insurer car parc and at the same time to maximise fleet, without incurring ownership costs, in short, peak periods.

The period saw a 16.8% increase in total number of hire days primarily driven by a 21.2% increase in credit hire case volumes. The average number of vehicles held during the year was increased by 19.9% from 6,805 to 8,160 as a result of the need to meet increases in existing and future demand arising from additional contracts. Whilst fleet utilisation was maintained above our 80% target, as a result of the advanced fleet build and a higher proportion of marque for marque contracts, fleet utilisation necessarily reduced to 81.5% compared to 82.9% for last year. The average age of the fleet during the year was however reduced to 9 months from 11 months across a broad spread of manufacturers and models.

Our operational fleet comprised 8,371 vehicles at 30 June 2017 compared to 7,238 at 30 June 2016.

## Key performance indicators

Key performance indicators can be found on page 2.

Information about the use of financial instruments by the Group is given in note 24 to the financial statements.

By order of the Board

### Martin Ward

Chief Executive Officer  
6 September 2017

# Group Strategic Report continued

## Financial Review

### Performance and adjusted results

Management is required to exercise its judgment in the classification of certain items such as exceptional and those other items considered to be outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustments requires judgment on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance.

Throughout this report reference is therefore made to adjusted results and measures. The directors believe that the selected adjusted measures allow management and other stakeholders to better compare the normalised performance of the Group between the current and prior year, without the effects of one-off or non-operational items and, given the Group's full distribution dividend policy, better reflects the normalised underlying cash earnings achieved in the year under review to which the directors have regard in determining the amount of any dividend.

In exercising this judgment, the directors have taken appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the European Securities and Markets Authority on the reporting of non-adjusted results. For the reasons stated above, adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and these are summarised on the face of the Consolidated Income Statement as well as being itemised and described in note 4 and also in this report.

For the year, the Group recorded an adjusted EBIT of £40.2m (2016: £34.5m). The adjusted profit before tax was £40.0m (2016: £34.6m) and the statutory profit before tax was £31.8m (2016: £31.3m).

### Revenue

Revenues were £472.3m (2016: £379.2m), an increase of £93.1m (24.6%). Revenues include an amount of £98.2m in respect of the fleet management activities of FMG which was acquired on 27 October 2015 and whose activities now include the Group's fleet management activities previously carried out by Total Accident Management. Combined sales of these merged businesses for last year was £65.4m. Excluding these FMG activities LFL sales growth was therefore 19.2%.

Sales growth in our main accident management businesses was 21.2% reflecting a 21.2% LFL growth in the number of credit hires and a 29.6% increase in the total number of repairs undertaken last year including a 6.2% increase in the number of credit repairs. Excluding FMG the increase in the total number of repairs was 14.3%.

### Gross profit, adjusted operating profit and adjusted EBIT

Gross profit was £17.7m higher than last year and overall gross margin was 24.6% (2016: 25.9%) reflecting the increase in the volume of repairs which attract lower margins than hires and also the full year effect of the inclusion of FMG. Excluding the FMG combined fleet management businesses as described above, gross margin was 25.2% (2016: 26.6%).

### Income from associates

Income from associates represents the Group's share of the profits in relation to NewLaw's membership of several Limited Liability Partnerships providing legal services in association with certain business partners (subject to regulation by the Solicitors Regulation Authority) and amounted to £1.5m (2016: £1.3m).

### Earnings before interest and taxation

The adjusted EBIT was £40.2m (2016: £34.5m) which includes an amount of £6.2m in respect of the fleet management activities of FMG as described above (2016: £3.8m representing 8 months).

Adjusted EBIT margin was 8.5% (2016: 9.1%). The reduction in percentage margin principally reflects the full year effect of the acquisition of FMG last year as well as increased levels of fault repairs at lower margins and also investment in infrastructure to facilitate future growth.

EBITDA was £51.8m (2016: £43.0m).

### Net finance income

There was a net interest charge of £0.2m (2016: adjusted credit of £0.1m) reflecting a reduction of interest income as a result of the fall in bank base rates, lower average cash balances following the cash cost of the acquisition of FMG in October 2015 as well as the full year effect of the costs of committed, but unutilised, bank facilities available to the Group since December 2015.

### Adjusted profit before taxation

Adjusted profit before tax of £40.0m (2016: £34.6m) is an increase of £5.4m (15.6%) over last year.

### Amortisation of intangibles and exceptional items

A charge of £2.4m (2016: £1.6m) in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG), was incurred and a £2.0m cost (2016: £0.7m) was recorded under IFRS2 in respect of the charge for share based payments on incentive share schemes.

This year also saw a pre-tax exceptional charge of £3.9m (2016: £nil) in respect of provisions made for the Group's plans to mitigate against the holding costs between now and the end date of certain onerous long term leases of premises no longer occupied by the Group including additional space vacated during the year.

In 2016, there was a pre-tax exceptional net charge of £1.1m reflecting:

- a charge of £0.3m in respect of reorganisation and integration costs following the acquisition of FMG;
- acquisition costs of £0.7m charged as an expense as required by IFRS3;
- a charge of £0.1m in respect of the unwind of discount charges on certain provisions.

The tax effect of all of the above was a credit of £1.2m (2016: credit of £0.5m).

### **Statutory profit before and after taxation**

After the amortisation of intangible assets, a charge for share based payments and this year's charge for exceptional items above, the statutory profit before tax was £31.8m (2016: £31.3m).

There was a net tax charge of £5.0m (2016: £6.0m) and therefore the statutory profit after tax is £26.8m (2016: £25.3m).

### **Earnings per share – Basic and Diluted**

Statutory basic EPS is 8.93p (2016: 8.66p). Statutory diluted EPS is 8.68p (2016: 8.26p).

The adjusted EPS is 11.26p (2016: 9.64p). The adjusted diluted EPS is 10.95p (2016: 9.20p).

The adjusted figures exclude the effect of the amortisation of intangibles, share based payments and exceptional items ('adjustment items') described in note 4.

### **Dividends**

An interim dividend of 5.00p per share was paid on 30 March 2017.

A final dividend of 5.60p per share has been recommended by the Board (2016: 5.15p), an increase of 8.7%.

This dividend, if approved at the Annual General Meeting to be held on Wednesday 25 October 2017, will be paid on Thursday 2 November 2017 to those shareholders on the register at the close of business on Friday 06 October 2017 making a total dividend for the year of 10.60p compared to a total of 9.65p for the interim and final dividends last year, an increase of 9.8%.

### **Balance sheet**

Statutory debtor days at 30 June 2017 stood at 91 days and compare to 94 days at 30 June 2016.

Revenue generated debtors at 30 June 2017 were £117.4m and compare to £105.8m at 30 June 2016, an increase of 11.0%. Trade creditors increased to £69.1m compared to £60.7m at 30 June 2016 an increase of 13.8%.

The Group also increased its investment in fleet numbers to service new contracts and in response to underlying increased demand. Together with a greater use of attractively priced hire purchase and vehicle leasing finance arrangements during the period, this resulted in an increase of £6.8m in the net value of vehicles held as fixed assets under finance leases compared to 30 June 2017.

Net assets at 30 June 2017 were £159.0m (2016: £160.3m).

### **Cash flow**

Cash generated from operating activities was £51.1m (2016: £44.1m). After other net outflows in respect of interest and taxation net cash flow from operating activities was £47.2m (2016: £42.1m).

Net operating cash flow to EBITDA was 91% (2016: 98%).

### **Net debt, cash and financing**

As outlined in the operational review during the year the total number of vehicles on the fleet at the year end was increased by 15.6% to service the much increased volume of hire days. As a consequence fleet finance debt was £46.0m at 30 June 2017, an increase of £6.4m (15.8%) compared to £39.6m at 30 June 2016.

Cash balances were £36.3m at 30 June 2017 and compare to £34.6m at 30 June 2016.

Net debt at 30 June 2017 was therefore £9.7m and compares with net debt of £5.2m at 30 June 2016.

By order of the Board

**Stephen Oakley**  
Chief Financial Officer  
6 September 2017

# Group Strategic Report continued

## Principal Risks and Uncertainties

The Group faces a range of risks and uncertainties. The processes that the Board has established to safeguard both shareholder value and the assets of the Group are described in the Corporate Governance report. Set out here are those specific risks and uncertainties that the directors believe could have the most significant adverse impact on the Group's business together with the steps that the Board undertakes in order to mitigate these risks. The risks and uncertainties described below are not intended to be an exhaustive list.

### Economic conditions

The Group's operating and financial performance is affected by the economic conditions in the United Kingdom. Adverse changes in economic conditions in the United Kingdom and globally and the volatility of international markets could result in continued or further changes to driving patterns, car usage and ownership and this may result in fewer miles driven and lower numbers of accidents and therefore reduced business volumes. Any such adverse effects on the Group's business might affect its relationships and/or terms of business with, and ultimately even the loss of, some key business partners. Economic uncertainty might also affect its key business partners and referrers and/or generally have an adverse impact on the insurance or other industries in which the Group's key trading partners operate. This in turn could lead to more onerous terms of business or the inability of the Group's debtors to pay monies due. Economic uncertainty may also have an adverse effect on the banking industry generally which may affect the Group's ability to obtain or maintain finance on suitable terms when needed.

The Group continually monitors government statistics as well as other external data as part of its ongoing financial and operational budgeting and forecasting processes.

In addition regular communications take place with the Group's major insurance partners in order to monitor consumer insurance trends so that the Group may plan its response to any potential changes. The Group also communicates with its existing and potential lenders regularly in order to maintain close relationships.

### Competition

Barriers to entry into the general credit hire and credit repair markets at a local level are low. Although barriers to establishing a national or specialist business in this sector are higher, there is no certainty that these barriers will remain or will deter new entrants or existing competitors. In addition, there is the potential for local operators to overcome these barriers and establish national networks by forming alliances. Furthermore, competition could be

intensified due to the activity of the Group's competitors or if insurance companies, brokers and/or providers of services to motorists or other consumer groups entered the market, either alone or in collaboration with existing providers.

Increased competitive pressures such as these could result in a fall in the Group's revenues, margins and/or market share which could cause an adverse impact on its business, financial condition and operating results.

The Group monitors its competitive position closely with a view to ensuring that it is able to provide its customers with the best overall solution to their requirements taking into account commercial considerations. This is underpinned by a commitment to high quality service of its customers' needs together with regular monitoring and feedback of actual performance against customers' expectations. The monitoring includes performance against agreed service levels with customers and regular meetings are held with referrer partners to discuss performance and requirements.

### Customer and referrer relationships

Business is referred to the Group from a number of sources including insurance companies, insurance brokers, dealerships, body shops, leasing companies and owners of large fleets. The Group has agreements in place with many of these referrers which govern the flow of hire and repair cases and the terms and commissions on which such cases are introduced. These agreements are subject to periodic review, and once out of initial term can be terminated with short notice periods of typically 3 to 6 months. In the past, commission rates for new business have risen sharply, increasing the costs of acquiring such new business. Commission increases could adversely affect the Group's business and operating results.

A significant proportion of the Group's business is referred from insurance companies. If insurance companies were to withhold business from the Group or accident management providers generally or increase their referral commissions, whether alone or on a concerted basis, the operating results, business and prospects of the Group could be adversely impacted. Based upon profit contribution analysis, the Group may decide that renewal terms for certain existing contracts are uneconomic for the Group and consequently gross revenues may decline.

The Group seeks and develops long term relationships with partners and secures these relationships with appropriate, long-term formal contracts. Where possible contracts are structured in such a way as to match income with corresponding costs and regular reviews take place of contribution from contracts in order to ensure that where such contributions become uneconomic a dialogue is opened with the counterparty in an attempt to resolve this.

## Insurance industry protocols

The Group was a subscriber to the voluntary agreement developed by accident management companies and the ABI known as the General Terms of Agreement (GTA) but withdrew from this agreement with effect from 15 August 2015. This decision was taken due to the considerable amount of business conducted by the Group under protocol arrangements that the Group has with insurers and the residual element of the business still conducted under the GTA was considered to be less significant.

There is no guarantee that non-protocol insurers will continue to conduct their business with the Group on terms (including payment terms) similar to those previously pertaining to the GTA and they may also seek alternative strategies to dealing with claims submitted.

The Group takes an active part in discussions within the industry and since the Group's withdrawal from the GTA the Group has continued to undertake a significant amount of its business under protocol arrangements with insurers.

## Regulation

Certain of the Group's activities and arrangements are subject to regulation. Whilst the Group seeks to conduct its business in compliance with all applicable regulations, there remains a residual risk that regulators will find that the Group has not complied fully with all such regulations. Failure by the Group to comply with regulations may adversely affect its reputation (which could in turn lead to fewer referrals), may result in the imposition of fines or an obligation to pay compensation, or may prevent the Group from carrying on a part of its business and could have a materially adverse effect on the Group's business, financial condition and operating results.

The Group maintains a legal function and a regulatory risk and compliance function to monitor the management of these risks and compliance with relevant laws and regulations. Reputable external advisors are retained where necessary. Internal policies and practices are reviewed regularly to take account of any changes in obligations. Training and induction programmes ensure that staff receive appropriate training and briefings on the relevant policies and laws.

## Legal

In the past, legal challenges have been brought on various grounds (mainly by insurance companies) seeking weaknesses in the legality of credit hire agreements and the hire rates and the periods of hire that can be recovered by credit hire companies. A number of historical legal cases relating to the provision of credit hire and related services have provided a precedent framework which has remained broadly stable for several years.

The majority of the Group's claims are now initially pursued under the terms of protocols with individual insurers and the Group believes that it operates its business within the parameters laid down by the reported decisions of the courts such that its credit hire and repair arrangements are enforceable. However fresh challenges may be brought from time to time.

The government continues to look at the overall costs of litigation. It may bring in legislation or amend or create new rules of court, which further reduce the costs recoverable in certain types of actions and/or changing the criteria for litigation to fall within the small claims track (where legal costs (except the most basic) are not generally recoverable), which might have an impact on the profit costs of the Group's legal businesses and/or increase the cost of recovering credit charges.

The Group maintains a legal function and also monitors relevant legal developments and the development and outcome of test cases through its membership of the Credit Hire Organisation. The Group's contracts and documentation are reviewed and amended where appropriate to take into account legal developments and case law.

The Group's legal department and the Group's legal businesses monitor such matters and the Group will endeavour to adapt its business model to deal with such changes if and when they are introduced. The legal businesses have been diversifying and undertaking a greater volume of significant injury cases which would not be affected to the same extent by these reforms.

## Recovery of receivables

The business of credit hire and repair involves the provision of goods and services on credit. The Group generally receives payment for the goods and services it has provided after a claim has been pursued against the party at fault (and the relevant third party insurer). This can mean that the Group can endure a long period before payment is received. Whilst currently a significant level of the Group's claims are subject to protocol arrangements resulting in prompt settlement of claims there is a risk that the Group will not be able to improve or maintain the pace of settlement of claims. In addition, third party insurers may seek to delay payments in an attempt to achieve more favourable settlement terms for outstanding claims or, ultimately, to force the Group and other credit hire providers out of the market. If the Group is unable to maintain existing settlement periods, if there are further delays in the receipt of payments or if settlement terms with insurers worsen, its business, financial condition and operating results could be adversely impacted.

The Group manages this risk by ensuring that services are only provided to customers after a full risk assessment process and agreement to an appropriate contract.



# Group Strategic Report

continued

## Fleet costs and residual values

The cost to the Group of holding vehicles for hire is dependent upon a number of factors, including the availability of vehicle finance, the purchase price of those vehicles, the level of discounts available from dealers and manufacturers, financing costs (represented by LIBOR and applicable margins) and the expected residual value at the date of disposal. There is a risk that changes in any of these factors could mean that the Group's fleet costs are increased.

The Group's fleet management system enables the business to manage the fleet effectively and maximise the utilisation of its vehicles in order to minimise the cost to the business of holding vehicles. Risk is further mitigated by managing vehicle holding periods and note 24 to the consolidated financial statements details the steps that are taken in managing LIBOR risk.

## Operational risks and systems

Operational risks are present in all of the Group's businesses, 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 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 Group's systems, processes or business continuity arrangements.

The Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled. Preventative controls and back-up and recovery procedures are in place for key systems and all buildings. Changes to group systems are considered as part of a wider group business change management process and implemented in phases where possible. The Group has business recovery and business continuity plans in all of its operations.

## Liquidity and financial

The Group manages its existing cash balances and operational cash flow surpluses to provide day to day working capital headroom. In addition the Group has available to it a £35m 5 year committed revolving capital facility with HSBC and also has a £5m overdraft facility with that bank. These facilities have not been used since inception in December 2015 but remain available to the Group. The Group also has both committed and uncommitted fleet finance facilities to finance replacement vehicle purchases. In addition the principal financial risks and uncertainties therefore include capital risk, interest rate risk and credit risk.

Further details of these risks and their management are contained in note 24 to the consolidated financial statements.

## Going concern

The Group's business activities, analysis of its financial performance and position, and factors likely to affect its future development, are set out in the Operational and Financial Review above. The financial resources available to the Group are also discussed in detail in the Operational and Financial Review above. The forward risks faced by the Group are also discussed in the section on Principal Risks and Uncertainties above.

The directors have assessed the future funding requirement of the Group and the Company, and have compared them to the sources and levels of working capital resources available including cash balances. The assessment included a review of current financial projections to June 2019, and a review of the financial resources available by way of cash balances and facilities. Recognising the considerable uncertainty surrounding financial projections in the current economic environment, in particular with regard to the demand for the Group's services and the cash collection profiles from insurers, the directors considered a number of scenarios and the mitigating actions the Group could take to limit any adverse consequences.

Having undertaken this work, the directors are of the opinion that the Group continues to have access to adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate for the financial statements to be prepared on a going concern basis.

By order of the Board

### Stephen Oakley

Chief Financial Officer  
6 September 2017

# Governance

## Board of Directors

### **Avril Palmer-Baunack**

#### **Chairman – Non Executive**

Avril was appointed Chairman of Redde plc in September 2011. Avril is also executive chairman of BCA Marketplace plc and was previously Chief Executive Officer of Autologic Holdings plc and Deputy Chief Executive Officer and Executive Chairman of Stobart Group. Prior to joining Autologic Avril was Chief Executive Officer of Universal Salvage plc and has held a broad range of executive roles throughout the automotive industry, with experience in companies engaged in vehicle salvage, car hire, auctions, transportation, distribution, logistics, vehicle processing and infrastructure. Avril was also previously non-executive chairman at Molins PLC and Quartix Holdings plc.

### **Martin Ward**

#### **Chief Executive Officer**

Martin joined Redde plc in August 2005 as Managing Director of its subsidiary business, Albany Assistance Limited. In February 2009 Martin became Managing Director of the Group's combined Accident Management Business and in April of the same year was appointed Group Managing Director. In October 2011 he became Chief Executive Officer.

Martin has extensive insurance industry experience, having jointly founded the Rarrigini & Rosso Group in 1994, a leading independent wholesale motor fleet, property and risk management insurance business, where he was commercial and operations director. This business built a membership network of over 500 leading commercial insurance brokers throughout the UK and marketed schemes on behalf of insurance companies. The business was acquired by THB plc in 2003. Martin has an MBA from Durham University.

### **Stephen Oakley**

#### **Chief Financial Officer**

Stephen joined the Group as Chief Financial Officer in October 2011. Stephen is a Fellow of the Institute of Chartered Accountants having qualified with Price Waterhouse, London and is also a member of the Chartered Institute of Taxation.

Stephen has significant experience having in the past been Group Finance Director of fully listed groups such as Macarthy plc and The Hartstone Group plc. He was also previously Group Chief Executive of AIM listed Loftus Road plc and Interim Chief Financial Officer of AIM listed Sira Business Services plc.

### **John Davies**

#### **Non-Executive Director**

John joined the Board as non-executive director in December 2011 and brings a wealth of relevant experience to the Board having been, until he retired in 2006, Managing Director of Lloyds TSB's Asset Finance Division which, amongst other businesses, included the bank's motor-related operations. Prior to that John was Group Head of Consumer Finance for Standard Chartered Bank and Managing Director of their UK finance house subsidiary Chartered Trust. He has also held the positions of Managing Director of United Dominions Trust, a subsidiary of Lloyds TSB and a director of the Finance and Leasing Association. In his career John has also been involved in a number of joint ventures with motor manufacturers and motor importers.

John was previously non-executive Chairman of Autologic Holdings plc, and is currently a non-executive director of Molins PLC, and Local Car and Van Rental Limited. John is also a former Chairman of the Vehicle Remarketing Association.

### **Mark McCafferty**

#### **Non-Executive Director**

Mark joined the Board as non-executive director and chairman of the Remuneration Committee, in March 2009. He brings extensive sector management and commercial experience, having spent six years as CEO of Avis Europe plc. Prior to Avis, Mark was Managing Director of Thomas Cook's global travel businesses, and previous to that spent seven years with Midland Bank International in corporate finance and international operations.

Mark is currently CEO of Premiership Rugby and has previously held non-executive directorships with HMV Group plc, UMBRO plc and Horserace Totalisator (Tote).

# Governance continued

## Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 30 June 2017. The Corporate Governance section set out on pages 17 to 19 forms part of this report.

### Principal activities

The principal activity of the Company is that of a holding company and its subsidiaries are set out in note 32. The principal activities of the subsidiaries are the provision of non-fault accident management assistance and related services, fleet management and legal services exclusively in the United Kingdom.

### Environmental, employee and social community matters

The directors recognise the requirements of the Group to balance the interests of its stakeholder groups, particularly the impact of its day to day operations on the environment and matters relating to its employees and the community in which it operates.

### Redde and the environment

It is recognised that the Group's business has an unavoidable impact on the environment and it is the Group's intention to minimise these effects wherever and whenever practicable.

### People

The Group's employees continue to support and remain loyal to the business as it moves into new phases of its development. The Group offers relevant training and development opportunities when it is able to do so.

### Redde in the community

The Group continues to make a positive contribution to the local communities in which it operates, and has over the last financial year maintained its support for local communities and national causes, whilst minimising the associated financial impact on the Group.

### Results and dividends

The profit before tax for the year ended 30 June 2017 was £31.8m (2016: £31.3m) and a profit after tax for the year of £26.8m (2016: £25.3m), was transferred to reserves.

The Board has pleasure in recommending a final dividend of 5.60p per share making a total of 10.60p per share for the year as a whole which, if approved by shareholders at the forthcoming AGM on Wednesday 25 October 2017, will be paid on Thursday 02 November 2017 to those shareholders on the register at the close of business on Friday 06 October 2017.

An interim dividend of 5.00p per share was paid on 30 March 2017 and including this the total ordinary dividend for the year is 10.60p compared to interim and final dividends totalling 9.65p last year, an increase of 9.8%.

### Directors

Details of the directors of the Company who served during the year, their dates of appointment, their titles, roles, and committee memberships and chairmanships are set out in a table on page 17 of this Annual Report.

The names and biographies of the directors appear on page 13.



## Directors' interests

At 30 June 2017, including family interests, the following directors held the number of shares of the Company as shown below:

	Ordinary Shares
Martin Ward	3,644,715
Stephen Oakley	1,793,343
Mark McCafferty	30,000

On 1 August 2017 Martin Ward and Stephen Oakley both exercised their options over 37,267 ordinary shares under the terms of the 2014 All Employee SAYE scheme and both of their holdings shown above increased by 37,267 shares on that date. No other changes took place in the interests of directors between 30 June 2017 and the date of this report.

Details of directors' share options are contained in the Directors' Remuneration Report on pages 20 to 23.

## Directors' indemnities

The directors benefit from indemnities in the Company's articles (to the extent permitted by law) and from Directors and Officers insurance purchased by the Company.

## Substantial shareholdings

As at 6 September 2017, the Company had been notified that the following persons are interested directly or indirectly in 3% or more of the issued share capital of the Company:

	Number of Ordinary Shares	% shareholding
Invesco Limited	88,071,853	28.97
Woodford Investments*	81,252,890	26.73
Aviva plc*	35,887,284	11.81
Hargreave Hale*	18,997,434	6.25

\*Information obtained from the Company's share register analysis.

## Share capital and rights attaching to the Company's shares

As at 30 June 2017, the Company's issued share capital consisted of 303,978,408 ordinary shares with a nominal value of 0.1p each. The ordinary shares have rights to vote at a general meeting of the Company and every member holding ordinary shares has one vote on a show of hands and on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting. Details of the authorised and issued share capital of the Company and details of the number of shares issued during the year can be found in note 21.

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time determine by ordinary resolution.

# **Governance** continued

## **Directors' report** continued

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee consultation**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through presentations and the Company intranet. The Group regularly communicates with employees on a wide range of matters affecting their current and future interests.

### **Auditor**

In accordance with section 485 of the Companies Act 2006, a resolution to reappoint KPMG LLP as auditor will be put to the forthcoming Annual General Meeting.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Annual General Meeting**

The Annual General Meeting will be held on Wednesday 25 October 2017. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts.

By order of the Board

#### **Nicholas Tilley**

Company Secretary  
6 September 2017

# Governance continued

## Corporate Governance Report

### The application of the UK Corporate Governance Code ("Code") and corporate governance during the period 01 July 2016 to 30 June 2017 ("Year").

The Code does not apply directly to companies which are admitted to trading on AIM. The directors recognise, however, the importance of high standards of corporate governance and throughout the Year intended that the Company should observe requirements of the QCA Corporate Governance Guidelines for AIM companies or the Code to the extent directors consider appropriate having regard to the size, nature and resources of the Company.

An explanation of how these principles have been applied is set out both below and in the Directors' remuneration, Audit Committee and internal control sections of this report.

### The Board

The table below sets out details of all directors who have served during the Year and their membership of Board committees. There is a separate attendance statement at the end of this report in respect of directors' attendance at the 11 Board meetings and the committee meetings held during the Year.

Director	Date appointed	Role	Committees (C = current chairman)
<b>Avril Palmer-Baunack</b>	28/09/11	Non-executive Chairman	Nomination (C) Remuneration
<b>Martin Ward</b>	08/04/09	Chief Executive Officer	N/A
<b>Stephen Oakley</b>	18/10/11	Chief Financial Officer	N/A
<b>Mark McCafferty</b>	01/03/09	Senior Independent Director	Remuneration (C) Audit Nomination
<b>John Davies</b>	01/12/11	Non-executive	Audit (C) Remuneration Nomination

Board decisions are generally on matters of strategy, policy, people, performance and budgets. Each director receives detailed information on matters to be discussed well in advance of each Board meeting to ensure that there is a full debate at Board level and, in particular so that the non-executive directors can contribute fully.

The Board has formally reserved specific matters for determination and has approved terms of reference for all other Board committees; these are available on request and are published on the Group's web site at [www.redde.com/investors/](http://www.redde.com/investors/). The non-executive directors' terms and conditions of appointment are available for inspection.

There is a formal policy in place to ensure that all directors have access to independent professional advice, if they have the need to seek it. There is an induction process for new directors and training is available when required.

### Chairman, Chief Executive Officer and Senior Independent Director

There is a formal division of responsibilities between the Chairman, Avril Palmer-Baunack and the Chief Executive Officer, Martin Ward. The non-executive directors led by the Senior Independent Director Mark McCafferty meet regularly in the absence of executive directors.

### Board balance

At all times during the Year the Board has consisted of a majority of non-executive directors including the Chairman. All of the non-executive directors are viewed as independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

### Nomination Committee

Board appointments and succession planning are the responsibility of the Nomination Committee. This committee currently comprises Avril Palmer-Baunack (chairman), Mark McCafferty and John Davies. There were three meetings in the Year.

# **Governance** continued

## **Corporate Governance Report** continued

### **Performance evaluation**

The Board and its committees have not conducted a formal internal performance evaluation this Year and considers that its size is such that this can be assessed by informal discussions at Board and committee meetings. The non-executive directors also met during the Year without the presence of executive directors, during which the performance of executive directors was assessed and, without the presence of the Chairman (but with input from executive directors) to assess the performance of the Chairman.

### **Re-election**

Avril Palmer-Baunack is retiring by rotation and seeks re-election to the Board. Avril's biographical details are to be found on page 13 of this Annual Report and Accounts. The Nomination Committee believes that Avril continues to be effective and demonstrates commitment to her role.

### **Remuneration Committee**

The Remuneration Committee currently comprises Mark McCafferty (chairman), Avril Palmer-Baunack and John Davies. The committee held four meetings during the Year.

The committee's role is to set the Chairman's remuneration and to determine remuneration packages for executive directors to enable the Group to attract, retain and motivate executives of the necessary calibre without paying more than is necessary for this purpose. Further information is given in the Directors' Remuneration Report and other parts of this Annual Report.

The remuneration of the non-executive directors is a matter reserved for the whole Board.

### **Relations with shareholders**

The Group is committed to maintaining good relations with all its shareholders through the provision of regular Interim and Annual Reports, other trading statements and the Annual General Meeting. The Company also maintains contact with its institutional shareholders. The views of analysts, brokers and major shareholders are relayed to the Board through the Chairman and the Senior Independent Director as appropriate.

### **Annual General Meeting**

The Annual General Meeting provides an opportunity for all shareholders to be updated on the Group's progress and ask questions of the Board.

### **Financial reporting**

The Board has ultimate responsibility for both the preparation of accounts and the monitoring of systems of internal financial control. The Board seeks to present a balanced and understandable assessment of the Group's position and its prospects and present price-sensitive information in an appropriate way. The Group publishes interim reports so that the Group's financial position can be monitored regularly by shareholders.

### **Internal control**

The Board is responsible for the Group's system of internal control and has, during the period covered by this report maintained an ongoing and planned process, to identify, evaluate, report and manage the significant risks faced by the Group during this financial period up to the date of approval of this report.

The Group's key risks are identified, assessed and managed by senior management and supervised by a risk committee and/or subsidiary boards. Senior managers and compliance officers submit regular reports for discussion at the meetings. The Group's executive directors are members of the risk committee and subsidiary boards.

Strategic risks remain the sole responsibility of the Board which regularly assess such risks in discussions led by the Chief Executive Officer.

The Board, in seeking to achieve the Group's business objectives, cannot offer an absolute guarantee that the application of a risk management process will overcome, eliminate or mitigate all significant risks. However, by further developing and operating an annual and ongoing risk management process to identify, report and manage significant risks, the Board seeks to provide a reasonable assurance against material misstatement or loss.

The Board confirms that it has reviewed the effectiveness of the Group's system of internal controls for assessing significant operational and strategic risks. The Chief Executive Officer advises the Board on any significant risks. The controls reviewed cover the financial, operational, compliance, fraud and risk management systems that have been in operation during this reporting period. The review considered all significant aspects of the internal control process.

## Consolidated accounts

The system of internal controls described above applies to all subsidiary undertakings. In addition the accounts of the Group's principal subsidiaries are combined with those of the Company to form the consolidated accounts each month. The head office finance team is responsible for producing the consolidated accounts, including the elimination of intra-group transactions and unrealised intra-group profits, and there is a monthly review of key performance indicators by the commercial and financial management of each subsidiary.

## Audit Committee

The Board has, through the Audit Committee, established formal and transparent arrangements for financial reporting, the review of formal announcements relating to the Company's financial performance, internal control and external auditing. The committee monitors (i) the financial reporting process, (ii) the effectiveness of the Group's internal financial control and internal audit functions, (iii) the statutory audit of the annual and consolidated accounts, and (iv) reviews the independence of the auditor including the provision of non-audit services to the Group. The Audit Committee also monitors the operational risk management systems referred to above.

The Audit Committee currently comprises John Davies (Chairman) who is a director with recent and relevant experience in this role and Mark McCafferty. The committee held five meetings in the Year. Further details about, and the qualifications of, the committee members can be found in their biographies on page 13 of this Annual Report.

The Company has a formal policy that the auditor is not used for other work unless it is both in the best interests of the Company to use that firm and the Audit Committee is satisfied that it will not affect the independence of the auditor. Any such work undertaken is therefore performed by a separate team within KPMG. During the Year separate teams within KPMG LLP performed a review in respect of cyber security within the Group and also provided taxation services to FMG in respect of periods relating to before the acquisition of that business in October 2015. Appropriate safeguards have been put in place to ensure the independence of the audit and advisory work of the separate teams of KPMG LLP.

The committee has also reviewed the Company's arrangements to enable employees to raise concerns about possible improprieties confidentially. The Company uses a specialist, independent organisation to provide a confidential 'Whistleblowers' hotline'.

The committee receives reports from executive directors and also receives reports from, and periodically meets with the external auditor and internal auditors in the absence of management.

The committee has reviewed the interim and final results published during the Year. It receives quarterly reports from Internal Audit during which it reviewed the internal auditors' findings for the period under review and approved their programme of future work.

## Board and Committee attendance

The attendance of directors at Board meetings during the Year is shown below. Their attendance is listed first along with the actual number of meetings that they were eligible to attend. In total during the Year there were 11 Board meetings and a number of scheduled committee meetings (five Audit, four Remuneration and three Nomination).

Name of director	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Avril Palmer-Baunack	11/11	–	4/4	3/3
Martin Ward	11/11	–	–	–
Stephen Oakley	11/11	–	–	–
Mark McCafferty	10/11	5/5	4/4	3/3
John Davies	11/11	5/5	4/4	3/3

By order of the Board

### John Davies

Chairman of the Audit Committee on its behalf  
6 September 2017

# Governance continued

## Directors' remuneration report

### Introduction

As an AIM listed company the Company is not obliged to prepare a directors' remuneration report and the information below does not therefore constitute a 'directors remuneration report' within the meaning of the Companies Act 2006. Notwithstanding this the directors have decided, in accordance with best practice, to produce a report that deals with the remuneration of both executive and non-executive directors.

Information in this report relates to the 2017 financial year ('Year') unless otherwise stated.

### Remuneration Committee

The Remuneration Committee operates under written terms of reference approved by the Board. It meets as and when required (but at least twice a year) and currently comprises Mark McCafferty (chairman), Avril Palmer-Baunack and John Davies, all of whom are independent non-executive directors.

No committee member has any personal financial interest, conflicts of interest arising from cross directorships or any day-to-day involvement in the running of the business. The committee makes recommendations to the Board. No director plays a part in any discussion about his or her remuneration.

### Remuneration policy

The Company's remuneration policy remains that executive remuneration packages are designed to attract, motivate and retain the high calibre executives needed to maintain the Company's position as a leading accident management company. The performance evaluation of the executive directors and the determination of their annual remuneration packages is undertaken by the committee.

The committee has responsibility for the remuneration packages of the Chairman, the executive directors and certain designated management below Board level. The Board sets the remuneration of the non-executive directors.

The Company regards the executive directors as being its key management personnel. The main elements of the executive directors' remuneration packages for the Year (which are set out in more detail below) were:

1. Basic salary and benefits;
2. Annual bonus opportunity not to exceed 100% of basic salary;
3. Incentive Schemes; and
4. Pension arrangements.

The Company's policy is, and it is intended that it shall continue to be, that a significant element of an executive director's remuneration is to be performance-related.

Whilst the committee has, as required, stated its remuneration policy for future years, it is conscious that any remuneration policy needs to be flexible. Any changes to this policy will be disclosed in subsequent reports.

Executive directors are entitled to accept appointments outside the Company so long as the Company's permission is sought. The Company's policy is that any fees payable to full-time executive directors are shared with the Company.

### Basic salary

Executive directors' salaries are determined by the committee and generally take effect from the start of each financial year. Before setting such remuneration, the committee considers pay conditions in the Group as a whole, individual performance and research which gives up to date information on remuneration policies adopted by similar companies.

Basic salaries for the current executive directors during the Year were: Chief Executive Officer £371,280 and the Chief Financial Officer £249,600. Further details of directors' remuneration appear in the audited part of this report.

The committee resolved in July 2017 to review executive directors' base salaries for the forthcoming financial year. Following this review it was accordingly resolved to increase the basic salaries for the current executive directors to the following: Chief Executive Officer £384,275 and the Chief Financial Officer £258,336. The next review is scheduled to take place in or around July 2018.

Executive directors' contracts of service (which include details of their remuneration) will be available for inspection at the Annual General Meeting. In addition to their basic salary, executive directors receive certain benefits comprising a car and fuel card (or cash allowances in lieu), private medical, life, critical illness and permanent health insurances and pension contributions (or cash in lieu of such contributions).

### Annual bonus payments

The executive directors are entitled to participate in the annual bonus scheme. The bonuses are payable subject to the achievement of challenging bonus targets which, for the current Year, were based on both adjusted profit and earnings per share before taxation and operating cash flow. The maximum bonus potential for meeting all of the targets is 100% of salary but the Remuneration Committee has discretion if some but not all targets are met. Bonus payments for the Year were paid in recognition of the attainment of all of the targets in relation to both adjusted profit, adjusted earnings per share before taxation and operating cash flow.

The committee has set appropriately challenging bonus targets for the forthcoming year on both adjusted profit and earnings per share before taxation and operating cash flow.

### Share-based incentives

The Company's current share-based incentive arrangements under which it could make awards comprise only the 2014 SAYE scheme, and the 2016 Share Performance Plan.

Details of share options granted to executive directors appear in the audited section of this report.

### Pension arrangements

The executive directors receive a fixed sum allowance (subject to annual review) to be used for personal money purchase schemes (or cash in lieu of such contributions).

### Directors' contracts

In accordance with general practice, and the Company's policy, executive directors have contracts with an indefinite term and a notice period of one year.

Details of the executive directors' contracts are summarised below:

Name	Date of Appointment	Unexpired term
Martin Ward	08 April 2009	One year (rolling)
Stephen Oakley	18 October 2011	One year (rolling)

The executive directors' contracts have no express provision for the payment of compensation in the event of early termination. In the event of termination of an executive director's service contract, when determining the compensation payable to the executive director, it is the policy of the committee to take account of the principles of mitigation of loss.

All non-executive directors have specific terms of engagement and are appointed subject to periodic re-election. Their fees are disclosed in the audited section of this report and are set by the Board as a whole. Non-executive directors cannot participate in any of the Company's share incentive schemes. Dates of the current non-executive directors' original letters of appointment are set out below:

Name	Date of appointment	Unexpired term
Avril Palmer-Baunack	28 September 2011	3 months notice (subject to re-election)
John Davies	01 December 2011	3 months notice (subject to re-election)
Mark McCafferty	01 March 2009	3 months notice (subject to re-election)

# Governance continued

## Directors' remuneration report continued

### Performance graph

The following graph shows the Company's performance compared with the performance of the FTSE AIM 100 Index (measured by total shareholder return). This comparator has been selected as the most appropriate index of which the Company has been a constituent.

### Redde's total shareholder return against the FTSE AIM 100 Index over the past 5 years



### Aggregate directors' remuneration

The total amounts for directors' remuneration and other benefits were as follows:

	2017 £'000	2016 £'000
Emoluments	1,569	1,521
Money purchase pension contributions	148	144
<b>Total remuneration</b>	<b>1,717</b>	<b>1,665</b>

### Directors' emoluments

	Fees/Basic salary £'000	Bonus £'000	Taxable benefits £'000	Sub-Total 2017 £'000	Pension 2017 £'000	Total 2017 £'000	Sub-Total 2016 £'000	Pension 2016 £'000	Total 2016 £'000
<b>Executive Directors</b>									
M Ward	371	371	15	757	88	845	729	86	815
S Oakley	250	250	12	512	60	572	492	58	550
	<b>621</b>	<b>621</b>	<b>27</b>	<b>1,269</b>	<b>148</b>	<b>1,417</b>	1,221	144	1,365
<b>Non-Executive Directors</b>									
A Palmer-Baunack	200	-	-	200	-	200	200	-	200
M McCafferty	52	-	-	52	-	52	50	-	50
J Davies	52	-	-	52	-	52	50	-	50
<b>Total emoluments</b>	<b>925</b>	<b>621</b>	<b>27</b>	<b>1,569</b>	<b>148</b>	<b>1,717</b>	1,521	144	1,665



## Directors' share options

The aggregate emoluments disclosed do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by directors. Details of the directors' options under the various share incentive schemes are as follows:

### 2016 Performance Share Plan

#### M Ward

Target Year end	Options held at 01 July 2016 '000	Options granted in the year '000	Options exercised in the year '000	Options surrendered in the year '000	Options held at 30 June 2017 '000	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	585	–	–	–	<b>585</b>	0.1	See below	26/02/2026
30 June 2019	–	187	–	–	<b>187</b>	0.1	See below	02/09/2026

#### S Oakley

Target Year end	Options held at 01 July 2016 '000	Options granted in the year '000	Options exercised in the year '000	Options surrendered in the year '000	Options held at 30 June 2017 '000	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	393	–	–	–	<b>393</b>	0.1	See below	26/02/2026
30 June 2019	–	125	–	–	<b>125</b>	0.1	See below	02/09/2026

The outstanding options are exercisable on the achievement of various targets as detailed in note 23.

### Sharesave Scheme

Details of the directors' options under the 2014 SAYE Scheme at 30 June 2017 were as follows:

Name	Options held at 01 July 2016 '000	Options granted in the year '000	Options exercised in the year '000	Options surrendered in the year '000	Options held at 30 June 2017 '000	Exercise price (pence)	Date from which exercisable	Expiry date
M Ward	37	–	–	–	<b>37</b>	48.3	01/08/2017	01/02/2018
S Oakley	37	–	–	–	<b>37</b>	48.3	01/08/2017	01/02/2018

The above SAYE options were exercised by both directors on 1 August 2017.

By order of the Board

#### Mark McCafferty

Chairman of the Remuneration Committee on its behalf  
6 September 2017

# Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report

to the members of Redde plc

## 1 Our opinion is unmodified

We have audited the financial statements of Redde plc ("the Company") for the year ended 30 June 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows, company statement of changes in equity, company statement of financial position, company statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

**Goodwill** (£86.0 million; 2016: £86.0 million)

*Refer to page 37 (accounting policy) and page 44 (financial disclosures).*

### The risk

#### *Forecast-based valuation*

The recoverable amounts of the Group's Cash-Generating Units to which goodwill is allocated are determined from value in use calculations, which represents a key judgement area as errors in assumptions, particularly relating to forecast cash flows and discount rates, could result in a material misstatement of the goodwill balance.

### Our response

Our procedures included:

- *Control design*: Evaluating the Group's budgeting procedures upon which the forecast cash flows are based;
- *Historical comparisons*: Comparing budgets for the prior year(s) with actual results and understanding the reasons for the variances;
- *Benchmarking assumptions*: Challenging the Group's selection of discount and growth rates by using external data (including competitor analysis) using our own valuation specialist to determine an appropriate range and comparing the actual rate used to that range. In addition, assessing whether the forecasts (including growth rate) were consistent with current business strategies in place;

# Independent auditor's report

to the members of Redde plc continued

- *Sensitivity analysis*: Performing analysis to assess the sensitivity of the impairment reviews to changes in the discount rate, growth rate and the forecast cash flows. In particular, we performed additional sensitivity analysis which considered a wider range of potential scenarios and outcomes over the NewLaw CGU as this was identified as having the least amount of headroom;
- *Assessing transparency*: Assessing the adequacy of the Group's disclosures in respect of the impairment testing of goodwill and whether disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in it.

**Receivables due from insurance companies, incorporating revenue recognition** (£99.1 million; 2016: £86.2 million)

Refer to page 34 (accounting policy) and page 47 (financial disclosures).

## The risk

### *Subjective valuation*

The Group recognises receivables due from insurance companies which are subject to the insurance claims and associated disputes being settled. The amounts receivable from insurance companies are categorised by the type of revenue stream and are stated at their net expected claim value which takes into account the settlement risk involved in agreeing amounts owed by the insurers, aging profile and historical collection rates. The valuation of these receivables at the year-end also forms the judgemental part of the revenue recognised in the year.

The assumptions underlying the provision calculation as well as the adjustments being made involve judgement and any changes in the assumptions could have a material impact on the carrying value of these receivables as well as the revenue recognised in relation to the associated claims.

## Our response

Our procedures included:

- *Historical comparisons*: Challenging the Group's key assumptions in the provision calculation and the adjustments made, based on a retrospective review of the accuracy of the Group's previous provisions and considering the actual historical collection rates in relation to each type of debt;
- *Expectation vs outcome*: Comparing our calculations of expected year-end debtor positions based on our own experience with the Group to the Group's calculations and evaluating any significant variances;
- *Data capture*: Assessing the accuracy of the data used to perform the initial provision calculations. This included agreeing the value of the amounts being claimed to source documents, the age of the claim being assessed and the historical collection rates relating to each type of debt;
- *Assessing transparency*: Assessing the adequacy of the Group's disclosures in relation to their receivables and whether disclosures in relation to the judgements made by the Group as well as the risks and steps taken to mitigate those risks are properly reflected within the financial statements.

## 3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.6 million (2016: £1.5 million) determined with reference to a benchmark of Group profit before taxation of which it represents 5.0% (2016: 4.7%).

Materiality for the parent company financial statements as a whole was set at £1.2 million (2016: £1.1 million), determined with reference to a benchmark of company net assets, of which it represents 0.47% (2016: 0.39%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.075 million (2016: £0.075 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the full-scope audits for group purposes of all 29 (2016: all 29) of the Group's components, including the audit of the parent company. The components were audited to component materialities, which ranged from £0.1 million to £1.2 million (2016: £0.1 million to £1.1 million), having regard to the mix of size and risk profile of the Group across the components. This covered 100% of each of total Group revenue, Group profit before tax, and total Group assets (2016: 100% of each of total Group revenue, Group profit before tax, and total Group assets).

#### **4 We have nothing to report on going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **5 We have nothing to report on the other information in the Annual Report**

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### **Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **6 We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- We have nothing to report in these respects.

#### **7 Respective responsibilities**

##### **Directors' responsibilities**

As explained more fully in their statement set out on page 24, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

##### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

# Independent auditor's report

to the members of Redde plc continued

## 8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Robert Fitzpatrick (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

6 September 2017

# Consolidated income statement

for the year ended 30 June 2017

	Note	Year ended 30 June 2017 Adjusted* £'000	Year ended 30 June 2017 Adjustment Items* £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Adjusted* £'000	Year ended 30 June 2016 Adjustment Items* £'000	Year ended 30 June 2016 £'000
<b>Revenue</b>	3	<b>472,344</b>	–	<b>472,344</b>	379,244	–	379,244
Cost of sales		<b>(356,337)</b>	–	<b>(356,337)</b>	(280,968)	–	(280,968)
<b>Gross profit</b>		<b>116,007</b>	–	<b>116,007</b>	98,276	–	98,276
Administrative expenses	4	<b>(77,335)</b>	<b>(8,253)</b>	<b>(85,588)</b>	(65,057)	(3,239)	(68,296)
<b>Group operating profit</b>	5	<b>38,672</b>	<b>(8,253)</b>	<b>30,419</b>	33,219	(3,239)	29,980
Share of results of associates	14	<b>1,502</b>	–	<b>1,502</b>	1,281	–	1,281
<b>EBIT</b>		<b>40,174</b>	<b>(8,253)</b>	<b>31,921</b>	34,500	(3,239)	31,261
Net finance (costs)/income	4,7	<b>(150)</b>	–	<b>(150)</b>	127	(83)	44
<b>Profit before taxation</b>		<b>40,024</b>	<b>(8,253)</b>	<b>31,771</b>	34,627	(3,322)	31,305
Tax (charge)/credit	8	<b>(6,200)</b>	<b>1,240</b>	<b>(4,960)</b>	(6,455)	460	(5,995)
<b>Profit for the year</b>		<b>33,824</b>	<b>(7,013)</b>	<b>26,811</b>	28,172	(2,862)	25,310
<b>Profit for the year attributable to:</b>							
Equity holders of the Company		<b>33,824</b>	<b>(7,013)</b>	<b>26,811</b>	28,056	(2,862)	25,194
Non controlling interests		–	–	–	116	–	116
<b>Profit for the year</b>		<b>33,824</b>	<b>(7,013)</b>	<b>26,811</b>	28,172	(2,862)	25,310
<b>Earnings per share (p)</b>							
Basic	10	<b>11.26</b>	<b>(2.33)</b>	<b>8.93</b>	9.64	(0.98)	8.66
Diluted	10	<b>10.95</b>	<b>(2.27)</b>	<b>8.68</b>	9.20	(0.94)	8.26

The profit for the year was derived from continuing operations for both financial years.

\* Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') and are analysed and described in note 4.

# Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
<b>Profit for the year</b>	<b>26,811</b>	25,310
Other comprehensive income	–	–
<b>Total comprehensive income for the year attributable to:</b>		
Equity holders of the Company	<b>26,811</b>	25,194
Non controlling interests	–	116
<b>Total comprehensive income for the year</b>	<b>26,811</b>	25,310

# Consolidated statement of changes in equity

for the year ended 30 June 2017

	Share Capital £'000	Share Premium Account £'000	Shares to be issued £'000	Retained Earnings £'000	Total £'000	Non Controlling Interests £'000	Total £'000
Balance at 01 July 2015	296	65,103	3,439	88,615	157,453	(7)	157,446
Profit for the year	–	–	–	25,194	25,194	116	25,310
Total comprehensive income for the year	–	–	–	25,194	25,194	116	25,310
Issue of Ordinary Shares	8	8,666	(3,439)	–	5,235	–	5,235
Dividends paid in the year	–	–	–	(28,114)	(28,114)	–	(28,114)
Changes in non-controlling interest	–	–	–	(166)	(166)	(109)	(275)
Share-Based Payments	–	–	–	684	684	–	684
<b>Balance at 30 June 2016</b>	<b>304</b>	<b>73,769</b>	<b>–</b>	<b>86,213</b>	<b>160,286</b>	<b>–</b>	<b>160,286</b>
Profit for the year	–	–	–	26,811	26,811	–	26,811
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,811</b>	<b>26,811</b>	<b>–</b>	<b>26,811</b>
Issue of Ordinary Shares	–	11	–	–	11	–	11
Dividends paid in the year	–	–	–	(30,158)	(30,158)	–	(30,158)
Share-Based Payments	–	–	–	2,004	2,004	–	2,004
<b>Balance at 30 June 2017</b>	<b>304</b>	<b>73,780</b>	<b>–</b>	<b>84,870</b>	<b>158,954</b>	<b>–</b>	<b>158,954</b>



# Consolidated statement of financial position

as at 30 June 2017

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Goodwill	11	85,990	85,990
Intangible assets	12	18,917	21,307
Property, plant and equipment (including vehicles)	13	55,515	47,605
Interests in associates	14	1,361	796
Deferred tax asset	20	4,236	5,871
		<b>166,019</b>	161,569
<b>Current assets</b>			
Trade and other receivables	15	142,852	126,872
Cash and cash equivalents		36,344	34,647
		<b>179,196</b>	161,519
<b>Total assets</b>		<b>345,215</b>	323,088
<b>Current liabilities</b>			
Trade and other payables	16	(131,386)	(116,218)
Obligations under finance leases	17	(20,683)	(21,242)
Provisions	19	(1,318)	(1,242)
		<b>(153,387)</b>	(138,702)
<b>Net current assets</b>		<b>25,809</b>	22,817
<b>Non-current liabilities</b>			
Obligations under finance leases	17	(25,377)	(18,631)
Deferred tax liability	20	(4,991)	(5,469)
Provisions	19	(2,506)	-
		<b>(32,874)</b>	(24,100)
<b>Total liabilities</b>		<b>(186,261)</b>	(162,802)
<b>Net assets</b>		<b>158,954</b>	160,286
<b>Equity</b>			
Share capital	21	304	304
Share premium account	21	73,780	73,769
Retained earnings		84,870	86,213
<b>Equity attributable to owners of the Company</b>		<b>158,954</b>	160,286

The notes on pages 33 to 58 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 September 2017. They were signed on its behalf by:

**Stephen Oakley**

Chief Financial Officer  
6 September 2017  
Company Number 03120010

# Consolidated statement of cash flows

for the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Profit for the year		26,811	25,310
Tax charge		4,960	5,995
		<b>31,771</b>	31,305
Income from associates		(1,502)	(1,281)
Finance (expense)/income	7	150	(127)
Fleet finance lease interest	7	1,538	1,474
Depreciation of tangible fixed assets	13	11,318	8,650
Property lease provisions	4	3,859	-
Amortisation of intangible assets	4	2,390	1,593
Losses on sale of property, plant and equipment		320	715
Share-based payment charges	4	2,004	684
<b>EBITDA</b>		<b>51,848</b>	43,013
Increase in receivables		(12,845)	(31,539)
Increase in payables		13,334	33,871
Decrease in provisions		(1,277)	(1,265)
Cash generated from operating activities		<b>51,060</b>	44,080
Bank interest received		109	275
Fleet finance lease interest		(1,538)	(1,474)
Interest element of non-fleet finance lease rentals		(15)	(12)
		<b>(1,444)</b>	(1,211)
Taxation paid		<b>(2,395)</b>	(796)
<b>Net cash from operating activities</b>		<b>47,221</b>	42,073
<b>Cash flows from investing activities</b>			
Acquisitions of business combinations net of cash acquired		-	(13,383)
Deposits held under escrow		(3,000)	-
Distributions from associates		938	492
Purchase of property, plant and equipment		(3,400)	(2,032)
Proceeds from sale of plant and equipment		24,542	16,407
<b>Net cash inflow from investing activities</b>		<b>19,080</b>	1,484
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		11	236
Dividends paid		(30,158)	(28,114)
Repayment of borrowings		-	(23,505)
Loan issue costs		-	(235)
Finance lease principal repayments		(34,457)	(25,918)
<b>Net cash used in financing activities</b>		<b>(64,604)</b>	(77,536)
<b>Net increase/(decrease) in cash and cash equivalents</b>	26	<b>1,697</b>	(33,979)
Cash and cash equivalents at beginning of year		<b>34,647</b>	68,626
<b>Cash and cash equivalents at end of year</b>	26	<b>36,344</b>	34,647
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand		<b>36,344</b>	34,647

# Notes to the consolidated financial statements

## 1 Significant accounting policies

### Basis of preparation

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation.

### Adoption of new and revised standards

There are no newly adopted standards in force and applying to the year that have a material impact upon the accounts.

### New and revised standards not yet adopted

The following standards have not been applied in preparing these consolidated Financial Statements:

- IFRS 15 - Revenue from contracts with customers. This is effective for year ended 30 June 2019. The Group is continuing to review the impact of IFRS 15 but it is not currently expected to have any material impact on the Group.
- IFRS 16 - Leases. This is effective for year ended 30 June 2020. The Group is assessing the impact of IFRS 16 which, based upon leases presently held by the Group, is likely to increase Group EBITDA and Group net interest charges by similar amounts with an immaterial effect on profit before taxation. The amounts to be included under the standard into fixed assets and net debt respectively will be more definitively assessed nearer the time and are dependent upon lease agreements that will be in existence at that point.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 30 June each year.

The results of entities acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of controlled entities to bring the accounting policies used into line with those used by the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

### Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has adequate resources to continue in operational existence for the foreseeable future. Full details can be found in the Group Strategic Report on page 12.

### Business combinations

The acquisition of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus (for acquisitions prior to the implementation of IFRS 3), any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

### Interest in associates

The Group's interests in associates, being those entities over which it has significant influence and which are not subsidiaries, are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Under the equity method, the interest in associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in the value of individual investments. The Group income statement reflects the share of the associates' results after tax.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated losses for impairment. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

# Notes to the consolidated financial statements

continued

## 1 Significant accounting policies continued

For the purpose of impairment testing, each cash generating unit is allocated goodwill and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### Revenue recognition

Revenue relating to car hire, repair and claims management services is measured at the fair value of the consideration receivable (after expected discounts), net of VAT and other sales taxes. Revenue is recognised when services are provided, including an appropriate proportion of any services that are in progress at the reporting date. It is recognised only when it can be estimated reliably. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services based on their relative fair values.

Credit hire revenue is recognised from the date a vehicle is placed on hire. Vehicles are only supplied and remain on hire after a validation process that assesses to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial tariffs for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment on a portfolio basis for an estimation of the extent to which insurers are entitled or expected to take advantage of the terms of the protocols that are in place and an estimation of the expected adjustment arising on the settlement of other claims.

Revenue recognised initially equates to the amount payable to the Group at the completion of the hire transaction. The Group also has an entitlement to late payment charges where relevant claims are not settled within the terms of any protocol arrangements or other agreements. Such charges are not recognised at the time of the hire transaction as they have not been earned; rather they are recognised when they can be reliably determined, which is normally on settlement of the related claim.

Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles carried out by third party body shops. Credit repair revenue is recognised based on an estimate of the stage of completion of the repair services at the reporting date. Credit repair revenue is reported net of an estimation of the expected adjustment arising on settlement of claims. The Group records credit repair revenue on a gross basis as this best reflects the economic benefits that are received or receivable by the Group on its own account. Managed repair revenue is recorded at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

Revenue in respect of legal services represents amounts chargeable, net of VAT, in respect of legal services to customers. Turnover in respect of cases which are contingent upon future events which are outside the control of the Group, is not recognised until the contingent event has occurred. Accrued income in relation to legal services is valued at the lower of cost and net realisable value, after due regard to non-recoverable time. Net realisable value is based on chargeable time less any anticipated write offs prior to completion. No value is placed on work in progress in respect of contingent fee cases until there is virtual certainty as to the outcome of the cases to justify the recognition of an asset.

### Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute. As described above, the Group records revenue net of the expected adjustment arising on the settlement of claims, which reflects the Group's estimate of the amounts claimed from insurers that it does not expect to be ultimately recoverable.

The Group's estimation of the expected adjustments arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claim.

### Insurance policy income

Insurance policy income represents commission received by the Group for broking the sale of general insurance policies to its customers. Insurance policy commission income is recognised on completion of the sale of the policy to the customer.

## **1 Significant accounting policies** continued

### **Other accident management related activities**

Other accident management activities represent ancillary revenue streams, including hire of vehicles other than on a credit hire basis and the provision of out-sourced fleet accident management services. Revenue for other accident management activities is recorded at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

### **Trade receivables and claims in progress- credit hire and credit repair**

Credit hire and credit repair trade receivables and claims in progress are stated at the expected net claim value, which is after allowance, on a portfolio basis, for an estimation of the extent to which insurers are entitled or expected to take advantage of settlement arrangements afforded under protocol agreements or the terms of the ABI GTA and an estimation of the expected adjustments arising on the settlement of claims. The estimation of the expected adjustment arising on settlement of claims is revised, on a portfolio basis, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Any adjustments arising from such subsequent revision of the Group's expected adjustments on the settlement of claims are recorded in the income statement against revenue.

### **Trade receivables – amounts invoiced for services**

Trade receivables – amounts invoiced for services are stated at invoiced amount less any provision for impairment.

### **Operating profit**

Operating profit is stated after charging administrative costs and costs of vehicle financing but before non-vehicle finance costs, so that the costs of vehicles are recognised consistently in the income statement, regardless of whether they are owned, subject to finance lease or short-term hire.

### **Exceptional items and adjustment items**

Exceptional items are items which due to their size, incidence or non-recurring nature have been classified separately in order to draw them to the attention of the reader of the accounts and, in the opinion of the Board, to show more accurately the underlying results of the Group. Adjustment items include amortisation of intangibles, share based payments and similar items and as analysed and described in note 4 and are also summarised separately on the face of the consolidated income statement.

### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. A portion of the finance lease expense is apportioned to cost of sales as finance leased vehicles are considered to be directly attributable to the sales of the business and in order to enable comparability of holding costs between leased vehicles and those operated under contract hire operating lease arrangements.

Rentals under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### **Borrowing costs**

Borrowing costs are recognised in the income statement in the period in which they are incurred. Associated funding costs relevant to the Group's borrowings are recognised as part of the effective interest calculation over the life of the financial liability.

### **Retirement benefit costs**

The Group contributes to the personal pension plans of employees at a fixed percentage of basic earnings. The cost is charged to the income statement as the contributions fall due. The Group has no defined benefit arrangements.

# Notes to the consolidated financial statements

continued

## 1 Significant accounting policies continued

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

#### Non-hire fleet

Freehold buildings	2%
Leasehold improvements	over the term of the lease
Fixtures and equipment	15% to 33.33%
Hire fleet	see below

Non-hire fleet assets held under finance leases are depreciated over the shorter of their expected useful lives on the same basis as owned assets or over the term of the relevant lease.

#### Hire fleet

Fleet vehicles are depreciated to write down the cost of the vehicles to their estimated residual value over the expected holding period which is typically between 12 and 24 months. Residual value is based on current estimates of the net disposal value of the vehicle as if the vehicle were already of the age and in the condition expected at the date of disposal. Management review these estimates at each reporting date by reference to publicly available data on second-hand vehicle sales. The depreciation charge is adjusted prospectively to reflect movements in the residual value.

## **1 Significant accounting policies** continued

### **Impairment of tangible and intangible assets**

At each balance sheet date the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Financial instruments - Loans and receivables**

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of financial assets is reduced by the impairment losses directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a doubtful debt or settlement provision.

Subsequent recoveries of amounts previously written off are credited against these provisions. Changes in the carrying amount of these provisions are recognised in the income statement.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and any other short-term highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### **Financial liabilities**

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.



# Notes to the consolidated financial statements

continued

## 1 Significant accounting policies continued

### De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### Derivative financial instruments

The Group enters into interest rate swaps to manage its exposure to interest rate risk where considered appropriate. Further details of derivative instruments are disclosed in note 24 to the financial statements. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured at their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedging relationship.

### Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. These payments are measured at fair value determined at the date of grant, and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For options, fair value is measured by use of the Black-Scholes option pricing model or another appropriate model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. For other long-term incentive schemes under which shares are awarded to directors and employees subject to performance conditions, the fair value is determined to be the market price of the shares at the date of grant. However, for awards that are subject to market-based performance conditions a Stochastic Model is used, which applies the performance condition to a large number of possible price movements and uses the average result to estimate the fair value of an award.

### Key sources of estimation uncertainty

In the application of the Group's accounting policies described above, the directors are required to make judgments, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgments affecting the Group's financial statements are expected adjustments arising on settlement of insurance claims (note 15) and goodwill impairment (note 11).

## 2 Segmental information

The activities of the Group are managed by the Executive Board, "the Board", which is deemed to be the Chief Operating Decision Maker, as a single operating platform. The entities within the Group contribute as part of the whole operation of the Group to provide services for the core business. The Board of Redde plc considers the performance of the business by reference to contributions from all activities of the Group as a whole, and reviews requirements of the total Group when determining allocations of resources. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance. The Group has identified operating segments within the main reportable segment, two of which would qualify for separate reporting under IFRS8 based on their size. Due to growth in these two operating segments relative to the rest of the Group, the number of operating segments has reduced from three in the previous year. These operating segments are aggregated into one reportable segment as permitted under IFRS 8 for reporting purposes where they have similar economic characteristics and where the nature of services and their customer base is similar.



### 3 Revenue

	2017 £'000	2016 £'000
Revenue	<b>472,344</b>	379,244

As described in note 15, the estimation of the expected adjustment arising on settlement of claims is revised, where necessary, at each balance sheet date to reflect the Group's most recent estimation of amounts ultimately recoverable. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claims. Adjustments arising from subsequent revision of the Group's expected adjustment arising on settlement of claims, including amounts received by way of late payment charges, are recorded in revenue in the income statement.

### 4 Amortisation of intangibles, share based payments and exceptional items

Management is required to exercise its judgment in the classification of certain items such as exceptional and those other items considered to be outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other adjustments requires judgment on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance.

Throughout the Annual Report and Accounts reference is therefore made to adjusted results and measures. The directors believe that the selected adjusted measures allow management and other stakeholders to better compare the performance of the Group between the current and prior year, without the effects of one-off or non-operational items and, given the Group's full distribution dividend policy, better reflects the normalised underlying cash earnings earned in the year under review to which the directors have regard in determining the amount of any dividend.

In exercising this judgment, the directors have taken appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the European Securities and Markets Authority on the reporting of non-adjusted results. Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and are also analysed on the face of the Consolidated Income Statement on page 29.

	2017 £'000	2016 £'000
Administration costs - Amortisation of intangible assets and share based payments:		
<i>a) Amortisation of acquired intangible assets</i>	<b>2,390</b>	1,593
<i>b) Share-based payments</i>	<b>2,004</b>	684
Impact of above on operating profit	<b>4,394</b>	2,277
Exceptional items comprise the following:		
<i>c) Property lease provisions</i>	<b>3,859</b>	-
<i>d) Reorganisation and integration costs</i>	-	311
<i>e) Acquisition costs</i>	-	651
Impact of exceptional items on operating profit	<b>3,859</b>	962
<i>f) Finance costs - discount on provisions and deferred consideration</i>	-	83
Total exceptional items	<b>3,859</b>	1,045
Total adjustments to operating profits	<b>8,253</b>	3,239
Total adjustments to finance costs	-	83
Total adjustments to profit before tax	<b>8,253</b>	3,322
Tax effect of the above	<b>(1,240)</b>	(460)
Impact on profit after tax for the year	<b>7,013</b>	2,862

# Notes to the consolidated financial statements

continued

## 4 Amortisation of intangibles, share based payments and exceptional items continued

### a) Amortisation of acquired intangible assets

Last year the Group recognised the value of customer relationships and acquired software amounting to £22.9m in total (note 12) as a result of the acquisition of FMG (note 25) and these assets are being amortised over 10 and 5 years respectively. Such amortisation is included in adjustment items as it is related to the acquisitions of businesses and does not involve ongoing cash expenditure in the normal operations of the Group. The charge for the year amounts to £2.4m (2016: £1.6m) (note 12), and the tax effect was a credit of £0.5m (2016: £0.5m).

### b) Share-based payments

The Group has a number of share incentive schemes. In accordance with IFRS 2 the calculated charge in respect of options issued and outstanding amounts to £2.0m for the year (2016: £0.7m). Such charges are included in adjustment items as they do not represent a cash cost of operations, have no effect on the net assets of the Group and given that unissued options are already included in the statutory diluted earnings per share calculations these costs are removed to avoid double counting in arriving at such diluted earnings per share.

### c) Property lease provisions

The Group presently is subject to a number of onerous long term leases of certain properties no longer occupied by the Group. Additional space was also vacated during the year as part of a reorganisation. Provision has been made to reflect the net holding cost of these leases between now and the end date of those leases taking into account the Group's plans for mitigation of these lease costs and a pre-tax exceptional charge of £3.9m (2016: £nil) has been made in this respect. The tax effect was a credit of £0.7m (2016: £nil).

### d) Reorganisation and integration costs

Last year the Group integrated the operations of Total Accident Management Limited with that of the FMG group of companies. This restructuring gave rise to redundancy costs and other costs associated with the restructuring totalling £0.3m for that year.

### e) Acquisition costs

The charge for last year in accordance with the requirements of IFRS 3 represents acquisition costs, and relates to legal and professional fees incurred during the acquisition of the FMG group of companies, and amounted to £0.7m.

### f) Finance costs

The carrying amount of provisions against properties are included in the balance sheet net of the appropriate discount reflecting the cost of funding. The charge of £0.1m for last year represents the unwinding of this discount.

## 5 Operating profit

	2017 £'000	2016 £'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
owned	1,289	1,144
leased	10,029	7,506
Loss on sale of property, plant and equipment	320	715
Operating lease rentals		
vehicles	12,956	11,214
property	2,472	2,134
other	16	123

## 5 Operating profit continued

Details of auditor's remuneration is provided below:

	2017 £'000	%	2016 £'000	%
Audit services				
Statutory audit of Group and company financial statements	78	28	73	16
Statutory audit of Group subsidiaries pursuant to legislation	135	48	137	30
	<b>213</b>	<b>76</b>	210	46
Other services				
Interim review	40	14	37	8
Other regulatory reporting	17	6	10	2
Cyber security review	11	4	–	–
Accounting and tax due diligence on acquisitions	–	–	202	44
Total auditor's remuneration	<b>281</b>	<b>100</b>	459	100

## 6 Staff costs

	2017 Number	2016 Number
The average number of full time equivalent employees (including executive directors) was:		
Operational	1,551	1,318
Office administration	346	298
Management	98	98
	<b>1,995</b>	1,714

	2017 £'000	2016 £'000
Their aggregate remuneration comprised:		
Wages and salaries	53,277	46,866
Social security costs	4,482	3,848
Other pension costs	939	857
	<b>58,698</b>	51,571
Share-based payments charge	2,004	684
	<b>60,702</b>	52,255

The full time equivalent number of employees at the year end was 2,228 (2016: 1,819). Key management personnel and their remuneration are discussed in the directors' emoluments table on page 22 and the share plan tables on page 23.

# Notes to the consolidated financial statements

continued

## 7 Finance income and finance costs

	2017 £'000	2016 £'000
<i>a) Finance income</i>		
Interest receivable	(109)	(275)
<i>b) Finance costs</i>		
Interest on obligations under finance leases	1,552	1,487
Loan issue costs charged in the year	245	135
	1,797	1,622
Reclassification of interest on obligations under finance leases and fleet facilities to cost of sales	(1,538)	(1,474)
Finance costs payable before exceptional costs	259	148
	150	(127)
<i>c) Exceptional finance costs</i>		
Unwind of discount on provisions and deferred consideration (note 4)	–	83
Total net finance costs/(income)	150	(44)

## 8 Tax

	2017 £'000	2016 £'000
<b>Current tax</b>		
UK corporation tax on profit for the year	(3,861)	(1,006)
Adjustments in respect of prior years	58	39
Total current tax charge	(3,803)	(967)
<b>Deferred tax</b>		
Previously unrecognised tax losses and temporary differences	1,000	208
Origination and reversal of temporary differences	(2,160)	(5,113)
Adjustments in respect of prior years	(13)	(27)
Impact of change in tax rate	16	(96)
Tax charge on profit on ordinary activities	(4,960)	(5,995)

	2017 £'000	2016 £'000
<b>Reconciliation of tax charge</b>		
Profit for the year	26,811	25,310
Tax charge	4,960	5,995
Profit before tax	31,771	31,305
Tax at the weighted average UK corporation tax rate of 19.75% (2016: 20.00%)	(6,275)	(6,261)
Recognition/(reversal) of deferred tax asset	1,756	(90)
Adjustment in relation to prior periods	45	12
Impact of change in tax rate on recognised deferred tax	16	(96)
Tax effect of non-deductible expenses	(158)	(159)
Timing differences on the exercise of employee share options	(344)	599
Tax charge for the year	(4,960)	(5,995)

The weighted average tax rate of 19.75% (2016: 20.0%) reflects the reduction in the UK main corporation tax rate from 20.0% to 19.0% effective from 1 April 2017. A further reduction to 17.0% (effective from 1 April 2020) was enacted in the 2016 Finance Act. This will reduce the Group's future current tax charge accordingly whilst the deferred tax assets and liabilities at 30 June 2017 have been calculated based upon these enacted rates.

## 9 Dividends

	2017 £'000	2016 £'000
Special dividend in respect of Autofocus of 1.00p paid on 30 July 2015	–	2,854
Final dividend for 2015 of 4.25p paid on 5 November 2015	–	12,193
Interim dividend for 2016 of 4.50p paid on 24 March 2016	–	13,067
Final dividend for 2016 of 5.15 p paid on 03 November 2016	<b>14,960</b>	–
Interim dividend for 2017 of 5.00p paid on 30 March 2017	<b>15,198</b>	–
Total dividends paid in the year	<b>30,158</b>	28,114

## 10 Earnings per share

### Basic earnings per share

The calculation of the basic earnings per share at 30 June 2017 is based on the profit attributable to ordinary shareholders of £26,811,000 (2016: £25,194,000) and a weighted average number of ordinary shares outstanding of 300,395,219 (2016: 290,809,792) calculated as follows:

### Profit attributable to ordinary shareholders

	Year ended 30 June 2017 Adjusted* £'000	Adjustment items £'000	Year ended 30 June 2017 £'000	Year ended 30 June 2016 Adjusted* £'000	Adjustment items* £'000	Year ended 30 June 2016 £'000
Profit for the year	<b>33,824</b>	<b>(7,013)</b>	<b>26,811</b>	28,056	(2,862)	25,194

\* Adjusted profit excludes the impact of amortisation of acquired intangible assets, share based payments and those items described as exceptional. See note 4.

### Weighted average number of ordinary shares

	2017 Number	2016 Number
In issue at 1 July	<b>293,536,715</b>	285,390,229
Effect of shares issued in respect of deferred consideration on acquisition of NewLaw	–	2,048,062
Effect of conversion of B shares	<b>6,845,530</b>	–
Effect of shares issued for cash on exercise of executive share options	<b>4,151</b>	1,299,899
Effect of shares issued for cash on exercise of SAYE share options	<b>8,823</b>	6,141
Effect of shares issued in respect of consideration on acquisition of FMG	–	2,065,461
Weighted average number of ordinary shares at 30 June	<b>300,395,219</b>	290,809,792

### Diluted earnings per share

There is no difference between profit attributable to ordinary shareholders for basic and diluted earnings for share calculations. The calculation of the diluted earnings per share at 30 June 2017 is based on the profit attributable to ordinary shareholders of £26,811,000 (2016: £25,194,000) and a weighted average number of ordinary shares outstanding of 300,395,219 (2016: 305,058,591) calculated as follows:

### Weighted average number of ordinary shares (diluted)

	2017 Number	2016 Number
Weighted average number of ordinary shares (basic)	<b>300,395,219</b>	290,809,792
Effect of 2013 executive share options scheme shares in issue	<b>14,554</b>	28,946
Effect of 2016 executive share options scheme shares in issue	<b>3,618,650</b>	2,420,052
Effect of B shares in issue	<b>3,565,380</b>	10,410,910
Effect of 2014 SAYE share option scheme shares in issue	<b>954,072</b>	1,072,726
Effect of 2015 SAYE share option scheme shares in issue	<b>322,600</b>	316,165
Effect of 2016 SAYE share option scheme shares in issue	<b>21,868</b>	–
Effect of 2017 SAYE share option scheme shares in issue	<b>97,480</b>	–
Weighted average number of ordinary shares (diluted) at 30 June	<b>308,989,823</b>	305,058,591

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

# Notes to the consolidated financial statements

continued

## 11 Goodwill

£'000

### Cost

At 01 July 2015	113,549
On acquisition (note 25)	26,759
<b>At 30 June 2016 and 30 June 2017</b>	<b>140,308</b>

### Accumulated impairment losses

<b>At 01 July 2015, 30 June 2016 and 30 June 2017</b>	<b>(54,318)</b>
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### Net book value

<b>At 30 June 2017</b>	<b>85,990</b>
At 30 June 2016	85,990

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business acquisition. The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group.

For the purposes of testing the value of goodwill of all CGUs for impairment the Group has prepared forecasts, for periods of up to 5 years which have looked at short to medium term factors relevant to the CGUs in the Group, including macro economic issues, anticipated industry growth forecasts, changes to selling prices and direct costs. Due to the economic and political factors affecting the industry in which the Group operates, the forecast has assumed a growth rate in cash from operating activities averaging 1.0% per annum over the forecast period.

The forecasts have been used as the basis for the value in use calculation since these forecasts are considered to be sufficiently detailed and represent the best available information. As required by IAS36, a terminal value has been added to the forecasts with 0% growth assumed for the future years.

The allocation of Goodwill to the Group's CGUs, pre-tax rates used to discount the forecasts, headroom values when compared to the carrying values of the CGUs (which exclude cash and borrowings) and headroom sensitivities to changes in discount rates, is shown in the table below:

<b>2017</b>	<b>Auxillis</b>	<b>NewLaw</b>	<b>FMG</b>
Allocation of Goodwill (£'000)	<b>18,950</b>	<b>40,281</b>	<b>26,759</b>
Pre-tax discount rate	<b>9.2%</b>	<b>11.7%</b>	<b>10.4%</b>
Headroom (£'m)	<b>334.0</b>	<b>21.9</b>	<b>75.3</b>
Headroom increase if discount rate 0.5% lower	<b>23.6</b>	<b>3.4</b>	<b>5.6</b>
Headroom decrease if discount rate 0.5% higher	<b>21.2</b>	<b>3.1</b>	<b>5.1</b>
<b>2016</b>	<b>Auxillis</b>	<b>NewLaw</b>	<b>FMG</b>
Allocation of Goodwill (£'000)	<b>18,950</b>	<b>40,281</b>	<b>26,759</b>
Pre-tax discount rate	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
Headroom (£'m)	<b>216.7</b>	<b>13.0</b>	<b>75.1</b>

After review of the results of these tests, the directors consider that there has been no impairment to any of the CGUs during the year (2016: £nil).

Decisions as to the impairment of goodwill are a key source of estimation uncertainty and a critical accounting judgment.

## 12 Intangible assets

	Customer relationships £'000	Computer software £'000	Total £'000
<b>Cost</b>			
At 01 July 2015	–	–	–
On acquisition (note 25)	21,900	1,000	22,900
<b>At 30 June 2016 and 30 June 2017</b>	<b>21,900</b>	<b>1,000</b>	<b>22,900</b>
<b>Amortisation</b>			
At 01 July 2016	(1,460)	(133)	(1,593)
Charge for year	(2,190)	(200)	(2,390)
<b>At 30 June 2017</b>	<b>(3,650)</b>	<b>(333)</b>	<b>(3,983)</b>
<b>Net book value</b>			
<b>At 30 June 2017</b>	<b>18,250</b>	<b>667</b>	<b>18,917</b>
At 30 June 2016	20,440	867	21,307

The value of customer relationships and acquired software that have been recognised will be amortised over 10 and 5 years respectively.

## 13 Property, plant and equipment (including vehicles)

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
<b>Cost</b>					
At 01 July 2015	438	780	35,803	14,095	51,116
Additions	–	46	37,494	1,229	38,769
Disposals	–	(42)	(23,809)	(3,865)	(27,716)
On acquisition (note 25)	2,287	–	–	638	2,925
At 30 June 2016	2,725	784	49,488	12,097	65,094
Additions	–	34	41,393	2,663	44,090
Disposals	–	(6)	(32,939)	(4,611)	(37,556)
<b>At 30 June 2017</b>	<b>2,725</b>	<b>812</b>	<b>57,942</b>	<b>10,149</b>	<b>71,628</b>
<b>Accumulated depreciation and impairment</b>					
At 01 July 2015	(71)	(445)	(5,963)	(12,955)	(19,434)
Charge for the year	(44)	(63)	(7,706)	(837)	(8,650)
Disposals	–	33	6,781	3,781	10,595
At 30 June 2016	(115)	(475)	(6,888)	(10,011)	(17,489)
Charge for the year	(61)	(55)	(10,077)	(1,125)	(11,318)
Disposals	–	3	8,152	4,539	12,694
<b>At 30 June 2017</b>	<b>(176)</b>	<b>(527)</b>	<b>(8,813)</b>	<b>(6,597)</b>	<b>(16,113)</b>
<b>Carrying amounts</b>					
<b>At 30 June 2017</b>	<b>2,549</b>	<b>285</b>	<b>49,129</b>	<b>3,552</b>	<b>55,515</b>
At 30 June 2016	2,610	309	42,600	2,086	47,605

Leased assets included above:

<b>At 30 June 2017</b>	<b>–</b>	<b>–</b>	<b>48,239</b>	<b>551</b>	<b>48,790</b>
At 30 June 2016	–	–	41,412	229	41,641

The Group operates a large fleet of hire vehicles. Depreciation on these vehicles is intended to reduce the carrying value of the vehicles to their expected residual value at disposal. However, the residual value attributable is dependent on conditions present in the future and is subject to movements in the market for nearly-new vehicles. The cost of the land element of freehold property is not separable from the cost of the freehold buildings.

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## 14 Interests in associates

The Group's interest in associates comprises of minority participations in five (2016: four) active Limited Liability Partnerships ("LLP") registered and situated in the United Kingdom. All of the LLPs are engaged in the processing of legal claims and are regulated by the Solicitors Regulation Authority. The LLPs are businesses over which the Group is deemed to have significant influence but does not control.

	2017 £'000	2016 £'000
<b>Carrying amount of interests in associates</b>	<b>1,361</b>	796
Group's share of:		
Profit from continuing operations	1,502	1,281
Other Comprehensive Income	-	-
<b>Total share of profits</b>	<b>1,502</b>	1,281

The accounting period ends of the associated companies consolidated in these financial statements range from 30 November to 31 December. The accounting period end dates of the associates are different from the Group as they are more aligned to the accounting reference dates of the majority partners. The above information has been obtained from management accounts of the entities concerned for the period ending 30 June 2017. Further information on transactions with associates are in note 27.

## 15 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables – claims due from insurance companies and self-insuring organisations	99,059	86,150
Trade receivables – amounts invoiced for services	15,578	16,754
Trade receivables	114,637	102,904
Other receivables	198	119
Accrued income	2,577	2,790
Total receivables for purposes of calculating debtor days	117,412	105,813
Disbursements recoverable in legal businesses	14,267	13,423
Amounts due from associates	50	21
Taxation recoverable	134	-
Prepayments	10,989	7,615
	<b>142,852</b>	126,872

The Group's debtor days at 30 June 2017 were 91 days (2016: 94 days). This measure is based on net trade receivables, other receivables and accrued income as a proportion of the related underlying revenue multiplied by 365 days.

### a) Claims due from insurance companies

Claims due from insurance companies are stated at the expected net claim value, which is stated after allowance, for an estimation of expected adjustments arising on settlement of such claims.

Where necessary the estimation of the expected adjustment arising on settlement of claims is revised, at each balance sheet date, to reflect the Group's most recent estimation of amounts ultimately recoverable. The estimation of the expected adjustment arising on settlement of claims represents a critical judgment made by the directors.

The Group's estimation of the expected adjustment arising on settlement of claims is calculated with reference to a number of factors, including the Group's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the portfolio of cases. Settlement risk arises on claims due from insurance companies due to their magnitude and the nature of the claims settlement process. The Group recovers its charges for vehicle hire and the cost of repair of customers' vehicles from the insurer of the at-fault party to the associated accident or, in a minority of claims, from the at-fault party direct where they are a self-insuring organisation. However, by their very nature, claims due from motor insurance companies can be subject to dispute which may result in subsequent adjustment to the Group's original estimate of the amount recoverable.



## 15 Trade and other receivables continued

### a) Claims due from insurance companies continued

The Group manages this risk by ensuring that vehicles are only supplied and remain on hire and repairs to customers' vehicles are carried out after a validation process that ensures to the Group's satisfaction that liability for the accident rests with another party. In the normal course of its business the Group uses three principal methods to conclude claims: through the use of protocol agreements, by negotiation with the insurer of the at-fault party where the claim is not covered by a protocol agreement and where a claim fails to settle because negotiations have been fruitless, by litigation. The vast majority of these claims settle before or on the threat of litigation, but where they do not, formal proceedings are issued.

In view of the tripartite relationship between the Group, its customer and the at-fault party's insurer and the nature of the claims process, claims due from insurance companies do not carry a contractual 'due date', nor does the expected adjustment arising on settlement of trade receivables represent an impairment for credit losses. The circumstances of the insurance companies with which the Group deals are currently such that no provision for credit risk is considered necessary and so the disclosures required by IFRS7 on provision for credit loss are not provided. Instead the directors review claims due from insurance companies according to the age of the claim based upon the date that the claim was presented to the relevant insurer. The Group's strategy is that trade receivables should be collected by normal in house processes including collections made under protocol arrangements with insurers and only then transferred to the Group solicitor process or other external solicitors as appropriate in specific circumstances pertaining to a case. An analysis of claims due from insurance companies is given below.

	2017 £'000	%	2016 £'000	%
Pending claims	11,625	12	11,466	13
Between 1 and 120 days old	49,434	50	41,696	49
More than 120 days old	38,000	38	32,988	38
Total	99,059	100	86,150	100

Risk is spread primarily across the major UK based motor insurance companies in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities. The Group does not have a significant concentration of credit risk, with exposure spread across a large number of insurer counterparties. The most significant five insurers represented 26% (2016: 37%) of receivables.

### b) Amounts invoiced for services

No interest is charged on receivables. The Group has provided for expected irrecoverable amounts specifically based on past default experience. The Group assesses the credit worthiness for each customer prior to commencing to trade with them. The most significant five customers represented 25% (2016: 23%) of receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £2.5m (2016: £3.0m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The cash collection period for these balances is normal for the industry.

Ageing of past due but not impaired receivables.

	2017 £'000	2016 £'000
30-60 days	1,031	1,568
60-90 days	616	619
90-120 days	443	372
More than 120 days	402	392
Total	2,492	2,951

# Notes to the consolidated financial statements

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## 15 Trade and other receivables continued

### b) Amounts invoiced for services continued

The movement in the allowance for doubtful debtors was as follows:

	2017 £'000	2016 £'000
At beginning of year	1,661	1,212
Provision at acquisition (note 25)	–	508
Recognised / (released)	6	(59)
At end of year	1,667	1,661

The carrying amount of trade and other receivables is denominated in sterling. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

## 16 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	69,100	60,707
Other taxation and social security	7,184	7,023
Accruals and deferred income	40,479	35,210
Disbursements payable in legal businesses	10,148	9,685
Other creditors	2,638	3,297
Corporation tax payable	1,837	296
	131,386	116,218

Trade payables represent amounts payable for goods and services. The directors consider that the carrying amount of trade payables approximates to their fair value.

## 17 Obligations under finance leases

	2017 £'000	2016 £'000
Amounts payable under finance leases		
Within one year	21,997	22,470
In the second to fifth years inclusive	26,167	19,281
Less future finance charges	(2,104)	(1,878)
Present value of lease obligations	46,060	39,873
Present value of lease obligations		
Within one year	20,683	21,242
In the second to fifth years inclusive	25,377	18,631
Present value of lease obligations	46,060	39,873
Analysed as:		
Amounts due for settlement within 12 months	20,683	21,242
Amounts due for settlement after 12 months	25,377	18,631
Shown in current/non current liabilities	46,060	39,873

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.2 years (2016: 2.3 years). For the year ended 30 June 2017 the average effective borrowing rate was 3.39% (2016: 3.94%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's finance lease obligations approximates to their carrying value. The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

## 18 Other borrowings

The Group has a 5 year £35m unsecured revolving credit facility with HSBC expiring in December 2020 as well as an unsecured overdraft facility of £5m with the same bank. There have been no drawings under either facility since inception but the facility is available to fund growth in the business should the considerable cash balances currently held for this purpose be used for other corporate purposes such as further acquisitions. If and when drawn, related covenants surround a net debt to EBITDA ratio (< 3:1) and the ratio of trade receivables to amounts drawn under the HSBC facility (> 1.5:1). The margin charged on the revolving credit facility is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.25% over LIBOR to a maximum of 2.25% over LIBOR. The margin on the overdraft is 1.25% over Bank of England Base Rate.

The directors consider that the fair value of the Group's borrowings is equal to their book value. All obligations under finance leases are disclosed in note 17.

## 19 Provisions

	Onerous lease provision £'000
At 1 July 2015	2,508
Utilised during the year	(1,266)
At 30 June 2016	1,242
Provisions made in the year	3,859
Utilised during the year	(1,277)
<b>At 30 June 2017</b>	<b>3,824</b>
Included in current liabilities	1,318
Included in long term liabilities	2,506
	<b>3,824</b>

The Group presently is subject to a number of onerous long term leases of certain properties no longer occupied by the Group. The above provision has been increased this year due to changes to previously held assumptions and further space vacated during the year. The provision reflects the directors estimate of the net holding cost of these leases between now and the end date of those leases discounted to their present value at an appropriate risk free interest rate for the period, taking into account the Group's present intended plans for mitigation of these lease costs.

## 20 Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2017 and 30 June 2016 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) Accelerated tax depreciation £'000	Asset Total £'000
At 1 July 2015	(1,022)	10,850
On acquisition (note 25)	(4,580)	182
Credit / (charge) to income	133	(5,161)
At 30 June 2016	(5,469)	5,871
Credit / (charge) to income	478	(1,635)
<b>At 30 June 2017</b>	<b>(4,991)</b>	<b>4,236</b>

At the balance sheet date the Group has unused trading losses and other timing differences of £47.1m (2016: £63.2m) available for offset against future trading profits. A deferred tax asset has been recognised in respect of £22.8m (2016: £30.2m) of this amount to reflect the foreseeable forecast utilisation of tax losses and capital allowances carried forward. No deferred tax asset has been recognised in respect of the remaining £24.3m (2016: £33.0m) due to the risks associated with the generation of the requisite future taxable profits and the timing of the unwind of the temporary difference.

# Notes to the consolidated financial statements

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## 20 Deferred tax continued

Deferred tax asset not provided in full on temporary differences under the liability method using a tax rate of 19% (2016: 20%):

	Asset Tax losses carried forward £'000	Asset Accelerated tax depreciation £'000	Asset Other temporary differences £'000	Asset Total £'000
<b>At 30 June 2017</b>	<b>1,089</b>	<b>3,406</b>	<b>152</b>	<b>4,647</b>
At 30 June 2016	1,238	5,298	154	6,690

## 21 Share capital and share premium

### a) Share capital movements in year

	Ordinary Shares of 0.1p		B Shares of 0.1p		Total £'000
	Number	£'000	Number	£'000	
In issue at 1 July 2015	285,390,229	286	10,410,910	10	296
Issued for acquisitions	3,048,220	3	–	–	3
Issued in respect of deferred consideration	2,889,874	3	–	–	3
Exercise of SAYE share options	6,832	–	–	–	–
Exercise of executive share options	2,201,560	2	–	–	2
In issue at 30 June 2016	293,536,715	294	10,410,910	10	304
Conversion of B shares	10,410,910	10	(10,410,910)	(10)	–
Exercise of SAYE share options	12,078	–	–	–	–
Exercise of executive share options	18,705	–	–	–	–
<b>In issue at 30 June 2017 fully paid</b>	<b>303,978,408</b>	<b>304</b>	<b>–</b>	<b>–</b>	<b>304</b>

Following the payment of the final dividend of 5.15p per share for year ended 30 June 2016 on 3 November 2016 a cumulative total of 27.4p per share (adjusted for the share consolidation on 23 May 2014) has been paid in dividends since the original financial reconstruction of the Company in February 2013 thus achieving the B Share Hurdle as defined in the Company's Articles of Association. Consequently pursuant to the Company's Articles the entire issued number of B Shares automatically converted into Ordinary Shares on 3 November 2016.

The Company has one class of Ordinary Share which carries no right to fixed income.

Changes in the share capital or share premium account during the year are summarised in the Consolidated Statement of Changes in Equity and reflect:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
08 August 2016	Exercise of SAYE Options	2,380	48.30p	1	–	1
10 August 2016	Exercise of SAYE Options	275	126.94p	–	–	–
12 October 2016	Exercise of SAYE Options	3,354	48.30p	1	–	1
24 October 2016	Exercise of SAYE Options	2,992	126.94p	4	–	4
07 November 2016	Exercise of SAYE Options	3,077	53.92p	2	–	2
	<b>Total SAYE</b>	<b>12,078</b>		<b>8</b>	<b>–</b>	<b>8</b>
11 April 2017	Exercise of Executive Share Options	18,705	14.25p	3	–	3
	<b>Total Executive Options</b>	<b>18,705</b>		<b>3</b>	<b>–</b>	<b>3</b>
	<b>Total shares issued</b>	<b>30,783</b>		<b>11</b>	<b>–</b>	<b>11</b>

## 21 Share capital and share premium continued

The following share issues took place during the previous financial year:

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
31 July 2015	NewLaw deferred consideration	480,924	118.99p	572	–	572
6 September 2015	NewLaw deferred consideration	480,924	118.99p	573	1	572
30 September 2015	NewLaw deferred consideration	480,924	118.99p	572	–	572
31 October 2015	NewLaw deferred consideration	480,923	118.99p	573	1	572
30 November 2015	NewLaw deferred consideration	480,923	118.99p	572	–	572
31 December 2015	NewLaw deferred consideration	485,256	118.99p	577	1	576
	<b>Total deferred consideration</b>	<b>2,889,874</b>		<b>3,439</b>	<b>3</b>	<b>3,436</b>
27 October 2015	<b>Issued for acquisition of FMG</b>	<b>3,048,220</b>	164.03p	<b>5,000</b>	<b>3</b>	<b>4,997</b>
04 August 2015	Exercise of Executive Share Options	63,656	15.74p	10	–	10
07 August 2015	Exercise of SAYE Options	6,832	48.30p	3	–	3
02 November 2015	Exercise of Executive Share Options	254,630	11.49p	29	–	29
06 November 2015	Exercise of Executive Share Options	567,998	11.34p	65	1	64
10 November 2015	Exercise of Executive Share Options	524,346	7.76p	42	1	41
16 November 2015	Exercise of Executive Share Options	95,489	11.49p	11	–	11
09 December 2015	Exercise of Executive Share Options	190,973	11.49p	22	–	22
17 December 2015	Exercise of Executive Share Options	124,917	11.16p	14	–	14
22 December 2015	Exercise of Executive Share Options	127,318	11.49p	15	–	15
01 March 2016	Exercise of Executive Share Options	124,917	11.16p	14	–	14
10 March 2016	Exercise of Executive Share Options	33,500	7.25p	2	–	2
26 April 2016	Exercise of Executive Share Options	61,986	9.28p	6	–	6
28 April 2016	Exercise of Executive Share Options	31,830	6.99p	2	–	2
	<b>Total shares issued for cash</b>	<b>2,208,392</b>		<b>235</b>	<b>2</b>	<b>233</b>
	<b>Total shares issued</b>	<b>8,146,486</b>		<b>8,674</b>	<b>8</b>	<b>8,666</b>

## 22 Operating lease arrangements

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 Vehicles £'000	2017 Properties £'000	2017 Total £'000	2016 Vehicles £'000	2016 Properties £'000	2016 Total £'000
Within one year	8,861	1,992	10,853	6,391	3,279	9,670
In the second to fifth years inclusive	2,574	7,008	9,582	1,989	9,624	11,613
After five years	–	3,450	3,450	74	5,798	5,872
	<b>11,435</b>	<b>12,450</b>	<b>23,885</b>	<b>8,454</b>	<b>18,701</b>	<b>27,155</b>

Operating lease payments represent rentals payable by the Group for certain of its motor vehicles, plant and equipment and properties. Leases have a weighted average term of 3.63 years (2016: 4.42 years). The lease payments subject to the onerous lease provision of £3.8m (2016: £1.2m) (note 19) have been included within the above amounts.

# Notes to the consolidated financial statements

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## 23 Share-based payments

### Equity settled share option plans

The Group has granted options which remain outstanding in the form of mainstream options and options under the Sharesave schemes to certain directors and employees.

### Mainstream options

#### 2016 Performance Share Plan

On 26 February 2016 the Group adopted a new performance share plan ("2016 Performance Share Plan") to incentivise key management to deliver the strategic goals of the business and which replaces the 2013 Executive Option scheme which is now closed. Awards were made in relation to ordinary shares of 0.1p each in the Company under the 2016 Performance Share Plan. Grants under the 2016 Performance Share Plan are subject to vesting criteria relating to the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets over a three financial year performance period. TSR will be measured against the AIM 100 index. Grants are expected to be made annually and approved by the Company's Remuneration Committee. These Awards will normally become exercisable as nominal cost options subject to continued employment and to the extent the TSR and EPS targets are achieved over the three financial year performance period.

Up to one half of the 1st tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 10.92p in the financial year ended 30 June 2018 with a straight-line reduction to NIL if basic adjusted EPS is below 9.66p.

Up to one half of the 2nd tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 12.53p in the financial year ended 30 June 2019 with a straight-line reduction to NIL if basic adjusted EPS is below 11.00p.

Up to one half of all of the above Awards will vest in full if the Company's TSR performance over the 3 year periods ending on the above dates at least equals the upper quartile of the AIM 100 index with a straight line reduction to NIL if performance is below median performance.

Once vested, the Awards shall ordinarily remain exercisable until the tenth anniversary of the grant of the Awards.

Details of all mainstream options outstanding during the year are as follows:

	2017 Number of options 000s	2017 Weighted average exercise price (pence)	2016 Number of options 000s	2016 Weighted average exercise price (pence)
Outstanding at beginning of year	2,441	0.29	2,231	16.02
Granted during the year	1,199	0.10	2,421	0.10
Forfeited or surrendered during the year	(180)	0.10	(9)	0.10
Exercised during the year	(19)	14.25	(2,202)	10.46
Expired during the year	-	-	-	-
Outstanding at end of year	3,441	0.10	2,441	0.29
Exercisable at the end of the year	-	-	19	24.40

The options outstanding at 30 June 2017 had a weighted average exercise price of 0.10p (2016: 0.29p) and a weighted average remaining contractual life of 8.8 years (2016: 9.6 years). The options as at 30 June 2017 had an exercise price of 0.10p; the highest and lowest closing value of shares during the year were 206.50p and 147.80p respectively. The value of shares as at 30 June 2017 was 162.00p.

## 23 Share-based payments continued

### Sharesave schemes

Under the Sharesave schemes, which are HMRC approved, employees are granted options to acquire shares in the Company with funds deducted from their salaries on a monthly basis. Participation was open to all eligible employees employed at the date of commencement of the scheme. All participants agreed to save a fixed amount monthly into the scheme and in return received an option to purchase shares in the Company at a discounted price at the conclusion of the scheme. The discounted share price is calculated as the market price at the commencement of the scheme less 20%. The options vest after three years following the date of grant and must be exercised within 6 months of that date. The options generally lapse if the employee leaves within the three-year period.

	2017 Number of options 000s	2017 Weighted average exercise price (pence)	2016 Number of options 000s	2016 Weighted average exercise price (pence)
Outstanding at beginning of year	2,572	86.2	1,435	48.3
Granted during the year	888	148.7	1,304	126.9
Exercised during the year	(12)	71.0	(6)	48.3
Forfeited or lapsed during the year	(461)	130.9	(161)	80.3
Outstanding at end of year	2,987	97.9	2,572	86.2
Exercisable at the end of the year	–	–	–	–

Date of Grant	Outstanding at 01 July 2016 '000	Granted in the year '000	Exercised in the year '000	Forfeited or lapsed in the year '000	Outstanding at 30 June 2017 '000	Exercise price (pence)	Date from which Exercisable	Expiry date
26 June 2014	1,334	–	(9)	(42)	1,283	48.3	01/08/2017	01/02/2018
06 November 2015	1,238	–	(3)	(276)	959	126.9	01/12/2018	01/06/2019
30 September 2016	–	457	–	(141)	316	163.5	01/11/2019	01/05/2020
27 March 2017	–	431	–	(2)	429	132.8	01/05/2020	01/11/2020
	2,572	888	(12)	(461)	2,987	97.9		

The options outstanding at 30 June 2017 had a weighted average exercise price of 97.9p (2016: 86.2p) and a weighted average remaining contractual life of 1.2 years (2016: 1.7 years). The Group recognised total expense of £2.0m related to all of the equity-settled share-based payment transactions in 2017 (2016: £0.7m).

### Assumptions used in the valuation of share based payments

The Group has determined the fair value of the outstanding share based payments for the options granted using both third party experts and in house models. The assumptions used in the valuations were as follows:

	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	Performance Plan	Performance Plan
Fair value of share option	19.0p	45.4p	45.3p	19.9p	153.5p - 172.3p	123.5p - 178.9p
Date of grant	26/06/14	06/11/15	30/09/16	27/03/17	26/02/16	02/09/16
Share price on date of grant	59.5p	180.5p	200.0p	148.5p	193.25p	205.5p
Exercise price	48.3p	126.9p	163.5p	132.8p	0.1p	0.1p
Share options originally granted	1,513,947	1,303,787	461,407	430,824	2,241,297	924,265
Vesting period (years)	3.1	3.1	3.1	3.1	3.0	3.0
Expected volatility	75%	35%	40%	32%	40%	40%
Expected life (years)	3.6	3.6	3.6	3.6	3.0	3.0
Risk free rate of return	1.37%	0.98%	0.10%	0.31%	0.43%	0.12%
Fair value model used	Binomial	Binomial	Binomial	Binomial	Binomial and Monte Carlo	Binomial and Monte Carlo



# Notes to the consolidated financial statements

continued

## 24 Financial instruments

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, finance leases disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

### Categories of financial instruments

The gearing ratio, defined as net debt divided by total capital, was as follows:

	2017 £'000	2016 £'000
Net debt	9,716	5,226
Total shareholders' equity	158,954	160,286
Total capital	168,670	165,512
Gearing ratio	5.8%	3.2%

	2017 £'000	2016 £'000
<b>Financial assets</b>		
At amortised cost:		
Trade receivables	114,637	102,904
Disbursements recoverable in legal businesses	14,267	13,423
Cash and cash equivalents	36,344	34,647
<b>Financial liabilities</b>		
At amortised cost:		
Trade payables	69,100	60,707
Disbursements payable in legal businesses	10,148	9,685
Obligations under finance leases	46,060	39,873

### Financial risk management objectives

The Group monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk. The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group does not have any significant foreign currency risk exposure.

### Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and where considered appropriate by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the balance sheet date. For floating rate liabilities a 0.5% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2017 would have increased/decreased by £0.1m (2016: £0.2m). This is mainly attributable to the Group's exposure on variable rate borrowings and deposits.



## **24 Financial instruments** continued

### **Interest rate swap contracts**

There were no outstanding interest rate swap contracts in existence at 30 June 2017 (2016: nil).

### **Credit risk management**

The Group is exposed to credit risk in connection with the possible default by insurance companies. Following an assessment of the counterparties, the directors have concluded that there is no requirement for an impairment provision for credit loss against trade receivables arising from claims against insurance companies.

The provision for expected adjustments arising on settlement of claims does not represent an impairment provision under IFRS7. Nevertheless, for normal commercial reasons the Group ensures that vehicles are only placed on hire and repairs to vehicles are only carried out after the validation process has provided assurance that the liability for the accident rests with another party. As trade receivables for credit hire and credit repair carry no contractual 'due date', the term 'past due' used in IFRS7 is not considered to be relevant to the Group's trade receivables or the way in which the Group manages credit risk.

Trade receivables relating to amounts invoiced to customers for services provided are subject to credit risk in that a counterparty may default on its obligation to the Group. Customers represent primarily legal firms and the Group's policy is to deal with an approved panel of such firms. The carrying value of these financial assets, net of impairment provisions, represents the Group's maximum exposure to credit risk. Credit risk for cash placed on deposit is controlled by the use of appropriate financial institutions.

### **Liquidity risk management**

Liquidity risk arises primarily from the nature of the claims settlement process, which can prolong the period of collection of trade receivables. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

### **Fair value of financial instruments**

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

### **Maturity of financial assets**

As explained in note 15, trade receivables for claims on insurers do not carry a contractual due date. As in previous years, the majority of our receivables relate to claims which are payable upon presentation and maturity should be expected within a month but settlement can be delayed following a period of negotiation with the relevant counter-party.

### **Maturity of financial liabilities**

The following tables analyse the Group's remaining contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

# Notes to the consolidated financial statements

continued

## 24 Financial instruments continued

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>2017</b>							
Non-interest bearing	–	69,558	–	–	16	–	69,574
Variable interest rate instruments							
Finance lease liability	3.39	–	–	–	–	–	–
Fixed interest rate instruments	3.39	1,557	5,237	15,204	26,166	–	48,164
		71,115	5,237	15,204	26,182	–	117,738
<b>2016</b>							
Non-interest bearing	–	61,165	–	–	278	–	61,443
Variable interest rate instruments							
Finance lease liability	3.94	–	–	–	–	–	–
Fixed interest rate instruments	3.94	1,543	6,566	14,385	19,277	–	41,771
		62,708	6,566	14,385	19,555	–	103,214

Finance lease facilities are also in existence with a wide variety of different funders and in general do not represent committed facilities, but rather are provided on a rolling basis.

### Externally imposed capital requirements

The Group is not subject to any externally imposed capital requirements.

## 25 Business combinations

The Group made a significant acquisition in the previous year:

### FMG group of companies

FMG was acquired on 27 October 2015 for £22.5m in aggregate on a debt-free basis and assuming a normalised level of working capital. Loan notes of £23.5m were also settled at completion. The total consideration for the acquisition of all the shares and other vendor interests in FMG was therefore £46.0m and comprised a number of elements, satisfied by the payment at completion of approximately £41.0m in cash and also the issue of 3,048,220 new ordinary Redde shares with a total value of £5.0m in respect of the FMG shares and loan notes. Included in the above cash payment was a cash payment of £2.5m in respect of additional working capital balances on completion.

## 25 Business combinations continued

The aggregated provisional fair value of the identifiable assets and liabilities of FMG Group at the acquisition date are set out below:

	Fair Value £'000
Tangible fixed assets	2,925
Intangible assets – Customer relationships	21,900
Intangible assets – Software	1,000
Deferred tax asset	182
Trade and other receivables	9,818
Cash and cash equivalents	4,470
Trade and other payables	(16,385)
Loan notes	(23,505)
Finance leases	(129)
Deferred tax liabilities	(4,580)
<b>Net assets acquired</b>	<b>(4,304)</b>
Consideration:	
Cash paid on completion	17,455
Consideration paid in shares	5,000
<b>Total consideration</b>	<b>22,455</b>
<b>Goodwill arising from the acquisition</b>	<b>26,759</b>

The fair values of the assets and liabilities are stated as at 31 October 2015 being the nearest practical date to completion and are considered to be final. Goodwill has arisen on the acquisition due to the value of the assembled workforce, the value associated with any new software which is yet to be developed and the value associated with new customer contracts and relationships to be generated in the future that are not capable of being individually identified and/or separately recognised under the terms of IFRS 3(R). The value of customer relationships and acquired software that have been recognised will be amortised over 10 and 5 years respectively.

## 26 Cash flow information

### a) Analysis and reconciliation of net cash

	01 July 2016 £'000	Cash flow £'000	Non cash changes £'000	<b>30 June 2017 £'000</b>
Net cash and cash equivalents	34,647	1,697	–	<b>36,344</b>
Debt due within one year	–	–	–	–
Debt due after more than one year	–	–	–	–
Finance leases	(39,873)	34,457	(40,644)	<b>(46,060)</b>
	(39,873)	34,457	(40,644)	<b>(46,060)</b>
<b>Net debt</b>	<b>(5,226)</b>	<b>36,154</b>	<b>(40,644)</b>	<b>(9,716)</b>

# Notes to the consolidated financial statements

continued

## 26 Cash flow information continued

### a) Analysis and reconciliation of net cash continued

	2017 £'000	2016 £'000
Increase/(decrease) in cash and cash equivalents in the year	<b>1,697</b>	(33,979)
Cash inflow from decrease in borrowings and lease financing	<b>34,457</b>	49,423
Change in net debt resulting from cash flows	<b>36,154</b>	15,444
New finance leases	<b>(40,644)</b>	(36,711)
Net debt acquired on acquisitions	<b>–</b>	(23,634)
Movement in net debt in the year	<b>(4,490)</b>	(44,901)
Net (debt)/cash at start of the year	<b>(5,226)</b>	39,675
<b>Net debt at end of the year</b>	<b>(9,716)</b>	(5,226)

## 27 Related party transactions

The Group has for many years disposed of some of its surplus vehicles in the normal course of business through British Car Auctions (“BCA”). The Group has also for many years repaired vehicles on behalf of BCA through its repair network. BCA has since 2 April 2015 been part of the BCA Marketplace plc group of companies (“BCAM”), formerly Haversham Holdings plc. BCAM is listed on the London Stock Exchange and the Group’s Chairman, Avril Palmer-Baunack, is also its executive chairman. Accordingly BCAM is regarded as a related party. Transactions with BCAM were as follows:

- Fees and commissions in the amount of £72,312 (2016: £29,622) were charged by BCA during the year ended 30 June 2017 in respect of the disposal of such vehicles of which £nil (2016: £nil) was outstanding at the year end.
- During the year costs of £24,341 (2016: £18,616) were charged by BCA in respect of vehicle repair, of which £606 (2016: £427) was outstanding at the year end.
- During the year costs of £27,628 (2016: £19,800) were charged by BCA in respect of building rent, of which £7,920 (2016: £7,920) was outstanding at the year end.
- During the year costs of £79,758 (2016: £55,621) were charged by BCA in respect of vehicle transport, of which £194 (2016: £15,130) was outstanding at the year end.
- In addition during the year the Group performed repairs to vehicles on behalf of BCA in the normal course of business and an amount of £817,890 (2016: £641,776) was charged to BCA of which £223,817 (2016: £88,000) was outstanding at the year end.

Details of the Group’s interests in associates, who are regarded as related parties, are provided in notes 14 and 32. During the year the Group made sales and recharges of expenses to these associates amounting to £8.3m (2016: £8.7m) and made purchases of £109,000 (2016: £24,000) from those associates. At the year end the Group was owed £191,000 (2016: £37,000) by these associates of which £141,000 (2016: £15,000) is included in trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2016: £21,000) is shown as amounts due from associates in note 15. In addition at the year end the Group owed £24,000 (2016: £2,000) to these associates and these amounts are included in trade payables in note 16.

# Company statement of changes in equity

for the year ended 30 June 2017

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
Balance at 01 July 2015	296	65,103	3,439	135,468	204,306
Profit for the year	–	–	–	103,335	103,335
Total comprehensive income for the year	–	–	–	103,335	103,335
Issue of Ordinary Shares	8	8,666	(3,439)	–	5,235
Dividends paid in the year	–	–	–	(28,114)	(28,114)
Share-Based Payments	–	–	–	684	684
<b>Balance at 30 June 2016</b>	<b>304</b>	<b>73,769</b>	<b>–</b>	<b>211,373</b>	<b>285,446</b>
Profit for the year	–	–	–	463	463
<b>Total comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>463</b>	<b>463</b>
Issue of Ordinary Shares	–	11	–	–	11
Dividends paid in the year	–	–	–	(30,158)	(30,158)
Share-Based Payments	–	–	–	2,004	2,004
<b>Balance at 30 June 2017</b>	<b>304</b>	<b>73,780</b>	<b>–</b>	<b>183,682</b>	<b>257,766</b>

# Company statement of financial position

as at 30 June 2017

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	31	540	574
Investments in subsidiaries	32	224,971	224,971
Deferred tax asset	35	1,050	1,300
		<b>226,561</b>	226,845
<b>Current assets</b>			
Trade and other receivables	33	87,420	83,054
Cash and cash equivalents		26,953	24,514
		<b>114,373</b>	107,568
<b>Total assets</b>		<b>340,934</b>	334,413
<b>Current liabilities</b>			
Trade and other payables	34	(79,344)	(47,725)
Provisions	19	(1,318)	(1,242)
		<b>(80,662)</b>	(48,967)
<b>Net current assets</b>		<b>33,711</b>	58,601
<b>Non-current liabilities</b>			
Long-term provisions	19	(2,506)	–
		<b>(2,506)</b>	–
<b>Total liabilities</b>		<b>(83,168)</b>	(48,967)
<b>Net assets</b>		<b>257,766</b>	285,446
<b>Equity</b>			
Share capital	21	304	304
Share premium account	21	73,780	73,769
Retained earnings		183,682	211,373
<b>Total equity</b>		<b>257,766</b>	285,446

The notes on pages 62 to 67 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 September 2017. They were signed on its behalf by:

**Stephen Oakley**

Chief Financial Officer  
6 September 2017  
Company Number 03120010

# Company statement of cash flows

for the year ended 30 June 2017

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
<b>Cash flows from operating activities</b>		
Profit for the year	463	103,335
Tax charge / (credit)	250	(650)
Finance income including exceptional costs	(1,416)	(743)
Property lease provisions	3,859	–
Depreciation and impairment credits	31	(102,808)
Losses on sale of property, plant and equipment	3	8
Share-based payment charges	2,004	608
(Increase) / Decrease in receivables	(4,366)	4,431
Increase in payables	31,619	28,913
Decrease in provisions	(1,277)	(1,265)
Cash generated from operating activities	<b>31,170</b>	31,829
Finance interest received	<b>1,416</b>	877
<b>Net cash generated from operating activities</b>	<b>32,586</b>	32,706
<b>Cash flows from investing activities</b>		
Purchase of subsidiary undertakings	–	(17,577)
<b>Net cash outflow from investing activities</b>	<b>–</b>	(17,577)
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	11	236
Repayment of borrowings	–	(23,505)
Loan issue costs	–	(235)
Dividends paid	(30,158)	(28,114)
<b>Net cash outflow from financing activities</b>	<b>(30,147)</b>	(51,618)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,439</b>	(36,489)
Cash and cash equivalents at beginning of year	<b>24,514</b>	61,003
<b>Cash and cash equivalents at end of year</b>	<b>26,953</b>	24,514
<b>Cash and cash equivalents consist of:</b>	<b>26,953</b>	24,514
Cash at bank and in hand	<b>26,953</b>	24,514

# Notes to the Company financial statements

## 28 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been presented in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation. The parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

The financial statements have been prepared on a historical cost basis. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except that investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

## 29 Operating profit

The auditor's remuneration for audit services to the Company was £10,000 (2016: £10,000).

## 30 Finance income and finance costs

	2017 £'000	2016 £'000
<i>a) Finance income</i>		
Interest receivable	<b>(1,416)</b>	(877)
<i>b) Finance costs</i>		
Loan issue costs charged in the year	<b>245</b>	134
	<b>245</b>	134
Total finance income	<b>(1,171)</b>	(743)

## 31 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>			
At 01 July 2015	438	527	965
Disposals	–	(32)	(32)
<b>At 30 June 2016</b>	<b>438</b>	<b>495</b>	<b>933</b>
Disposals	–	(5)	(5)
<b>At 30 June 2017</b>	<b>438</b>	<b>490</b>	<b>928</b>
<b>Accumulated depreciation and impairment</b>			
At 01 July 2015	(71)	(280)	(351)
Charge for the year	(9)	(23)	(32)
Disposals	–	24	24
At 30 June 2016	(80)	(279)	(359)
Charge for the year	(9)	(22)	(31)
Disposals	–	2	2
<b>At 30 June 2017</b>	<b>(89)</b>	<b>(299)</b>	<b>(388)</b>
<b>Carrying amounts</b>			
<b>At 30 June 2017</b>	<b>349</b>	<b>191</b>	<b>540</b>
At 30 June 2016	358	216	574

The cost of the land element of freehold property is not separable from the cost of the freehold building



## 32 Details of related undertakings

Details of all of the Company's and Group's subsidiaries at 30 June 2017 are as follows:

Subsidiary undertaking	Shares held by Company or Group	Principal activity during the year	Ownership interest %
<b>Registered office:</b> Pinesgate, Lower Bristol Road, Bath, BA2 3DP:			
Auxillis Services Limited	Company	Non-fault accident management and Financing vehicle repairs	100
Auxillis Limited	Company	Sale of legal expenses insurance	100
RunmyCar Limited	Company	Internet marketing	100
Redde (Swift) Ltd	Company	Dormant	100
HHFS Limited	Company	Dormant	100
Total Accident Management Limited	Company	Accident management services	100
Cab Aid Limited	Company	Vehicle rental	100
Helphire EBT Trustees Limited	Company	Corporate trustee	100
Helphire Legal Services Limited	Company	Provision of claims handling service	100
Rose Bidco Limited	Company	Holding company	100
HAS Accident Management Solutions Limited	Company	Dormant	100
Angel Assistance Limited	Company	Dormant	100
<b>Registered office:</b> Bowland House, Gadbrook Business Centre, Rudheath, Northwich, Cheshire, CW9 7TN:			
Principia Law Limited	Group	Solicitors	100
<b>Registered office:</b> Helmont House, Churchill Way, Cardiff, CF10 2HE:			
NewLaw Legal Limited	Group	Solicitors	100
Group Legal Limited	Group	Employment Law Advice	100
CIQ Limited	Group	Legal Costs Draftsmen	100
FMG Legal LLP	Group	Solicitors	100
NewLaw Trustees Limited	Group	Corporate trustee	100
<b>Registered office:</b> 7th Floor Delta House, 50 West Nile Street, Glasgow, G1 2NP:			
NLS Trustees Limited	Group	Corporate trustee	100
<b>Registered office:</b> FMG House, St Andrews Road, Huddersfield, West Yorkshire, HD1 6NA:			
FMG Group Holdings Limited	Group	Holding company	100
FMG Finance Limited	Group	Holding company	100
FMG Support Group Limited	Group	Holding company	100
FMG Support Limited	Group	Holding company	100
FMG Support (HO) Limited	Group	Holding company	100
FMG Support (FIM) Limited	Group	Fleet incident management	100
The Fleet Management Company Limited	Group	Dormant	100
Netrentacar Limited	Group	Dormant	100
FMG Support (Property) Limited	Group	Dormant	100
FMG Support (RRRM) Limited	Group	Roadside rescue recovery management	100

# Notes to the Company financial statements

continued

## 32 Details of related undertakings continued

All subsidiaries are incorporated in England and Wales (with the exception of NLS Trustees Limited which is incorporated in Scotland) and operate in the United Kingdom and are fully consolidated within the Group results. For limited companies all shares are ordinary.

Details of all of the Company's and Group's associates, being interests in the following Limited Liability Partnerships of which a group company is a Principal Member, at 30 June 2017 are as follows:

Associate undertaking	Interest held by Company or Group	Principal activity during the year
<b>Registered office:</b> Helmont House, Churchill Way, Cardiff, CF10 2HE:		
Ageas Law LLP	Group	Solicitors
H&R Legal LLP	Group	Solicitors
Carole Nash Legal Services LLP	Group	Solicitors
RCN Law LLP	Group	Solicitors
Your Law LLP	Group	Solicitors
Interresolve Law LLP	Group	Dormant

The movement in investments in subsidiaries during the year was as follows:

	£'000
<b>Cost</b>	
At 01 July 2015	224,971
At 30 June 2016	224,971
<b>At 30 June 2017</b>	<b>224,971</b>
<b>Impairment</b>	
At 01 July 2015	102,839
Credit for the year	(102,839)
At 30 June 2016	-
<b>At 30 June 2017</b>	<b>-</b>
<b>Net book value</b>	
<b>At 30 June 2017</b>	<b>224,971</b>
At 30 June 2016	224,971

In line with its review of goodwill, discussed in note 11, the Company reviewed its investments in subsidiaries. The Company has applied the same cash flows to its main trading entity (Auxillis Services Limited) with the same assumptions as in note 11 on the basis that this entity represents materially all the future cash flows of the Group. A credit of £nil (2016: credit of £102.8m) has been booked to investments during the year.

## 33 Trade and other receivables

	2017 £'000	2016 £'000
Amounts owed by subsidiary undertakings	<b>86,622</b>	81,229
Other debtors	<b>4</b>	3
Prepayments	<b>728</b>	1,287
VAT recoverable	<b>66</b>	535
	<b>87,420</b>	83,054

### 34 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	550	1,037
Other taxation and social security	656	572
Accruals and deferred income	3,040	2,912
Amounts owed to subsidiary undertakings	75,098	43,204
	<b>79,344</b>	<b>47,725</b>

### 35 Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2017 and 30 June 2016 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) Accelerated tax depreciation £'000	Asset tax losses £'000
At 01 July 2015	–	1,160
Credit to income	–	140
At 30 June 2016	–	1,300
Charge to income	–	(250)
<b>At 30 June 2017</b>	<b>–</b>	<b>1,050</b>

### 36 Financial instruments

The Company follows the same accounting policies and manages its capital and risks in the same way as the Group. Please refer to note 24 for further details.

#### Categories of financial instruments

	2017 £'000	2016 £'000
<b>Financial assets</b>		
At amortised cost:		
Amounts owed by subsidiary undertakings	86,622	81,229
Cash and cash equivalents	26,953	24,514
<b>Financial liabilities</b>		
At amortised cost:		
Trade payables	550	1,037
Amounts owed to subsidiary undertakings	75,098	43,204

#### Financial risk management objectives

The Company monitors and manages its financial risks, which include interest rate risk, credit risk and liquidity risk. Interest rate swaps are used to manage interest rate risk where considered appropriate. The use of financial derivatives is governed by the Company's policies, approved by the Board of Directors, which provide written rules on the use of financial derivatives. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and where considered appropriate by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

# Notes to the Company financial statements

continued

## 36 Financial instruments continued

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit for the year ended 30 June 2017 would have increased/decreased by £0.1m (2016: £0.2m). This is mainly attributable to the Company's exposure on variable rate deposits.

### Interest rate swap contracts

There were no outstanding interest rate swap contracts in existence at 30 June 2017 (2016: nil).

### Credit risk management

Credit risk for cash placed on deposit is controlled by the use of approved financial institutions.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecast and actual cash flows.

### Maturity of financial assets

The expected maturity for all the Company's non-derivative financial assets is less than one month, which remains unchanged from the previous year. This has been based on the undiscounted contractual maturities of the financial assets. No material interest is expected to accrue on the interest bearing instruments, which represent cash deposits.

### Maturity of financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
<b>2017</b>						
Non-interest bearing	75,648	–	–	–	–	75,648
Variable interest rate instruments	–	–	–	–	–	–
	<b>75,648</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>75,648</b>
<b>2016</b>						
Non-interest bearing	44,241	–	–	–	–	44,241
Variable interest rate instruments	–	–	–	–	–	–
	<b>44,241</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>44,241</b>

### Fair value of financial instruments

The fair value of financial assets and liabilities held at amortised cost is considered by the directors not to be materially different from their carrying amounts at the balance sheet date.

### 37 Related party transactions

#### Related Party Transactions to 30 June 2017

Details of the Company's interests in subsidiaries, who are regarded as related parties, are provided in note 32.

Transactions during the year with subsidiaries are summarised below:

	Management Charges £'000	Interest charges £'000	Charges to Group from subsidiaries £'000
<b>Subsidiary undertakings</b>			
<b>2017</b>	<b>40,032</b>	<b>1,288</b>	<b>(649)</b>
2016	31,623	640	(811)

Amounts due from and to subsidiaries at 30 June 2017 are shown in notes 33 and 34.

# Shareholder information, financial calendar and advisors

## Company enquiries

General shareholder enquiries about the Company and requests for copies of the Group's literature, Annual Report or Interim Statements should be directed to the Company Secretary at the Company's head office at:

Pinesgate  
Lower Bristol Road  
Bath  
BA2 3DP

## Internet

Visit the Company's website at [www.redde.com](http://www.redde.com) for:

- Current share Price
- Latest news
- Additional information about the Company
- Latest Annual and Interim Reports

## Shareholding enquiries

Queries about personal shareholdings (e.g. lost certificates, dividend payments or change of personal details) should be directed to the Company's registrars, Capita IRG plc, whose details are set out in the Advisors section opposite.

## Registered office

Redde plc  
Pinesgate  
Lower Bristol Road  
Bath  
BA2 3DP

## Company number

03120010

## Financial calendar

### 2017

28 February – Interim results announcement  
30 March – Interim dividend for 2017  
07 September – Final results announcement  
25 October – Annual General Meeting  
02 November – Final dividend for 2017

### 2018

March – Interim results announcement  
March – Interim dividend for 2018  
September – Final results announcement  
October – Annual General Meeting  
November – Final dividend for 2018

## Advisors

### Auditor

KPMG LLP  
66 Queen Square  
Bristol  
BS1 4BE

### Solicitors

Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London  
EC4R 9HA

### Nominated Advisor & Joint Stockbroker

Cenkos Securities plc  
6-8 Tokenhouse Yard  
London  
EC2R 7AS

### Joint Stockbroker

N+1 Singer Advisory LLP  
One Bartholomew Lane  
London  
EC2N 2AX

### Registrars

Capita IRG plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Principal Bankers

HSBC  
45 Milsom Street  
Bath  
BA1 1OU

HSBC

West & Wales Corporate Banking Centre  
3 Rivergate  
Temple Quay  
Bristol  
BS1 6ER

### PR advisors

Square1 Consulting Limited  
73 Cornhill  
London  
EC3V 3QQ

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