



# Interim Report

**For the 6 Months Ended  
31 December 2017**

## Introduction

### Financial and Operational headlines

#### Financial headlines

- Turnover £253.3m (2016: £227.1m) - Increase of 11.5%
- Adjusted\* EBIT of £22.0m (2016: £19.8m) - Increase of 11.2%
- Adjusted\* profit before tax of £21.9m (2016: £19.7m) - Increase of 11.2%
- Statutory profit before tax of £19.9m (2016: £17.5m) - increase of 13.6%
- Net operating cash flow/EBITDA 47% (2016: 89%) – ahead of management expectations following new contract
- Debtor days 97 days (2016: 90 days)
- Total cash balances £24.4m (2016: £33.6m) – after funding share buybacks and new contract
- Fleet and lease debt £46.9m (2016: £47.1m)
- Net debt of £22.5m (2016: £13.5m)
- Adjusted\* basic EPS 6.12 pence (2016: 5.24 pence) - Increase of 16.8%
- Statutory basic EPS 5.65 pence (2016: 4.58 pence) - Increase of 23.4%
- Interim dividend 5.50 pence (2016: 5.00 pence) - Increase of 10.0%

#### Operational headlines

- 24.8% growth in number of credit hire cases
- Total number of hire days increased by 19.5%
- 0.5% increase in total number of repair cases
- Period end fleet increased to 9,958 (2016: 8,690) - increase of 14.6% to meet increasing demand
- Revenue generating fleet utilisation maintained above 80% target

\* Adjusted measures exclude the impact of the amortisation of intangibles and share based payments (“adjustment items”) described in Note 5.

### Chairman’s Statement

**I am pleased to be able to report to shareholders that the Group achieved an adjusted profit before taxation for the six months to 31 December 2017 of £21.9 million compared to £19.7 million in the corresponding period last year; an increase of 11.2%.**

#### Results

Revenues were £253.3m (2016: £227.1m), an increase of £26.2m (11.5%). Sales growth principally reflects a 24.8% growth in the number of credit hires and a 0.5% increase in the total number of repairs undertaken against the corresponding period last year.

The adjusted earnings before interest and taxation for the period were £22.0m (2016: £19.8m).

There was a net interest charge in the period of £0.1m (2016: £0.1m).

Adjusted profit before tax for the period was therefore £21.9m, an increase of 11.2% over the £19.7m achieved in the corresponding period last year.

The charge in respect of amortisation of intangible assets acquired by virtue of the purchase of FMG was £1.2m (2016: £1.2m). In addition there was a charge of £0.8m in the period (2016: £1.0m) under IFRS2 in respect of share based payments on incentive share schemes.

After the amortisation of intangible assets and share based payments, the statutory profit before tax was £19.9m (2016: £17.5m), an increase of 13.6%. There was a net tax charge of £2.7m (2016: £3.9m) and therefore the statutory profit after tax is £17.2m (2016: £13.6m).

## **Earnings Per Share**

Statutory basic EPS is 5.65p (2016: 4.58p). Statutory diluted EPS is 5.56p (2016: 4.51p).

Adjusted EPS is 6.12p (2016: 5.24p). Adjusted diluted EPS is 6.02p (2016: 5.15p).

The adjusted figures exclude the impact of the amortisation of intangible assets and share based payments as described in note 5.

## **Dividends**

The Board is pleased to declare an interim dividend of 5.50 pence per share payable on Thursday 29 March 2018 to those shareholders on the register on Friday 09

March 2018 (2016: 5.00 pence). The ex-dividend date is Thursday 08 March 2018.

## **Outlook**

The second half of the year has started well with volumes maintaining the underlying rate of growth seen in the first half and the Group remains well positioned to continue its demonstrable growth.

## **Our people**

The enthusiasm, energy and commitment of our people has been instrumental in delivering high standards of service and customer satisfaction as demonstrated by the customer feedback we receive. So well done and thank you to all of our colleagues.

## **Avril Palmer-Baunack**

Chairman

28 February 2018

# Operational and Financial Review

## Operational review

During the period the Group has continued to devote considerable activity towards fully integrating our operations and commercial offerings, with a range of new initiatives. The further investment in our IT systems and infrastructure has continued. This initiative which supports our existing, successful GPSii strategy (Growth, Profitability and Sustainability) by including more focus on improvement and integration, helps to provide both insurance customers and business partners seamless access to the services that the Group provides.

Projects to secure synergies from various overlapping aspects of the Group's operations that were initiated last year have continued during the period with particular emphasis on approaches to underlying systems. Other areas of the business will continue to be reviewed to seek further opportunities to optimise efficiency and net contribution whilst at the same time the Group will also expand its infrastructure where necessary to accommodate planned growth.

In accordance with the Group's GPSii strategy the Group has continued 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.

During the period the Group participated in successful pilots with a number of insurers in helping to manage and reduce those insurers' own indemnity spends including the provision of "fault" claims intervention services and "fault" repairs. The Group is now looking to evolve these pilots as part of its one-stop shop approach which provides the potential to further 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.

These initiatives, as well as developments in our on-line portals, continue to enhance the Group's image as a leading partner of choice within our industry and have been instrumental in enhancing customers' experiences and have facilitated these new business opportunities with those business partners who share our vision for the customer journey.

The good progress made with a number of insurers whose settlement arrangements are supported by protocols is being enhanced by the development of a bespoke, digital, protocol portal link direct to participating insurers which will provide further efficiencies for both insurers and the Group in processing claims. Protocols demonstrably provide better outcomes in net cost terms for both parties including the reduction of associated administrative costs. During the period the Group has also pioneered enhancements to existing protocol arrangements with certain insurers by participating in the use of robotics in the processing of claims for the benefit of both parties. In the last year however the Group did find it necessary to terminate, at the Group's election, a protocol with one large insurer as they sought to take the benefits of the greater discount offered under protocol but failed to adhere to the associated, contracted terms of earlier settlement. Consequently, these cases are now being processed through a non-protocol model which although resulting in slower cash realisation does yield better margins.

Further progress was made during the period within our fleet and incident management business both with the number of vehicles under management increasing by 2.9% and with the provision of additional services. The Group has continued to innovate in order to differentiate its services in the market, successfully launching a same-day non-structural repair service which has seen an 11% uptake, resulting in reduced cycle times and enhancing customer experience. There was also a 5.5% increase in incidents attended to on motorways and major roads on behalf of Highways England. The period also saw an increase in the Group's provision of third party claims intervention services to client insurers, reducing the cost of claims on behalf of those insurers, and increased penetration in other areas of the market, in particular in the large commercial brokers market.

The Group has also continued to build its range of legal services and an additional 'joint venture' ABS named 'Your Law' which was launched by National Accident Helpline and supported by our NewLaw legal firm started trading on 03 July 2017. Your Law has made an encouraging start and represents an exciting growth potential for the Group. In addition the Group has continued to see further growth in those areas of NewLaw's practice dealing with employers' liability and medical negligence although 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 Groups business in this area.

## **Technology**

The period saw continued investment in technology to support the Group's strategic objectives, including further integration of common Group services, productivity improvements within our operational centres and enhancements to existing supply chain integration. Notable business system improvements undertaken have included; mobile optimisation of customer portals, improvements to our repair placement and tracking services, a significant upgrade to our vehicle rental platform and implementation of on-line access for customers and business partners by way of portals relating to both repair and hire operations as well as the digital, protocol portal mentioned previously.

In the area of fleet management FMG's driver behaviour telemetry product has gone through a major platform upgrade. This includes an enhanced customer experience where customer fleet managers and drivers can easily monitor and compare their driver behaviour with colleagues as part of their efforts to reduce incident frequency.

During the period significant investment continued in the software and infrastructure services supporting the Group's legal businesses to meet anticipated changes in working practices, deliver process efficiencies, and support expanding demand for services. This includes a major project to replace one of NewLaw's core operating systems and associated reporting warehouse which is currently scheduled to go live during 2018.

At a more strategic level the Group is assessing opportunities to leverage developments in artificial intelligence, predictive analytics, telematics and robotics, and is actively piloting solutions in a number of these areas.

## **Relationships and customer service**

Our significant investment in people was again recognised with FMG for the second year running being named in the annual Sunday Times 100 Best Companies to Work For awards. Excellence in customer service was also recognised by FMG being Highly Commended for "Medium Contact Centre of the Year" at the 2017 European Contact Centre and Customer Service Awards and also shortlisted for Broker Claims Team of the Year at the Commercial Insurance Awards 2017.

Recognition of the Group for providing outstanding customer service was yet again evident at the

prestigious North East Contact Centre Awards where Auxillis was once more shortlisted for an award in the Contact Centre of the Year (over 250 seats) category and achieved runner-up status.

The Group remains passionate about customer service delivery and has continued to maintain a strong focus on the resultant net promoter scores. During the period performance feedback on our operational service delivery and customer satisfaction rates have continued to grow in a number of areas and this area is of increasing importance with existing and potentially new business partners who share our vision for the customer journey.

## **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 both short and in peak periods.

The period saw a 19.5% increase in total number of hire days driven by a 24.8% increase in credit hire case volumes compared to the corresponding period last year. The average number of vehicles held during the period was increased by 16.8% to 8,926 from the average of 7,643 held for the corresponding period last year as a result of the need to meet increases in demand arising from additional contracts and general growth in business. Fleet utilisation however was maintained above our 80% target at 80.6% which compared to 80.5% for the same period last year whilst also delivering a greater volume of Marque for Marque replacement car services. The average age of the fleet was reduced slightly to around 10 months across a broad spread of manufacturers and models.

The number of vehicles held at 31 December increased to 9,958 vehicles as a result of the increased demand mentioned above and this compares to 8,690 at 31 December 2016 and 8,371 at 30 June 2017.

## Financial review

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 earned in the year under review to which the directors have regard in determining the amount of any dividend.

A summary of the Group's key performance indicators as used in the business is set out in the table below.

	6 months ended 31 December 2017	6 months ended 31 December 2016	12 months ended 30 June 2017
<b>Financial KPIs</b>			
Revenue (£'000)	253,284	227,145	472,344
Gross profit (£'000)	62,499	55,967	116,007
Gross margin	24.7%	24.6%	24.6%
Profit before taxation (£'000)	19,872	17,486	31,771
Adjusted profit before taxation* (£'000)	21,887	19,676	40,024
EBIT (£'000)	19,960	17,563	31,921
Adjusted EBIT* (£'000)	21,975	19,753	40,174
Adjusted EBIT* margin	8.7%	8.7%	8.5%
EBITDA** (£'000)	27,592	24,934	51,848
EBITDA / Operating cash flow conversion %	47.4%	89.4%	91.1%
Statutory debtor days	97	90	91

\* Adjusted measures exclude the impact of the amortisation of intangibles and share based payments ("adjustment items") described in Note 5.

\*\* EBITDA calculation is analysed in the consolidated statement of cash flows.

## Revenues

Revenues were £253.3m (2016: £227.1m), an increase of £26.2m (11.5%).

Sales growth principally reflects a 24.8% growth in the number of credit hires which include the full period effect of a new contract won in the latter part of 2016. Excluding this the growth in credit hires and sales was 6.2%. There was also a 0.5% increase in the total number of repairs undertaken against the corresponding period last year.

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 and share based payments ("adjustment items") and are analysed on the face of the Consolidated Income Statement and in Note 5 as well as in this report.

## Results

For the six months ended 31 December 2017, the Group recorded an adjusted EBIT of £22.0m (2016: £19.8m), an adjusted profit before tax of £21.9m (2016: £19.7m) and a statutory profit before tax of £19.9m (2016: £17.5m).

## Gross profit, adjusted EBIT

Gross profit was £6.5m higher than the corresponding period last year and gross margin was 24.7% (2016: 24.6%).

Adjusted administrative expenses were £41.3m (2016 £36.9m), an increase of 12.0% over last year reflecting increased operational cost arising from new business won in 2016 and associated increased investment in underlying infrastructure. Adjusted administrative

expenses as a percentage of sales remained unchanged at 16.3%.

The adjusted EBIT for the period was £22.0m (2016: £19.8m) and adjusted EBIT margin was maintained at 8.7% (2016: 8.7%).

Adjusted EBIT is reconciled to the Income Statement as follows:

	Unaudited 6 months ended 31 December 2017 £m	Unaudited 6 months ended 31 December 2016 £m	Audited 12 months ended 30 June 2017 £m
Adjusted EBIT	22.0	19.8	40.2
<b>Adjustments</b>			
Amortisation of acquired intangible assets	(1.2)	(1.2)	(2.4)
Share based payments	(0.8)	(1.0)	(2.0)
Property lease provisions	-	-	(3.9)
<b>Statutory EBIT</b>	<b>20.0</b>	<b>17.6</b>	<b>31.9</b>

EBITDA was £27.6m (2016: £24.9m).

### Net finance charge

There was a net interest charge in the period of £0.1m (2016: £0.1m).

### Adjusted profit before tax

Adjusted profit before tax for the period was £21.9m, an increase of 11.2% over the £19.7m achieved in the corresponding period last year.

### Amortisation of intangibles and share based payments

The charge in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG in 2015) was £1.2m (2016: £1.2m). In addition there was a charge of £0.8m in the period (2016: £1.0m) under IFRS2 in respect of share based payments on incentive share schemes.

### Statutory profit before and after taxation

After the amortisation of intangible assets and share based payments the statutory profit before tax was £19.9m (2016: £17.5m), an increase of 13.6%. There was a net tax charge of £2.7m (2016: £3.9m). The statutory profit after tax is £17.2m (2016: £13.6m).

### Earnings per share

Statutory basic EPS is 5.65p (2016: 4.58p). Statutory diluted EPS is 5.56p (2016: 4.51p).

Adjusted EPS is 6.12p (2016: 5.24p). Adjusted diluted EPS is 6.02p (2016: 5.15p).

The adjusted figures exclude the impact of the amortisation of intangible assets and share based payments described in note 5.

### Dividends

The Board has declared an interim dividend of 5.50 pence per share payable on 29 March 2018 to those shareholders on the register on 09 March 2018 (2016: 5.00 pence). The ex-dividend date is 08 March 2018.

### Balance sheet

During the period the working capital investment in credit hire claims generated by referrals under a new insurer contract that commenced in the latter part of 2016 matured. This had the effect of increasing receivables without a corresponding increase in payables. The Group would expect that the cash flow benefits of this new contract to start to be realised during 2018 and consequently return the Group's ratio of net operating cash flow to EBITDA to more normal levels.

In addition, as stated in the Operating Review, the Group found it necessary to terminate, at the Group's election, at the end of 2016, a protocol arrangement with one large insurer as they sought to take the benefits of the greater discount offered under protocol but failed to adhere to the associated contracted terms of early settlement. Consequently, these cases are now being processed through a non-protocol model which yields better profit returns but balanced by slower cash realisations and this has contributed to the higher debtor days and resultant lower cash

balances compared to last year. Statutory debtor days were therefore 97 days and compare to 91 days at 30 June 2017 and 90 days at 31 December 2016.

Revenue generated debtors at 31 December 2017 increased to £132.4m, compared to £117.4m at 30 June 2017 and £108.7m at 31 December 2016, increases of 12.8% and 21.9% respectively. The increase of £23.7m from 31 December 2016 mostly reflects the maturing of credit hire claims generated under a new contract as well as the termination of a protocol arrangement mentioned above.

Total creditors increased to £139.7m compared to £131.4m at 30 June 2017 and £120.8m at 31 December 2016.

Net assets at 31 December 2017 were £158.6m (2016: £159.9m).

### Net debt, cash and financing

Cash balances were £24.4m at 31 December 2017 and compare to cash balances of £36.3m at 30 June 2017 and £33.6m at 31 December 2016. The decrease in cash balances is mostly the result of the increased investment in working capital as a result of the factors influencing an increase in receivables as

mentioned above as well as the cash, net cost of share buybacks which were then re-issued to settle exercises made under a maturing SAYE Option scheme in July 2017.

As a consequence of the increased investment in working capital, EBITDA/Operating Cash Flow conversion was 47.4% (2016: 89.4%) which is slightly ahead of our own expectations for the period and, as stated above, this is expected to improve back to more normal levels during 2018.

As outlined in the operating review during the period the total number of vehicles on the fleet was increased to service the much increased volumes of hire days but a greater proportion of these new vehicles was funded by contract hire arrangements than has been the case in the past which will help mitigate against any potential residual risks and in particular with respect to diesel vehicles. As a consequence, fleet finance and lease debt was £46.9m at 31 December 2017, an increase of just £0.9m compared to £46.0m at 30 June 2017.

Net debt at 31 December 2017 was £22.5m and compares to net debt of £13.5m at 31 December 2016 and net debt of £9.7m at 30 June 2017.

The net debt and cash position can be summarised as follows:

	Unaudited 6 months ended 31 December 2017 £m	Unaudited 6 months ended 31 December 2016 £m	Audited 12 months ended 30 June 2017 £m
Fleet finance leases	(46.9)	(47.0)	(46.0)
Other leases	-	(0.1)	-
<b>Total lease debt</b>	<b>(46.9)</b>	<b>(47.1)</b>	<b>(46.0)</b>
Cash balances	24.4	33.6	36.3
<b>Net debt</b>	<b>(22.5)</b>	<b>(13.5)</b>	<b>(9.7)</b>



## **Principal risks and uncertainties**

Principal risks and uncertainties are detailed in Note 22 to this report.

**Martin Ward**  
**Chief Executive Officer**  
**28 February 2018**

**Stephen Oakley**  
**Chief Financial Officer**  
**28 February 2018**

## Condensed Consolidated Income Statement

For the six months ended 31 December 2017

Unaudited	Note	6 months ended 31 December 2017 Adjusted*	6 months ended 31 December 2017 Adjustment* items	6 months ended 31 December 2017	6 months ended 31 December 2016 Adjusted*	6 months ended 31 December 2016 Adjustment* items	6 months ended 31 December 2016
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	3	253,284	-	253,284	227,145	-	227,145
Cost of sales		(190,785)	-	(190,785)	(171,178)	-	(171,178)
<b>Gross profit</b>		62,499	-	62,499	55,967	-	55,967
Administrative expenses	5	(41,341)	(2,015)	(43,356)	(36,914)	(2,190)	(39,104)
<b>Operating profit</b>		21,158	(2,015)	19,143	19,053	(2,190)	16,863
Share of results of associates		817	-	817	700	-	700
<b>EBIT</b>		21,975	(2,015)	19,960	19,753	(2,190)	17,563
Net finance (charge) / income	6	(88)	-	(88)	(77)	-	(77)
<b>Profit before taxation</b>		21,887	(2,015)	19,782	19,676	(2,190)	17,486
Taxation	7	(3,300)	586	(2,714)	(4,126)	239	(3,887)
<b>Profit for the period</b>		18,587	(1,429)	17,158	15,550	(1,951)	13,599
<b>Profit for the period attributable to:</b>							
Equity holders of the Company		18,587	(1,429)	17,158	15,550	(1,951)	13,599
<b>Profit for the period</b>		18,587	(1,429)	17,158	15,550	(1,951)	13,599
<b>Earnings per share (p)</b>							
Basic	8	6.12	(0.47)	5.65	5.24	(0.66)	4.58
Diluted	8	6.02	(0.46)	5.56	5.15	(0.64)	4.51

\* Adjusted measures exclude the impact of the amortisation of intangibles and share based payments ("adjustment items") described in Note 5.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2017

Unaudited	6 months to 31 December 2017 £'000	6 months to 31 December 2016 £'000
<b>Profit for the period</b>	17,158	13,599
Other comprehensive income	-	-
<b>Total comprehensive income for the period, attributable to:</b>		
Equity holders of the Company	17,158	13,599
<b>Total comprehensive income for the period</b>	17,158	13,599

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2017

	Share capital £'000	Share premium account £'000	Shares held in treasury £'000	Retained earnings £'000	Total £'000
<b>Six months ended 31 December 2017</b>					
Balance at 1 July 2017	304	73,780	-	85,870	158,954
Profit for the period	-	-	-	17,158	17,158
<b>Total comprehensive income for the period</b>	-	-	-	17,158	17,158
Issue of Ordinary Shares	-	7	-	-	7
Purchase of shares into treasury	-	-	(1)	(1,963)	(1,964)
Re-issue of shares from treasury for SAYE exercises	-	-	1	617	816
Share based payments	-	-	-	820	820
Dividends paid	-	-	-	(17,021)	(17,021)
<b>Balance at 31 December 2017</b>	<b>304</b>	<b>73,787</b>	<b>-</b>	<b>84,481</b>	<b>158,572</b>

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
<b>Six months ended 31 December 2016</b>					
Balance at 1 July 2016	304	73,769	-	86,213	160,286
Profit for the period	-	-	-	13,599	13,599
<b>Total comprehensive income for the period</b>	-	-	-	13,599	13,599
Issue of Ordinary Shares	-	9	-	-	9
Share based payments	-	-	-	995	995
Dividends paid	-	-	-	(14,960)	(14,960)
<b>Balance at 31 December 2016</b>	<b>304</b>	<b>73,778</b>	<b>-</b>	<b>85,847</b>	<b>159,929</b>

## Condensed Consolidated Statement of Financial Position

As at 31 December 2017

		Unaudited 31 December 2017	Unaudited 31 December 2016	Audited 30 June 2017
	Note	£'000	£'000	£'000
<b>Non-current assets</b>				
Goodwill	10	85,990	85,990	85,990
Intangible assets	11	17,722	20,112	18,917
Property, plant and equipment (including vehicles)	12	57,694	55,483	55,515
Interests in associates	13	1,670	1,105	1,361
Deferred tax asset		4,820	3,867	4,236
		<b>167,896</b>	166,557	166,019
<b>Current assets</b>				
Trade and other receivables	14	160,481	133,486	142,852
Cash and cash equivalents		24,387	33,559	36,344
		<b>184,868</b>	167,045	179,196
<b>Total assets</b>		<b>352,764</b>	333,602	345,215
<b>Current liabilities</b>				
Trade and other payables	15	(139,711)	(120,760)	(131,386)
Obligations under finance leases	16	(22,544)	(25,401)	(20,683)
Provisions		(998)	(603)	(1,318)
		<b>(163,253)</b>	(146,764)	(153,387)
<b>Net current assets</b>		<b>21,615</b>	20,281	25,809
<b>Non-current liabilities</b>				
Obligations under finance leases	16	(24,350)	(21,679)	(25,377)
Deferred tax liability		(4,405)	(5,230)	(4,991)
Provisions		(2,184)	-	(2,506)
		<b>(30,939)</b>	(26,909)	(32,874)
<b>Total liabilities</b>		<b>(194,192)</b>	(173,673)	(186,261)
<b>Net assets</b>		<b>158,572</b>	159,929	158,954
<b>Equity</b>				
Share capital	17	304	304	304
Share premium account		73,787	73,778	73,780
Retained earnings		84,481	85,847	84,870
<b>Equity attributable to owners of the Company</b>		<b>158,572</b>	159,929	158,954

Company Registration Number: 03120010

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2017

		Unaudited 6 months ended 31 December 2017		Unaudited 6 months ended 31 December 2016	
	Note	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Profit for the period		17,158		13,599	
Tax charge	7	2,714		3,887	
Share of results of associates	13	(817)		(700)	
Net finance costs	6	88		77	
Fleet finance lease interest	6	583		725	
Depreciation		5,559		5,169	
Amortisation of intangible assets	5,11	1,195		1,195	
Loss / (profit) on sale of tangible fixed assets		292		(13)	
Share-based payment charges	5	820		995	
<b>EBITDA</b>		<b>27,592</b>		<b>24,934</b>	
Increase in receivables		(17,679)		(3,615)	
Increase in payables		6,074		2,879	
Decrease in provisions		(643)		(639)	
<b>Cash generated from operating activities</b>			<b>15,344</b>		<b>23,559</b>
Bank interest received	6	53		62	
Fleet finance lease interest	6	(583)		(725)	
Interest element of non-fleet finance lease rentals	6	(2)		(8)	
			<b>(532)</b>		<b>(671)</b>
Taxation paid			<b>(1,723)</b>		<b>(588)</b>
<b>Net cash from operating activities</b>			<b>13,089</b>		<b>22,300</b>
<b>Cash flows from investing activities</b>					
Distributions from associates		508		391	
Deposits in escrow		-		(3,000)	
Purchase of property, plant and equipment		(1,624)		(1,686)	
Proceeds from sale of property, plant and equipment		5,840		8,028	
<b>Net cash inflow / (outflow) from investing activities</b>			<b>4,724</b>		<b>3,733</b>
<b>Cash flows from financing activities</b>					
Proceeds from issues of new share capital		7		9	
Purchase of shares into treasury		(1,964)		-	
Proceeds from re-issue of treasury shares		618		-	
Dividends paid	9	(17,021)		(14,960)	
Finance lease principal repayments		(11,410)		(12,170)	
<b>Net cash outflow from financing activities</b>			<b>(29,770)</b>		<b>(27,121)</b>
<b>Net decrease in cash and cash equivalents</b>			<b>(11,957)</b>		<b>(1,088)</b>
Cash and cash equivalents at the beginning of the period			<b>36,344</b>		<b>34,647</b>
<b>Cash and cash equivalents at the end of the period</b>			<b>24,387</b>		<b>33,559</b>
<b>Cash and cash equivalents consisted of:</b>					
<b>Cash at bank and in hand</b>			<b>24,387</b>		<b>33,559</b>

## Notes to the Interim Statements

### 1 Basis of preparation

The condensed consolidated financial statements are prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard ('IAS') 34, 'Interim Financial Reporting'.

The information for the year ended 30 June 2017 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements have been prepared under the going concern assumption.

The directors have assessed the future funding requirement of the Group and the Company, and have compared them to the levels of available cash and funding resources. The assessment included a review of current financial projections to June 2019. Recognising the potential uncertainties 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 have 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 has adequate resources to finance its operations for the foreseeable future and accordingly, continue to adopt the going concern basis in preparing the Interim Report.

### 2 Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been applied in these condensed consolidated financial statements as were applied in the Group's financial statements for the year ended 30 June 2017.

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying value of the assets and liabilities that are not readily apparent from the 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 judgements affecting the Group's interim financial statements are the valuation of the receivables (see Note 3) and goodwill impairment (see Note 10).

### 3 Revenue

	<b>Unaudited 6 months ended 31 December 2017 £'000</b>	<b>Unaudited 6 months ended 31 December 2016 £'000</b>
Revenue	<b>253,284</b>	<b>227,145</b>

As described in Note 15 to the consolidated financial statements for the year ended 30 June 2017, 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 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 IFRS 8 based on their size. 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.

## 5 Amortisation of intangibles and share based payments

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 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 and share based payments ("adjustment items") as shown below. A reconciliation of IFRS to non-IFRS underlying measures is also outlined in the Financial Review and the Condensed Consolidated Income Statement.

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
<i>Administration costs - Amortisation and share based payments:</i>		
a) Amortisation of acquired intangible assets	1,195	1,195
b) Share based payments	820	995
Total amortisation of acquired intangible assets and share based payments	2,015	2,190
<b>Total adjustments to operating profits</b>	<b>2,015</b>	<b>2,190</b>
Tax effect of the above	(586)	(239)
<b>Impact on profit after tax for the period</b>	<b>1,429</b>	<b>1,951</b>

### a) Amortisation of acquired intangible assets

The Group recognised the value of customer relationships and acquired software as a result of the acquisition of FMG in 2015 and these assets are being amortised over 10 and 5 years respectively. Such amortisation is included in adjustment items as it relates to the acquisitions of businesses and does not involve ongoing cash expenditure in the normal operations of the Group. The charge for the period amounts to £1.2m (2016: £1.2m) (Note 11), and the tax effect was a credit of £0.6m (2016: £0.2m).

### b) Share based payments

The Group has a number of share incentive schemes. In accordance with IFRS2 the calculated charge in respect of options issued and outstanding amounts to £0.8m for the period (2016: £1.0m). 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 share 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.

## 6 Finance income and finance costs

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
<i>a) Finance income</i>		
Interest receivable	53	62
<i>b) Finance costs</i>		
Interest on obligations under finance leases	(585)	(733)
Bank facility fees and costs charged in the period	(123)	(131)
Unwind of discount on provisions	(16)	-
	(724)	(864)
Transfer of interest on obligations under finance leases and fleet facilities to cost of sales	583	725
Total finance costs	(141)	(139)
<b>Total net finance expense</b>	<b>(88)</b>	<b>(77)</b>

## 7 Tax charge

The tax charge comprises the following:

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Current tax charge	(3,885)	(2,123)
Deferred tax credit / (charge)	1,171	(1,764)
<b>Total tax charge</b>	<b>(2,714)</b>	<b>(3,887)</b>

The effective rate of the tax charge of 13.7% (2016: 22.2%) for the period is lower than the effective standard rate of UK corporation tax of 19.00% (2016: 19.75%) due to the impact of future reductions in the UK tax rate on recognised deferred tax liabilities and also the increase in recognition of deferred tax assets consequent upon a further assessment and recognition of the amount and anticipated timing of the future usage of potential tax allowances.

## 8 Earnings per ordinary share

The calculation of the basic and diluted earnings per share is based on the following share volume information:

	Unaudited 6 months ended 31 December 2017 Number	Unaudited 6 months ended 31 December 2016 Number
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of earnings per share	303,779,382	296,880,858
Effect of 2013 share options scheme shares in issue	-	28,992
Effect of 2016 share options scheme shares in issue	3,210,559	3,618,725
Effect of 2017 share options scheme shares in issue	1,032,773	-
Effect of 2014 SAYE share option scheme shares in issue	203,080	917,265
Effect of 2015 SAYE share option scheme shares in issue	203,972	372,438
Effect of 2016 SAYE share option scheme shares in issue	-	37,331
Effect of 2017 SAYE share option scheme shares in issue	174,320	-
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>308,604,086</b>	<b>301,855,609</b>

There were 303,985,812 ordinary shares of 0.1p each in issue as at 31 December 2017 (Note 17).

## 9 Dividends

The Board has announced an interim dividend for the year to 30 June 2018 of 5.50 pence per ordinary share and amounting to £16.7m payable on Thursday 29 March 2018 to those shareholders on the register at the close of business on Friday 09 March 2018. The shares will be ex-dividend on Thursday 08 March 2018. Ordinary share dividends paid in the period to 31 December 2017 can be summarised as follows:

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Final dividend for 2016 of 5.15 pence paid 3 November 2016	-	14,960
Final dividend for 2017 of 5.60 pence paid 2 November 2017	17,021	-
<b>Total dividends paid in the period</b>	<b>17,021</b>	<b>14,960</b>

## 10 Goodwill

	£'000
<b>Cost</b>	
At 31 December 2016, 01 July 2017 and 31 December 2017	140,308
<b>Accumulated impairment losses</b>	
At 31 December 2016, 01 July 2017 and 31 December 2017	(54,318)
<b>Net book value</b>	
<b>At 01 July 2017 and 31 December 2017</b>	<b>85,990</b>
At 31 December 2016	85,990



The directors reviewed the carrying value of Goodwill on 30 June 2017 and the key elements of this review are contained in Note 11 to the Annual Report and Accounts for the year to 30 June 2017. No indications of possible additional impairment have been identified as at 31 December 2017. There is therefore no movement in goodwill impairment in the six months ended 31 December 2017 (2016: £nil). The allocation of Goodwill to the Group's CGU's is as follows:

	31 December 2017 £'000	31 December 2016 £'000	30 June 2017 £'000
Auxillis	18,950	18,950	18,950
NewLaw	40,281	40,281	40,281
FMG	26,759	26,759	26,759
	<b>85,990</b>	<b>85,990</b>	<b>85,990</b>

## 11 Intangible fixed assets

	Customer relationships £'000	Computer software £'000	Total £'000
<b>Cost</b>			
At 01 July 2017	21,900	1,000	22,900
At 31 December 2017	21,900	1,000	22,900
<b>Amortisation</b>			
At 01 July 2017	(3,650)	(333)	(3,983)
Charge for period	(1,095)	(100)	(1,195)
At 31 December 2017	(4,745)	(433)	(5,178)
<b>Net book value</b>			
At 31 December 2017	<b>17,155</b>	<b>567</b>	<b>17,722</b>
At 30 June 2017	<b>18,250</b>	<b>667</b>	<b>18,917</b>
At 31 December 2016	<b>19,345</b>	<b>767</b>	<b>20,112</b>

## 12 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 2017	2,725	812	57,942	10,149	71,628
Additions	-	5	12,645	1,220	13,870
Disposals	-	-	(8,415)	(29)	(8,444)
<b>At 31 December 2017</b>	<b>2,725</b>	<b>817</b>	<b>62,172</b>	<b>11,340</b>	<b>77,054</b>
<b>Accumulated depreciation and impairment</b>					
At 01 July 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
Charge for the period	(31)	(30)	(4,871)	(627)	(5,559)
Disposals	-	-	2,300	12	2,312
<b>At 31 December 2017</b>	<b>(207)</b>	<b>(557)</b>	<b>(11,384)</b>	<b>(7,212)</b>	<b>(19,360)</b>
<b>Carrying amounts</b>					
<b>At 31 December 2017</b>	<b>2,518</b>	<b>260</b>	<b>50,788</b>	<b>4,128</b>	<b>57,694</b>
Leased assets included above:					
<b>At 31 December 2017</b>	-	-	<b>50,552</b>	<b>33</b>	<b>50,585</b>

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
<b>Cost</b>					
At 01 July 2016	2,725	784	49,488	12,097	65,094
Additions	-	-	19,713	1,349	21,062
Disposals	-	-	(10,015)	-	(10,015)
<b>At 31 December 2016</b>	<b>2,725</b>	<b>784</b>	<b>59,186</b>	<b>13,446</b>	<b>76,141</b>
<b>Accumulated depreciation and impairment</b>					
At 01 July 2016	(115)	(475)	(6,888)	(10,011)	(17,489)
Charge for the period	(31)	(28)	(4,591)	(519)	(5,169)
Disposals	-	-	2,000	-	2,000
<b>At 31 December 2016</b>	<b>(146)</b>	<b>(503)</b>	<b>(9,479)</b>	<b>(10,530)</b>	<b>(21,652)</b>
Carrying amounts					
<b>At 31 December 2016</b>	<b>2,579</b>	<b>281</b>	<b>49,707</b>	<b>2,916</b>	<b>55,483</b>
Leased assets included above:					
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>49,255</b>	<b>169</b>	<b>49,424</b>

### 13 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.

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Carrying amount of interests in associates	1,670	1,105
<b>Group's share of:</b>		
<b>Profit from continuing operations</b>	<b>817</b>	700
Other comprehensive income	-	-
<b>Total share of profits</b>	<b>817</b>	700

The annual 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 as at 31 December 2017.

## 14 Trade and other receivables

Net trade receivables comprise claims due from insurance companies and self-insuring organisations and amounts invoiced for the provision of services to customers. The Group's debtor days at 31 December 2017 were 97 days (2016: 90 days). This measure is based upon net trade receivables, other receivables and accrued income as a proportion of the related underlying sales revenue for the past 12 months multiplied by 365 days.

	31 December 2017 £'000	31 December 2016 £'000	30 June 2017 £'000
Net trade receivables	129,420	105,844	114,637
Other receivables	157	50	198
Accrued income	2,852	2,768	2,577
Total receivables for debtor day calculation purposes	132,429	108,662	117,412
Disbursements recoverable in legal businesses	14,231	13,709	14,267
Amount due from associates	50	50	50
Taxation recoverable	84	-	134
Prepayments	13,687	11,065	10,989
	160,481	133,486	142,852

## 15 Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000	30 June 2017 £'000
Trade payables	72,212	63,251	69,100
Corporation tax payable	3,949	1,830	1,837
Other taxation and social security	5,901	4,491	7,184
Accruals and deferred income	45,989	38,877	40,479
Disbursements payable in legal business	10,506	9,519	10,148
Other creditors	1,154	2,792	2,638
	139,711	120,760	131,386

## 16 Finance leases and other debt

During the period the Group entered into new finance leases with a principal value of £12.2m and made principal repayments of existing finance leases of £11.4m. Finance leases outstanding at 31 December 2017 amounted to £46.9m and compares to £46.0m at 30 June 2017 and £47.1m at 31 December 2016. Finance leases are secured upon the underlying vehicles. The Group has considerable facilities available to it for the provision of its motor fleet both by way of finance leases and contract hire which are considered in aggregate sufficient for its present growth plans.

## 17 Share capital and share premium account

As at 31 December 2017 the issued share capital of the Company comprised the following:

	Ordinary shares of 0.1p	
	Number	£'000
In issue at 30 June 2017	303,978,408	304
Issue of new shares in respect of exercise of SAYE options	7,404	-
<b>In issue at 31 December 2017 fully paid</b>	<b>303,985,812</b>	<b>304</b>

## 18 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 2016 been part of the BCA Marketplace plc group of companies ("BCAM"), formerly Haversham Holdings plc. BCAM has a Premium Listing on the London Stock Exchange and the Redde Group's non-executive Chairman, Avril Palmer-Baunack, is also BCAM's executive chairman. Accordingly BCAM is regarded as a related party.

Fees and commissions in the amount of £59,147 (2016: £6,059) were charged by BCAM during the period ended 31 December 2017 in respect of the disposal of such vehicles of which £nil (2016: £nil) was outstanding at the period end.

During the period costs of £11,247 (2016: £13,495) were charged by BCAM in respect of vehicle repair, of which £426 (2016: £96) was outstanding at the period end.

During the period costs of £13,200 (2016: £14,428) were charged by BCAM in respect of building rent, of which £7,920 (2016: £7,920) was outstanding at the period end.

During the period costs of £37,897 (2016: £44,063) were charged by BCAM in respect of vehicle transport, of which £6,256 (2016: £1,127) was outstanding at the period end.

In addition during the period the Group performed repairs to vehicles on behalf of BCAM in the normal course of business and an amount of £482,918 (2016: £331,164) was charged to BCAM of which £199,274 (2016: £159,540) was outstanding at the period end.

Details of the Group's interests in associates, who are regarded as related parties, are provided in notes 14 and 32 of the Annual Report and Accounts for the year ended 30 June 2017. During the period the Group made sales and recharges of expenses to these associates amounting to £3.3m (2016: £3.0m) and made purchases of £70,000 (2016: £49,000) from those associates. At the period end the Group was owed £353,000 (2016: £119,000) by these associates of which £303,000 (2016: £69,000) is included in net trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2016: £50,000) is shown as amounts due from associates in note 14 of these statements. In addition at the period end the Group owed £17,000 (2016: £nil) to these associates and these amounts are included in trade payables in note 15.

## 19 Cash flow information

	Audited 30 June 2017 £'000	Cash flow £'000	Other non-cash changes £'000	Decrease/ (increase) in net debt £'000	Unaudited 31 December 2017 £'000
<b>Analysis and reconciliation of net debt</b>					
Net cash and cash equivalents	36,344	(11,957)	-	(11,957)	24,387
Debt due within one year	-	-	-	-	-
Debt due after more than one year	-	-	-	-	-
Finance leases	(46,060)	11,410	(12,244)	(834)	(46,894)
	(46,060)	11,410	(12,244)	(834)	(46,894)
<b>Net debt</b>	<b>(9,716)</b>	<b>(547)</b>	<b>(12,244)</b>	<b>(12,791)</b>	<b>(22,507)</b>

	Audited 30 June 2016 £'000	Cash flow £'000	Other non-cash changes £'000	Decrease/ (increase) in net debt £'000	Unaudited 31 December 2016 £'000
<b>Analysis and reconciliation of net debt</b>					
Net cash and cash equivalents	34,647	(1,088)	-	(1,088)	33,559
Debt due within one year	-	-	-	-	-
Debt due after more than one year	-	-	-	-	-
Finance leases	(39,873)	12,170	(19,377)	(7,207)	(47,080)
	(39,873)	12,170	(19,377)	(7,207)	(47,080)
<b>Net debt</b>	<b>(5,226)</b>	<b>11,082</b>	<b>(19,377)</b>	<b>(8,295)</b>	<b>(13,521)</b>

	2017 £'000	2016 £'000
Decrease in cash and cash equivalents in the period	(11,957)	(1,088)
Finance lease principal repayments	11,410	12,170
Change in net debt resulting from cash flows	(547)	11,182
New finance leases	(12,244)	(19,377)
Movement in net debt in the period	(12,791)	(8,295)
Net debt at start of the period	(9,716)	(5,226)
<b>Net debt at end of the period</b>	<b>(22,507)</b>	<b>(13,521)</b>

## 20 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 qualifying 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.

## 21 Approval of Interim Financial Statements

The Interim Financial Statements were approved by the Board of Directors on 28 February 2018.

## 22 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 in the Annual Report and Accounts. 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 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 further 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.

### **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.

Tax Writing Down Allowances (WDAs) influence the net holding costs of vehicles whether purchased or contract hired. Government strategy and policies on vehicle emissions are often implemented by changes in the rates and deductibility of tax allowances applicable to vehicles generally and their related emissions. There is a risk that changes in government policy and related tax WDAs could mean that the fleet holding costs (net of taxation) and the effective Group tax charge percentage are increased as a result.

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 managing LIBOR risk via fixed interest rate arrangements including interest hedging arrangement where appropriate.

### **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 the same 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.

### **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.

**Martin Ward**  
**Chief Executive Officer**

**Stephen Oakley**  
**Chief Financial Officer**

## Independent Review Report to Redde plc

### Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the AIM Rules.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

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

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Robert Fitzpatrick  
**For and on behalf of KPMG LLP**

*Chartered Accountants*  
66 Queen Square, Bristol, BS1 4BE, United Kingdom  
**28 February 2018**



# 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

## Directors

Avril Palmer-Baunack - Non Executive Chairman  
Martin Ward - Chief Executive Officer  
Stephen Oakley - Chief Financial Officer  
John Davies - Non Executive  
Mark McCafferty - Non Executive

## 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

### 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



Redde plc  
Pinesgate  
Lower Bristol Road  
Bath, BA2 3DP  
0344 600 9050  
[www.redde.com](http://www.redde.com)