• News Release •

Redde plc

(“Redde” or “Group”)

Issue Date: 6 September 2018

Results for the year ended 30 June 2018

Further Significant Year on Year Growth in Revenues, Earnings and Dividends

Redde, a leading provider of mobility, incident management solutions and legal services to motorists, car dealerships, fleet owners and the insurance industry announces full year results:

Financial headlines

- Turnover £527.0m (2017: £472.3m) - Increase of 11.6%
- Adjusted* EBIT of £46.2m (2017: £40.2m) - Increase of 15.0%
- Adjusted* profit before taxation of £46.0m (2017: £40.0m) - Increase of 15.0%
- Statutory profit before taxation of £38.8m (2017: £31.8m) – Increase of 22.2%
- Net operating cash inflow to EBITDA ratio of 72% (2017: 91%)
- Debtor days 105 (2017: 91 days) - on increased sales and insurer mix
- Lease financing debt £39.2m (2017: £46.0m)
- Total cash balances of £30.7m (2017: £36.3m)
- Net debt of £8.5m (2017: £9.7m)
- Adjusted* basic EPS of 13.27p (2017: 11.26p) - Increase of 17.8%
- Statutory basic EPS of 11.36p (2017: 8.93p) - increase of 27.2%
- Recommended final dividend for 2018 of 6.15p (2017: 5.60p) - increase of 9.8%
- Total dividends for year of 11.65p (2017: 10.60p) - Increase of 9.9%

Operational headlines

- 19.3% growth in credit hire cases
- Total number of hire days increased by 23.6%
- 3.4% increase in number of repair cases
- Period end fleet increased to 9,741 (2017: 8,371) – Increase of 16.4% to meet increasing demand
- Increased demand saw revenue generating fleet utilisation increased to 82.9% (2017: 81.5%)

Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items (‘adjustment items’) analysed and described in Note 6.

Commenting on the Group's results and prospects, Martin Ward, Chief Executive Officer, said:

“This has been another year of significant growth delivering increased EPS. The proposed payment of the Group’s 14th consecutive dividend, together with dividends paid since June 2013, now amount to £140.3m. The Group continues to generate quality, sustainable earnings by serving a large and growing number of businesses and fulfilling hundreds of thousands of physical transactions each year to businesses and consumers.

In support of this activity, the Group has invested in further digital development, upgraded IT systems and, to meet future demands, a larger contact centre in Huddersfield. Under our GPSii strategy the Group has developed on many fronts and possesses several core capabilities which expand the options for further growth.

The Group continues to seek acquisition opportunities that meet the Group’s stringent investment criteria. I would like to acknowledge the effort of all the Redde people who make these results happen and to say “well done” to them all."

Enquiries

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IFRS reconciliation

Management is required to exercise its judgment in the classification of certain items as exceptional and outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or some other adjustment 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.

Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items (“adjustment items”) described in Note 6. A reconciliation of IFRS to non-IFRS underlying measures is also outlined in the Financial Review and is summarised in a column of the Condensed Consolidated Income Statement.

Notes for editors:

About Redde plc:

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

The Group is one of the market leaders in its fields of business; it delivers accident management solutions to motorists ensuring that they remain mobile until their own vehicles are repaired or until they are put in a position to obtain a replacement and it provides legal services ensuring that they are properly compensated for their injuries and losses. Legal services also include wills and probate, family law, clinical negligence and employer and public liability law advice.

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

Chairman's statement

I am pleased to be able to report to shareholders that the Group achieved an adjusted profit before taxation of £46.0m compared to £40.0m last year, an increase of 15.0%.

Results

Revenues topped £500m for the first time at £527.0m (2017: £472.3m), an increase of £54.7m (11.6%). Sales growth principally reflects a 19.3% growth in the number of credit hires together with a 3.4% increase in the total number of repairs undertaken and higher activity within the Group's fleet and incident management businesses.

The adjusted earnings before interest and taxation ("EBIT") for the year was £46.2m, an increase of 15.0% over the £40.2m achieved last year.

There was a net interest charge of £0.2m (2017: £0.2m) reflecting costs of committed, but unutilised bank facilities available to the Group since December 2015.

Adjusted profit before tax for the year was therefore £46.0m (2017: £40.0m), an increase of 15.0%.

A charge of £2.4m (2017: £2.4m) in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG) and a £1.8m cost (2017: £2.0m) 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 £3.0m (2017: £3.9m) in respect of restructuring charges arising from changes in the footprint of the Group's operations involving the consolidation of some of the Group's operations from three of the Group's existing main locations to two, including a lease on new larger premises to accommodate anticipated growth. The provisions made include:

- provisions of £2.0m relating to the Group's plans to mitigate against the holding costs between now and the end date for those leasehold premises that are no longer being occupied by the Group (2017: £3.9m relating to properties vacated in prior years);
- a provision of £0.4m (2017: £nil) for the impairment of the value of a freehold property that is being vacated and will be sold in due course; and
- reorganisation costs including associated redundancy and other staff associated costs of £0.6m (2017: £nil).

After the amortisation of intangible assets and the charge for share based payments together with the exceptional items above, statutory profit before tax was £38.8m (2017: £31.8m).

There was a net tax charge of £4.3m (2017: £5.0m) and therefore the statutory profit after tax was £34.5m (2017: £26.8m).

Earnings per share ("EPS")

Statutory basic EPS is 11.36p (2017: 8.93p). Statutory diluted EPS is 11.19p (2017: 8.68p).

The adjusted EPS is 13.27p (2017: 11.26p). The adjusted diluted EPS is 13.07p (2017: 10.95p).

The adjusted figures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') described in Note 6.

Dividends

The Board is pleased to propose a final dividend of 6.15p per share, which if approved at the Annual General Meeting to be held on Wednesday 24 October 2018 will be paid on Thursday 08 November 2018 to those shareholders on the register at the close of business on Friday 05 October 2018. The shares will become ex-dividend on Thursday 04 October 2018.

An interim dividend of 5.50p per share was paid on 29 March 2018 and including this the total dividend for the year is 11.65p compared to a total of 10.60p for the interim and final dividends last year, an increase of 9.9%.

Outlook

The first two months since the year end have started well and the board regards the outlook as positive.

Our people

The Board believes that 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.

Well done and thank you to all of our colleagues.

Annual General Meeting

The Group's Annual General Meeting will be held on Wednesday 24 October 2018.

Avril Palmer-Baunack
Chairman
5 September 2018

Operating and financial review

Operational review

Growth in Accident Management

The year saw increased volumes in the Group’s accident management business as a result of growth in market share both in the Group’s own business and also in the businesses of the partners that the Group serves. This growth was also boosted by the effects of the elongated winter period following the weather phenomenon referred to in the media as “the beast from the east” which resulted in the increased claims and costs referred to by many insurers in announcing their own results for the relevant period.

Operational and System Improvements

During the year the Group has continued to devote considerable activity towards fully integrating its operations and commercial offerings, with a range of new initiatives. The further investment in the Group’s IT systems and infrastructure has continued. This initiative which supports the Group’s 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.

The Group has continued to pursue projects to secure synergies from various overlapping aspects of the Group's operations with particular emphasis on approaches to underlying systems. The Group has also continued to seek further opportunities in other business areas to optimise efficiency and net contribution whilst at the same time expanding the Group’s infrastructure where necessary to accommodate planned growth.

Meeting Future needs

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 year the Group participated in successful pilots with a number of insurers (including the provision of “fault” claims intervention services and “fault” repairs) which helped those insurers to manage and reduce their own indemnity spends. 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 for both business and insurance customers. This will in turn support 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 the Group’s on-line portals, have continued to enhance the Group's image as a leading partner of choice within our industry, have been instrumental in improving customers’ experiences and have facilitated these new opportunities with those business partners who share the Group’s vision for the customer journey.

Further Progress with Insurer Claims Protocols

The good progress made with a number of insurers whose settlement arrangements are supported by protocols has been enhanced by the development of a bespoke, digital, protocol portal link direct to participating insurers which has enabled further claim processing efficiencies for both insurers and the Group. Protocols demonstrably provide better outcomes in net cost terms for both parties including the reduction of associated administrative costs. During the year 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.

The results however reflect the full year effect of the Group’s decision, made in the last financial year, to terminate a claims settlement protocol with one large insurer which 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 although resulting in slower cash realisation (and consequently higher debtor days), does yield better margins.

Additional Branches

Demand for the Group’s replacement car services has increased demonstrably during the year and this together with anticipated future demand has led to the Group seeking to open additional branches for the forthcoming year; the first new branch (in Wrexham) was opened in August 2018 and other locations are planned.

Customer Fleet Expansion and New Services

Further progress was made during the year within the Group’s fleet and incident management business with both an increase in the number of vehicles under management by 2.0% and 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, resulting in reduced cycle times and enhancing customer experience. Partly as a result of the extended winter conditions seen in early 2018 there was also a 14.0% increase in incidents attended to on motorways and major roads on behalf of Highways England. The year also saw increases in the Group’s provision of third party claims intervention services to client insurers, reducing their cost of claims, and increased penetration in other areas, particularly in the large commercial brokers market. In order to accommodate anticipated growth in business and activity a lease for bigger premises comprising 43,000 square feet of operational space was signed in May 2018 and a phased move to these new premises will be fully complete in September 2018. These new premises replaced two existing premises in Huddersfield comprising together 29,000 square feet. The costs of this restructuring that have been incurred during the year are included in exceptional items.

Growth in Legal Services

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 the Group’s NewLaw legal firm started trading on 03 July 2017. Your Law has made an encouraging start in its first year of operations and represents an exciting growth potential for the Group. In addition the Group has continued to see a further increase in NewLaw’s employers’ liability and medical negligence practice; these cases will take longer to settle than road traffic accident claims which continue to represent a reducing proportion of the Groups business in this area. During the year the decision was made to consolidate substantially all of NewLaw’s operations into NewLaw’s existing building in Cardiff following the vacation of space previously occupied by a sub tenant. As a consequence the existing main Bristol office of NewLaw is being run down and will close at the end of September 2018. The costs of this restructuring that have been incurred during the year are included in exceptional items. The Group’s other legal business, Principia, again made good progress increasing its activity and revenues.

Technology

The year saw continued investment in technology to support the Group's strategic objectives, including further integration of common Group services, productivity improvements within the Group’s operational centres and enhancements to existing supply chain integration. Notable business system improvements undertaken have included; mobile optimisation of customer portals, improvements to the Group’s repair placement and tracking services, a significant upgrade to the Group’s 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. Current initiatives include the trialling of image based technology in assessing accident damage which when fully developed will greatly assist in the speed of deployment of repair services and associated ancillary activities.

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 year 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 included a major project to replace one of NewLaw’s core operating systems and associated reporting warehouse the first phase of which will go live in coming months.

At a more strategic level the Group has been 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

The Group's 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 sized Contact Centre of the Year" at the 2017 European Contact Centre and Customer Service Awards as well as winning the Fleet News Outstanding Customer Service award in March 2018. FMG was also shortlisted for Broker Claims Team of the Year at the Commercial Insurance Awards 2018 and, together with insurance group QBE, was also shortlisted for the Insurance Post Claims Awards 2018 – Claims Collaboration of the Year.

Recognition of Auxillis 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 year performance feedback on the Group's operational service delivery and customer satisfaction rates has continued to grow in a number of areas and this area is of increasing importance with existing and potential new business partners who share the Group's 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 year saw a 23.6% increase in total number of hire days primarily driven by a 19.3% increase in credit hire case volumes. The average number of vehicles held during the year was increased by 14.1% from 8,160 to 9,312 as a result of the need to meet increases in existing and future demand arising from additional contracts. The increase in demand for replacement vehicles, particularly during the unseasonably longer winter period, saw fleet utilisation increasing to 82.9% compared to 81.5% for last year as well as necessitating the increased use of more expensive cross-hires. The average age of the fleet during the year increased from 9 months to 11 months across a broad spread of manufacturers and models as vehicles were necessarily retained a little longer than usual to accommodate this increased demand which outstripped the speed of those manufacturers being able to supply additional vehicles.

The Group's operational fleet comprised 9,741 vehicles at 30 June 2018 compared to 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.

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 are analysed on the face of the Consolidated Income Statement and in note 6 as well as in this report.

Results and performance

For the year, the Group recorded an adjusted EBIT of £46.2m (2017: £40.2m). The adjusted profit before tax was £46.0m (2017: £40.0m) and the statutory profit before tax was £38.8m (2017: £31.8m).

A summary of the key financial performance indicators is set out in the table below:

	12 months ended 30 June 2018	12 months ended 30 June 2017	Change
Financial KPIs			
Revenue (£'000)	**526,981**	472,344	11.6%
Gross profit (£'000)	**127,782**	116,007	10.2%
Gross margin	**24.2%**	24.6%	(0.4)pt
Profit before taxation (£'000)	**38,812**	31,771	22.2%
Adjusted profit before taxation*	**46,021**	40,024	15.0%
EBIT (£'000)	**38,982**	31,921	22.1%
Adjusted EBIT* (£'000)	**46,191**	40,174	15.0%
Adjusted EBIT margin*	**8.8%**	8.5%	0.3pt
EBITDA ** (£'000)	**55,435**	51,848	6.9%
EBITDA / Operating cash flow conversion %	**72%**	91%	(19)pt
Statutory debtor days	**105**	91	(14) days

* Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") described in Note 6.
** Calculation of EBITDA is analysed in the consolidated statement of cash flows

Revenue

Revenues were £527.0m (2017: £472.3m), an increase of £54.7m (11.6%).

Sales growth principally reflects a 19.3% growth in the number of credit hires which includes the full year effect of a new contract won in the latter part of 2016. Excluding this the growth in credit hires was 12.1%. There was also a 3.4% increase in the total number of repairs undertaken against the corresponding period last year as well as a higher number of incidents managed within the Groups fleet and incident management business.

Gross profit and adjusted EBIT

Gross profit was £11.8m higher than the corresponding period last year and gross margin was 24.2% (2017: 24.6%).

Adjusted administrative expenses were £83.8m (2017 £77.3m), an increase of 8.4% 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 was 15.9% (2017: 16.4%).

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 £2.2m (2017: £1.5m).

The adjusted EBIT was £46.2m (2017: £40.2m) and adjusted EBIT margin was 8.8% (2017: 8.5%)

Adjusted EBIT is reconciled to the Income Statement as follows:

	Audited year ended 30 June 2018 £m	Audited year ended 30 June 2017 £m
Adjusted EBIT – continuing operations	**46.2**	**40.2**
Adjustments:		
Amortisation of acquired intangible assets	(2.4)	(2.4)
Share based payments	(1.8)	(2.0)
Leasehold property provisions	(2.0)	(3.9)
Freehold property impairment	(0.4)	-
Restructuring costs	(0.6)	-
Statutory EBIT	**39.0**	**31.9**

Net finance income

There was a net interest charge of £0.2m (2017: £0.2m) reflecting the costs of committed, but unutilised, bank facilities available to the Group since December 2015.

Adjusted profit before tax

Adjusted profit before tax of £46.0m (2017: £40.0m) is an increase of £6.0m (15.0%) over last year.

Amortisation of intangibles, share based payments and exceptional items

A charge of £2.4m (2017: £2.4m) in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG in 2015), was incurred and a £1.8m cost (2017: £2.0m) was recorded under IFRS2 in respect of the charge for share based payments on incentive share schemes.

There is also a pre-tax exceptional charge of £3.0m (2017: £3.9m) in respect of restructuring charges arising from the moving of some of the Group’s operations from three existing locations to two main locations (which included a lease of new, larger premises to accommodate anticipated growth). The provisions include:

- provisions of £2.0m relating to the Group's plans to mitigate against the holding costs between now and the end date for those leasehold premises that are no longer being occupied by the Group (2017: £3.9m relating to properties vacated in prior years);
- a provision of £0.4m (2017: £nil) for the impairment of the value of a freehold property that is being vacated and will be sold in due course;
- reorganisation costs including associated redundancy and other staff associated costs £0.6m (2017: £nil).

The tax effect of all of the above was a credit of £1.4m (2017: credit of £1.2m).

Statutory profit before and after taxation

After the amortisation of intangible assets, a charge for share based payments and the year’s charge for exceptional items above, the statutory profit before tax was £38.8m (2017: £31.8m).

There was a net tax charge of £4.3m (2017: £5.0m) and therefore the statutory profit after tax is £34.5m (2017: £26.8m).

Earnings per share – basic and diluted

Statutory basic EPS is 11.36p (2017: 8.93p). Statutory diluted EPS is 11.19p (2017: 8.68p).

The adjusted EPS is 13.27p (2017: 11.26p). The adjusted diluted EPS is 13.07p (2017: 10.95p).

The adjusted figures exclude the effect of the amortisation of intangibles, share based payments and exceptional items ('adjustment items') described in note 6.

Dividends

An interim dividend of 5.50p per share was paid on 29 March 2018 (2017: 5.00p).

A final dividend of 6.15p per share has been recommended by the Board (2017: 5.60p), an increase of 9.8%. This dividend, if approved at the Annual General Meeting to be held on Wednesday 24 October 2018, will be paid on Thursday 08 November 2018 to those shareholders on the Register at the close of business on Friday 05 October 2018 making a total dividend for the year of 11.65p compared to a total of 10.60p for the interim and final dividends last year, an increase of 9.9%.

Balance sheet

As stated in the Operating Review, the Group made the decision to terminate, at the end of 2016, a protocol arrangement with one large insurer which sought to take 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.

As a result of the above and the increase in sales volumes, statutory debtor days at 30 June 2018 were 105 days and compare to 91 days at 30 June 2017.

Revenue generated debtors at 30 June 2018 were £151.7m and compare to £117.4m at 30 June 2017, an increase of 29.2%. Trade creditors increased to £89.3m compared to £69.1m at 30 June 2017 an increase of 29.2%.

Net assets at 30 June 2018 were £160.2m (2017: £159.0m).

Cash flow

Cash generated from operating activities was £46.5m (2017: £51.1m). After other net outflows in respect of interest and taxation net cash flow from operating activities was £39.7m (2017: £47.2m).

Net debt, cash and financing

Cash balances were £30.7m at 30 June 2018 (2017: £36.3m). 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.

EBITDA/Operating Cash Flow conversion was 71.6% (2017: 91.1%) the reduction being principally due to higher tax cash payments and the increased investment in working capital outlined above.

As outlined in the operating review during the year the total number of vehicles on the fleet was increased to service the much increased volumes of hire days. 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 £39.2m at 30 June 2018, compared to £46.0m at 30 June 2017 and represented approximately one third of vehicles on the fleet compared to two fifths last year.

Net debt at 30 June 2018 was £8.5m and compares to £9.7m at 30 June 2017. The net debt and cash position can be summarised as follows:

	Audited 30 June 2018 £m	**Audited 30 June 2017 £m**
Fleet finance leases	**(39.2)**	(46.0)
Other leases and borrowings	**-**	-
Total fixed asset financing debt	**(39.2)**	(46.0)
Cash balances	**30.7**	36.3
Net debt	**(8.5)**	(9.7)

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out in note 19 to this announcement.

Martin Ward
Chief Executive Officer
5 September 2018

Stephen Oakley
Chief Financial Officer
5 September 2018

Consolidated income statement
For the year ended 30 June 2018

	Note	Year ended 30 June 2018 Adjusted* £'000	Year ended 30 June 2018 Adjustment items* £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2017 Adjusted * £'000	Year ended 30 June 2017 Adjustment items* £'000	Year ended 30 June 2017 £'000
Revenue		**526,981**	**-**	**526,981**	472,344	-	472,344
Cost of sales		**(399,199)**	**-**	**(399,199)**	(356,337)	-	(356,337)
Gross profit		**127,782**	**-**	**127,782**	116,007	-	116,007
Administrative expenses	**6**	**(83,797)**	**(7,209)**	**(91,006)**	(77,335)	(8,253)	(85,588)
Operating profit – continuing operations		**43,985**	**(7,209)**	**36,776**	38,672	(8,253)	30,419
Share of results of associates	**12**	**2,206**	**-**	**2,206**	1,502	-	1,502
EBIT		**46,191**	**(7,209)**	**38,982**	40,174	(8,253)	31,921
Net finance costs	**7**	**(170)**	**-**	**(170)**	(150)	-	(150)
Profit before taxation		**46,021**	**(7,209)**	**38,812**	40,024	(8,253)	31,771
Tax charge	**8**	**(5,702)**	**1,418**	**(4,284)**	(6,200)	1,240	(4,960)
Profit for the year		**40,319**	**(5,791)**	**34,528**	33,824	(7,013)	26,811
Profit for the year attributable to:							
Equity holders of the Company		**40,319**	**(5,791)**	**34,528**	33,824	(7,013)	26,811
Profit for the year		**40,319**	**(5,791)**	**34,528**	33,824	(7,013)	26,811
Earnings per share (pence)							
Basic	**1**	**13.27**	**(1.91)**	**11.36**	11.26	(2.33)	8.93
Diluted	**1**	**13.07**	**(1.88)**	**11.19**	10.95	(2.27)	8.68

* Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") described in Note 6.

Condensed consolidated statement of comprehensive income
For the year ended 30 June 2018

Unaudited	**Year ended 30 June 2018 £'000**	Year ended 30 June 2017 £'000
Profit for the year	**34,528**	26,811
Other comprehensive income	**-**	-
Total comprehensive income for the year	**34,528**	26,811

Consolidated statement of changes in equity
For the year ended 30 June 2018

	Share capital £'000	Shares held in Treasury £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 01 July 2016	304	-	73,769	86,213	160,286
Profit for the year	-	-	-	26,811	26,811
Total comprehensive income for the year	-	-	-	26,811	26,811
Issue of Ordinary Shares	-	-	11	-	11
Dividends paid in the year	-	-	-	(30,158)	(30,158)
Share-Based Payments	-	-	-	2,004	2,004
Balance at 30 June 2017	304	-	73,780	84,870	158,954
Profit for the year	-	-	-	34,528	34,528
Total comprehensive income for the year	-	-	-	34,528	34,528
Issue of Ordinary Shares	-	-	8	-	8
Purchase of shares into treasury	-	(1)	-	(1,963)	(1,964)
Re-issue of shares from treasury for SAYE exercises	-	1	-	617	618
Dividends paid in the year	-	-	-	(33,740)	(33,740)
Share-Based Payments	-	-	-	1,791	1,791
Balance at 30 June 2018	**304**	**-**	**73,788**	**86,103**	**160,195**

Consolidated statement of financial position
as at 30 June 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill		**85,990**	85,990
Intangible assets	*11*	**16,527**	18,917
Property, plant and equipment (including vehicles)	*13*	**48,596**	55,515
Interests in associates	*12*	**2,559**	1,361
Deferred tax asset		**6,165**	4,236
		159,837	166,019
Current assets			
Trade and other receivables	*14*	**181,414**	142,852
Cash and cash equivalents		**30,746**	36,344
		212,160	179,196
Total assets		**371,997**	345,215
Current liabilities			
Trade and other payables	*15*	**(164,030)**	(131,386)
Obligations under finance leases		**(23,723)**	(20,683)
Provisions		**(2,475)**	(1,318)
		(190,228)	(153,387)
Net current assets		**21,932**	25,809
Non-current liabilities			
Obligations under finance leases		**(15,482)**	(25,377)
Deferred tax liability		**(3,836)**	(4,991)
Long-term provisions		**(2,256)**	(2,506)
		(21,574)	(32,874)
Total liabilities		**(211,802)**	(186,261)
Net assets		**160,195**	158,954
Equity			
Share capital	*16*	**304**	**304**
Share premium account	*16*	**73,788**	**73,780**
Retained earnings		**86,103**	**84,870**
Total Equity		**160,195**	**158,954**

Consolidated statement of cash flows
for the year ended 30 June 2017

	Note	**2018** £'000	**2018** £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Profit for the year		**34,528**		26,811	
Tax charge		**4,284**		4,960	
		38,812		31,771	
Income from associates	*12*	**(2,206)**		(1,502)	
Net finance costs	*7*	**170**		150	
Fleet finance lease interest	*7*	**1,203**		1,538	
Depreciation of tangible fixed assets	*13*	**10,506**		11,318	
Impairment charge on freehold properties	*13*	**379**		-	
Amortisation of intangible assets	*6, 11*	**2,390**		2,390	
Losses on sale of property, plant and equipment		**417**		320	
Property onerous lease provisions	*6*	**1,973**		3,859	
Share-based payment charges	*6*	**1,791**		2,004	
EBITDA		**55,435**		51,848	
Increase in receivables		**(38,633)**		(12,845)	
Increase in payables		**30,723**		13,334	
Decrease in provisions		**(1,066)**		(1,277)	
Cash generated from operating activities			**46,459**		51,060
Bank interest received		**112**		109	
Fleet finance lease interest		**(1,203)**		(1,538)	
Interest element of non-fleet finance lease rentals		**(4)**		(15)	
			(1,095)		(1,444)
Taxation paid			**(5,652)**		(2,395)
Net cash from operating activities			**39,712**		47,221
Cash flows from investing activities					
Distributions from associates		**1,007**		938	
Deposits held under escrow		**-**		(3,000)	
Purchase of property, plant and equipment		**(3,075)**		(3,400)	
Proceeds from sale of plant and equipment		**29,340**		24,542	
Net cash inflow from investing activities			**27,272**		19,080
Cash flows from financing activities					
Proceeds from issue of share capital	*16*	**8**		11	
Purchase of shares into treasury		**(1,964)**		-	
Proceeds from re-issue of treasury shares		**618**		-	
Dividends paid	*9*	**(33,740)**		(30,158)	
Finance lease principal repayments	*18*	**(37,504)**		(34,457)	
Net cash used in financing activities			**(72,582)**		(64,604)
Net (decrease) / increase in cash and cash equivalents			**(5,598)**		1,697
Cash and cash equivalents at beginning of year			**36,344**		34,647
Cash and cash equivalents at end of year			**30,746**		36,344
Cash and cash equivalents consist of:					
Cash at bank and in hand			**30,746**		36,344
Total			**30,746**		36,344

Notes to the financial information

1 Earnings per share

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

	2018 Number	2017 Number
Number of shares		
Weighted average number of shares for the purposes of EPS	**303,882,212**	300,395,219
Effect of executive share options scheme – 2013 grants	**-**	14,554
Effect of executive PSP share option scheme – 2016 grants	**2,948,941**	3,618,650
Effect of executive PSP share option scheme – 2017 grants	**1,101,551**	-
Effect of SAYE scheme – 2014 grants	**102,375**	954,072
Effect of SAYE scheme – 2015 grants	**206,617**	322,600
Effect of SAYE scheme – 2016 grants	**4,219**	21,868
Effect of SAYE scheme – 2017 grants	**173,726**	97,480
Effect of SAYE scheme – 2018 grants	**56,752**	-
Effect of B shares in issue	**-**	3,565,380
Weighted average number of shares for the purposes of diluted EPS	**308,476,393**	308,989,823

There were 303,986,757 ordinary shares of 0.1p each in issue as at 30 June 2018.

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 IFRS 8 based on their size.

The directors consider that these operating segments meet the aggregation criteria under IFRS 8 for aggregation into one reportable operating segment. The directors have considered a number of economic indicators in forming their assessment that the two operating segments share similar economic characteristics, including long-term average gross margins. A significant part of the business of both operating segments involves vehicle incident and accident management as well as associated rectification, and performance is influenced by the growth or reduction in the number of vehicles on UK roads, the associated accident and incident rates and the growth in vehicles insured or managed by the segments customers. Their activities carried out in generating revenue are not independent of each other, and their customer bases are similar in type.

3 Status of audit

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 June 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

4 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. The presentational currency is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

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

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

- IFRS 9 – Financial Instruments. This is effective for the year ended 30 June 2019. The Group has reviewed the impact of IFRS 9 and it is not considered to have any material impact on the Group.

- IFRS 15 - Revenue from contracts with customers. This is effective for year ended 30 June 2019. The Group has reviewed the possible 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 profits 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 future fleet mix as well as property lease agreements that will be in existence at that point.

5 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.

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

	2018 **£'000**	2017 £'000
Administration costs - Amortisation and share based payments:		
a) Amortisation of acquired intangible assets	**(2,390)**	(2,390)
b) Share based payments	**(1,791)**	(2,004)
Total amortisation of acquired intangible assets and share based payments	**(4,181)**	(4,394)
Exceptional items comprise the following:		
c) Leasehold property provisions	**(1,973)**	(3,859)
d) Freehold property impairment	**(379)**	-
e) Reorganisation and redundancy costs	**(676)**	-
Impact of exceptional items on operating profit	**(3,028)**	(3,859)
Total exceptional items	**(3,028)**	(3,859)
Total adjustments to operating profits	**(7,209)**	(8,253)
Total adjustments to profit before taxation	**(7,209)**	(8,253)
Tax effect of the above	**1,418**	1,240
Impact on profit after tax for the year	**(5,791)**	(7,013)

a) Amortisation of acquired intangible assets

The Group recognised the value of customer relationships and acquired software amounting to £22.9m in total (Note 11) 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 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 (2017: £2.4m) (Note 11), and the tax effect was a credit of £0.9m (2017: credit of £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 £1.8m for the year (2017: £2.0m). 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 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) Leasehold property provisions

The Group is restructuring its operations by the moving of its operations from three existing locations to two locations one of which involving new premises with greater capacity to accommodate anticipated growth. Provisions made include provisions for the Group's plans to mitigate against the holding costs between now and the end date of any liabilities for the resultant empty properties for those premises that will be no longer occupied by the Group. In addition the Group presently is subject to a number of onerous long term leases of certain properties vacated in prior periods and no longer occupied by the Group. Provisions made reflect the net holding cost of all of these empty properties between now and the end date of the relevant obligations for those properties taking into account the Group's plans for mitigation of these costs and a pre-tax exceptional charge of £2.0m (2017: £3.9m) has been made in this respect. The tax effect was a credit of £0.4m (2017: £0.7m).

d) Freehold property impairment

In connection with the restructuring its operations mentioned above the Group made the decision to vacate a freehold property and move its operations to new larger leasehold premises. As a consequence the empty property will be sold in due course. The impairment provision reflects an anticipated change in the valuation from an ‘in use’ basis to one that reflects vacant possession and amounts to £0.4m (2017: £nil).

e) Reorganisation and redundancy costs

As stated above the Group is restructuring its operations by moving its operations from three existing locations to two locations including one completely new premises. This restructuring has also, in the case of the closure of NewLaw’s main Bristol office, given rise to redundancy costs in respect of those staff who are unable or unwilling to relocate to NewLaw’s existing head office premises in Cardiff or whose roles would be duplicated as a result of the merger of operations. The total costs of this and other costs associated with the restructuring total £0.7m (2017: £nil) for the year and the tax effect was a credit of £0.1m (2017: £nil).

7 Finance income and finance costs

	2018 £’000	2017 £’000
a) Finance income		
Interest receivable	**(112)**	(109)
b) Finance costs		
Interest on obligations under finance leases	**1,207**	1,552
Loan facility arrangement costs amortisation and non-utilisation fees	**245**	245
Unwind of discount on provisions	**33**	-
	1,485	1,797
Reclassification of interest on finance leases and fleet facilities to cost of sales	**(1,203)**	(1,538)
Total finance costs payable	**282**	259
Total net finance costs	**170**	150

8 Tax

	2017 £'000	2015 £'000
Current tax		
UK corporation tax on profit for the year	**7,401**	3,861
Adjustments in respect of prior years	**(33)**	(58)
Total current tax charge	**7,368**	3,803
Deferred tax		
Previously unrecognised tax losses and temporary differences	**(2,029)**	(1,000)
Origination and reversal of temporary differences	**(359)**	2,160
Adjustments in respect of prior years	**-**	13
Impact of change in tax rate	**(696)**	(16)
Total deferred tax (credit) /charge	**(3,084)**	1,157
Total tax charge on profit on ordinary activities	**4,284**	4,960

At the balance sheet date the Group had unused trading losses and other timing differences of £41.9m (2017: £47.1m) available for offset against future trading profits. A deferred tax asset has been recognised in respect of £32.6m (2017: £22.8m) of this amount to reflect the foreseeable forecast utilisation of tax losses and unutilised capital allowances carried forward. No deferred tax asset has been recognised in respect of the remaining £9.3m (2017: £24.3m) due to the risks associated with long term projections of future taxable profits.

Deferred tax asset not provided in full on temporary differences under the liability method using a tax rate of 19.0% (2017: 19.0%).

	Asset Tax losses Carried forward £'000	Asset Accelerated tax depreciation £'000	Asset Other timing differences £'000	Asset Total £'000
At 30 June 2018	**270**	**1,400**	**89**	**1,759**
At 30 June 2017	1,089	3,406	152	4,647

9 Dividends

Ordinary share dividends paid in the year to 30 June 2018 can be summarised as follows:

	2018 £'000	2017 £'000
Final dividend for 2016 of 5.15p paid on 03 November 2016	**-**	14,960
Interim dividend for 2017 of 5.00p paid on 30 March 2017	**-**	15,198
Final dividend for 2017 of 5.60p paid 02 November 2017	**17,021**	-
Interim dividend for 2018 of 5.50p paid on 29 March 2018	**16,719**	-
Total dividends paid in the year	**33,740**	30,158

The above does not include the recommended final dividend of 6.15p per share for 2018 which if approved at the AGM to be held on 24 October 2018 will be paid on 08 November 2018.

10 Goodwill

	£'000
Cost	
At 01 July 2016, 30 June 2017 and 30 June 2018	140,308
Accumulated impairment losses	
At 01 July 2016, 30 June 2017 and 30 June 2018	(54,318)
Net book value	
At 30 June 2018	**85,990**
At 30 June 2017	85,990

The directors last 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. The directors have undertaken a further review of the carrying value of goodwill as at 30 June 2018 and have concluded that no adjustment is necessary.

The allocation of goodwill to the Group's CGU's is as follows:

	30 June 2018 £'000	30 June 2017 £'000
Auxillis	**18,950**	18,950
NewLaw	**40,281**	40,281
FMG	**26,759**	26,759
	85,990	85,990

11 Intangible assets

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 01 July 2016, 30 June 2017 and 30 June 2018	**21,900**	**1,000**	**22,900**
Amortisation			
At 01 July 2017	(3,650)	(333)	(3,983)
Charge for year	(2,190)	(200)	(2,390)
At 30 June 2018	**(5,840)**	**(533)**	**(6,373)**
Net book value			
At 30 June 2018	**16,060**	**467**	**16,527**
At 30 June 2017	18,250	667	18,917

12 Interests in associates

The Group's interest in associates comprises of minority participations in five (2017: five) 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.

	2018 £'000	2017 £'000
Carrying amount of interests in associates	**2,559**	1,361

Group's share of:		
Profit from continuing operations	**2,206**	1,502
Other Comprehensive income	**-**	-
Total share of profits	**2,206**	1,502

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 as at 30 June 2018.

13 Property, plant and equipment (including vehicles)

	Freehold property £'000	Leasehold property £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
Cost					
At 01 July 2017	2,725	812	57,942	10,149	71,628
Additions	-	18	31,507	2,198	33,723
Disposals	-	(10)	(39,803)	(437)	(40,250)
At 30 June 2018	**2,725**	**820**	**49,646**	**11,910**	**65,101**
Accumulated depreciation and impairment					
At 01 July 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
Depreciation charge for the year	(61)	(55)	(9,095)	(1,295)	(10,506)
Impairment charge	(379)	-	-	-	(379)
Disposals	-	10	10,128	355	10,493
At 30 June 2018	**(616)**	**(572)**	**(7,780)**	**(7,537)**	**(16,505)**
Carrying amounts					
At 30 June 2018	**2,109**	**248**	**41,866**	**4,373**	**48,596**
At 30 June 2017	2,549	285	49,129	3,552	55,515
Leased assets included above:					
At 30 June 2018	**-**	**-**	**41,706**	**22**	**41,728**
At 30 June 2017	-	-	48,239	47	48,286

14 Trade and other receivables

Net trade receivables comprise claims due from insurance companies and self-insuring organisations as well as amounts invoiced for the provision of services to customers. The Group's debtor days at 30 June 2018 were 105 days (2017: 91 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.

	2017 £'000	2016 £'000
Net trade receivables	**148,341**	114,637
Other receivables	**175**	198
Accrued income	**3,208**	2,577
Total receivables for debtor day calculation purposes	**151,724**	117,412
Disbursements recoverable in Legal Businesses	**13,687**	14,267
Amounts due from associates	**50**	50
Taxation recoverable	**63**	134
Prepayments	**15,890**	10,989
	181,414	142,852

15 Trade and other payables

	2017 £'000	2015 £'000
Trade payables	**89,272**	69,100
Other taxation and social security	**8,413**	7,184
Accruals and deferred income	**50,633**	40,479
Disbursements payable in Legal Businesses	**9,994**	10,148
Other creditors	**2,236**	2,638
Corporation tax	**3,482**	1,837
	164,030	131,386

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

16 Share capital and share premium account

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

	Ordinary shares of 0.1p each	
	Number	£'000
In issue at 30 June 2017	303,978,408	304
Exercise of SAYE share options	8,349	-
In issue at 30 June 2018 fully paid	**303,986,757**	**304**

Date	**Reason**	**Number**	**Average price**	**Total £'000**	**Share Capital £'000**	**Share Premium £'000**
12 July 2017	Exercise of SAYE Options	3,623	48.30p	2	-	2
11 December 2017	Exercise of SAYE Options	3,781	126.94p	5	-	5
03 January 2018	Exercise of SAYE Options	945	126.94p	1	-	1
	Total exercise of SAYE options	**8,349**		**8**	**0**	**8**

17 Cash flow information

a) Analysis and reconciliation of net debt

	01 July 2017 £'000	Cash flow £'000	Non cash changes £'000	**30 June 2018 £'000**
Cash and cash equivalents	36,344	(5,598)	-	**30,746**
Debt due within one year	-	-	-	**-**
Debt due after more than one year	-	-	-	**-**
	-	-	-	**-**
Finance leases	(46,060)	37,504	(30,649)	**(39,205)**
	(46,060)	37,504	(30,649)	**(39,205)**
Net debt	(9,716)	31,906	(30,649)	**(8,459)**

	2018 £'000	2017 £'000
(Decrease) / increase in cash and cash equivalents in the year	**(5,598)**	1,697
Finance lease principal payments	**37,504**	34,457
Change in net debt resulting from cash flows	**31,906**	36,154
New finance leases	**(30,649)**	(40,644)
Movement in net debt in the year	**1,257**	(4,490)
Net debt at start of the year	**(9,716)**	(5,226)
Net debt at end of the year	**(8,459)**	(9,716)

18. 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.

19. 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 interest rate 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 and the existing committed but unutilised £40m bank facilities as well as the numerous fleet financing lines provided by various parties. The assessment included a review of current financial projections to June 2020. Recognising the inherent uncertainty in making financial projections, 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.

20. Full financial statements

The Group's full financial statements for the year ended 30 June 2018 will be posted to shareholders shortly and will be delivered to the Registrar of Companies in due course. A copy will be available shortly on the Group's website: http://www.redde.com/investors/reports-and-presentations.aspx