Annual Report and Accounts 2018

Contents

Operational and financial headlines

This has been another year of significant growth delivering increasing 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 its GPSii strategy the Group has developed on many fronts and possesses several core capabilities which expand the options for further growth.

Highlights

- Turnover £527.0m (2017: £472.3m)
- Adjusted* EBIT of £46.2m (2017: £40.2m)
- Adjusted* profit before taxation of £46.0m (2017: £40.0m)
- Adjusted* basic EPS of 13.27p (2017: 11.26p)
- Recommended final dividend of 6.15p per share making 11.65p for the year as a whole (2017: 5.60p making 10.60p for the year as a whole)
- Net cash inflow from operating activities of £39.7m (2017: £47.2m)
- Net cash inflow from operating activities to EBITDA ratio of 72% (2017: 91%)
- Debtor days 105 days (2017: 91 days)
- Total cash balances of £30.7m (2017: £36.3m)
- Net debt of £8.5m (2017: £9.7m)

	2018	2017	% movement
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
Earnings before interest and taxation ("EBIT") (£'000)	**38,982**	31,921	22.1
Adjusted* profit before taxation (£'000)	**46,021**	40,024	15.0
Adjusted* EBIT (£'000)	**46,191**	40,174	15.0
Adjusted* EBIT margin as % of revenue	**8.8%**	8.5%	0.3pt
EBITDA** (£'000)	**55,435**	51,848	6.9
Operating cash flow/EBITDA**	**72%**	91%	(19)pt
Statutory debtor days	**105**	91	(14)

* Adjusted measures exclude the impact of amortisation of intangibles, share based payments and exceptional items ('adjustment items') and are as shown on the consolidated income statement on page 30 and are also analysed and described in note 4.

** Calculation of EBITDA is analysed in the consolidated statement of cash flows on page 33.

Business profile

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

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

Our services

The Group offers a comprehensive package of motor claims accident management services, including vehicle replacement and repair management together with full claims-handling assistance, as well as legal and other bespoke services. It is positioned to provide its key business partners with a range of services, from direct assistance to the non-fault motorist, through to partially or fully outsourced case-handling facilities.

The Group is a leading supplier to the motor insurance industry and aims to be the preferred claims outsourcing partner for UK motor insurers by providing claims solutions which reduce internal expenditure and administration. Claims made upon the at-fault motorists' insurers represent the majority of the Group's receivables at any given point.

The Group also provides specialised large fleet accident and incident management services through the FMG group of companies with over 375,000 fleet vehicles under management.

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

Our operations

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

The Group manages its own fleet of approximately 10,000 vehicles and has access to over 50,000 vehicles through selected rental partnerships.

Our locations

The Group employs 2,300 people across its offices and operational sites including 27 branches. The Group is well-placed to ensure that replacement vehicles can be delivered to customers promptly.

Operational sites

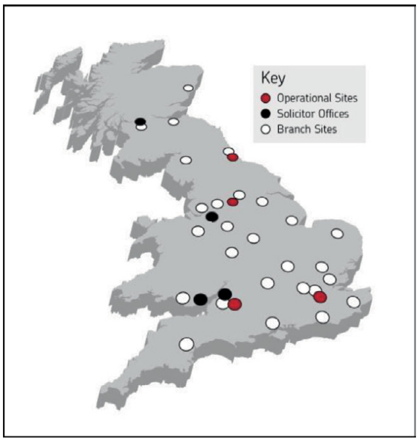
Bath (Head office)
Croydon
Huddersfield
Peterlee

Solicitor Offices

Bristol
Cardiff
Glasgow
Northwich

Branch sites

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



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 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. These changes involve 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 4.

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. The notice of the Meeting accompanies this Annual Report and Accounts.

Avril Palmer-Baunack
Chairman
5 September 2018

Group Strategic Report

Market and business model

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

Market and business model continued

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 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 Group's 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.

Well done and thank you to all of our colleagues.

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.

Key performance indicators

Key performance indicators can be found on page 2.

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

By order of the Board

Martin Ward
Chief Executive Officer
5 September 2018

Group Strategic Report continued

Financial Review

Performance and adjusted results

Management is required to exercise its judgment in the classification of certain items such as exceptional and those other items considered to be outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item or other 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. For the reasons stated above, adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and these are summarised on the face of the Consolidated Income Statement as well as being itemised and described in note 4 and also in this report.

For the year, the Group recorded an adjusted EBIT of £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).

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 Group's 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

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).

Earnings before interest and taxation

The adjusted EBIT was £46.2m (2017: £40.2m).

Adjusted EBIT margin was 8.8% (2017: 8.5%).

EBITDA was £55.4m (2017: £51.8m).

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 taxation

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 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; and
- reorganisation costs and 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 this 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 amortisation of intangibles, share based payments and exceptional items ('adjustment items') described in note 4.

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 increased volume of sales statutory debtor days at 30 June 2018 were therefore 105 days compared 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.

Operating Cash Flow to EBITDA conversion was 71.6% (2017: 91.1%); the reduction being principally due to higher tax cash payments and the increased investment 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 compared to £9.7m at 30 June 2017.

By order of the Board

Stephen Oakley
Chief Financial Officer
5 September 2018

Group Strategic Report continued

Principal Risks and Uncertainties

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

Economic conditions

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

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

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

Competition

Barriers to entry into the general credit hire and credit repair markets at a local level are low. Although barriers to establishing a national or specialist business in this sector are higher, there is no certainty that these barriers will remain or will deter new entrants or existing competitors. In addition, there is the potential for local operators to overcome these barriers and establish national networks by forming alliances. Furthermore, competition could be intensified due to the activity of the Group's competitors or if insurance companies, brokers and/or providers of services to motorists or other consumer groups entered the market, either alone or in collaboration with existing providers.

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

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

Customer and referrer relationships

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

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

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

Insurance industry protocols

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

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

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

Regulation

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

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

Legal

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

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

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

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

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

Recovery of receivables

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

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

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

Group Strategic Report continued

Principal Risks and Uncertainties continued

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 note 24 to the consolidated financial statements details the steps that are taken in managing interest rate risk.

Operational risks and systems

Operational risks are present in all of the Group's businesses, including the risk of direct and/or indirect loss resulting from inadequate or failed internal and external processes, systems, or infrastructure from fraud or human error or from external events. The Group's business is dependent on processing a large number of incidents for management, claims and vehicle hires and repairs. There could be a failure, weakness in, or security breach of, the Group's systems, processes or business continuity arrangements.

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

Liquidity and financial

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

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

Going concern

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

The directors have assessed the future funding requirement of the Group and the Company, and have compared them to the sources and levels of working capital resources available including cash balances and the existing committed but unutilised £40m of 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.

By order of the Board

Stephen Oakley
Chief Financial Officer
5 September 2018

Governance

Board of Directors

Avril Palmer-Baunack

Chairman – Non Executive

Avril was appointed Chairman of Redde plc in September 2011. Avril is also executive chairman of BCA Marketplace plc and non-executive Chairman of AIM listed Safe Harbour Holdings plc.

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

Martin Ward

Chief Executive Officer

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

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

Stephen Oakley

Chief Financial Officer

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

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

John Davies

Non-Executive Director

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

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

Mark McCafferty

Non-Executive Director

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

Mark is currently CEO of Premiership Rugby Limited and Senior Independent Director on the Warwickshire CCC Board and has previously held non-executive directorships with HMV Group plc, UMBRO plc and Horserace Totalisator (Tote).

Governance continued

Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 30 June 2018. The Corporate Governance section set out on pages 17 to 20 forms part of this report.

Principal activities

The principal activity of the Company is that of a holding company and its subsidiaries are set out in note 31. The principal activities of the subsidiaries are the provision of non-fault accident management assistance and related services, fleet management and legal services exclusively in the United Kingdom.

Environmental, employee and social community matters

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

Redde and the environment

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

People

The Group's employees continue to support and remain loyal to the business as it moves into new phases of its development. The Group offers relevant training and development opportunities when it is able to do so. The Group's Gender Pay Gap Report has been filed and published with the regulatory authorities within the statutory timescales and details can also be found on the Group's website; www.redde.com.

Redde in the community

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

Results and dividends

The profit before tax for the year ended 30 June 2018 was £38.8m (2017: £31.8m) and a profit after tax for the year of £34.5m (2017: £26.8m), was transferred to reserves.

The Board has pleasure in recommending a final dividend of 6.15p per share making a total of 11.65p per share for the year as a whole which, if approved by shareholders at the forthcoming AGM 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.

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

Directors

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

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

Directors' interests

At 30 June 2018, including family interests, the following directors held the number of shares of the Company as shown below:

	Ordinary Shares
Martin Ward	3,681,982
Stephen Oakley	1,830,610
Mark McCafferty	30,000

No other changes took place in the interests of directors between 30 June 2018 and the date of this report.

Details of directors' share options are contained in the Directors' Remuneration Report on pages 21 to 24.

Directors' indemnities

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

Substantial shareholdings

As at 5 September 2018, the Company is aware that the following persons are interested directly or indirectly in 3% or more of the issued share capital of the Company:

	Number of Ordinary Shares	% shareholding
Invesco Perpetual	88,554,120	29.13
Woodford Investment Management*	85,261,992	28.05
Aviva Investors*	19,268,225	6.34
Canaccord Genuity Wealth Management*	18,230,000	6.00

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

Share capital and rights attaching to the Company's shares

As at 30 June 2018, the Company's issued share capital consisted of 303,986,757 ordinary shares with a nominal value of 0.1p each. The ordinary shares have rights to vote at a general meeting of the Company and every member holding ordinary shares has one vote on a show of hands and on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights either by proxy or present in person in relation to resolutions to be passed at a general meeting. Details of the authorised and issued share capital of the Company and details of the number of shares issued during the year can be found in note 21.

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

Governance continued

Directors' report continued

Disabled employees

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

Employee consultation

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

Auditor

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

Disclosure of information to auditor

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

Annual General Meeting

The Annual General Meeting will be held on Wednesday 24 October 2018. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts.

By order of the Board

Nicholas Tilley
Company Secretary
5 September 2018

Governance continued

Corporate Governance Report

The application of the UK Corporate Governance Code ("Code") and corporate governance during the period 01 July 2017 to 30 June 2018 ("Year").

The Code does not apply directly to companies which are admitted to trading on AIM. The directors recognise, however, the importance of high standards of corporate governance and throughout the Year intended that the Company should observe requirements of the QCA Corporate Governance Guidelines for AIM companies or the Code to the extent directors consider appropriate having regard to the size, nature and resources of the Company. With effect from 28 September 2018 in accordance with AIM Rule 26 the Company will formally adopt the QCA Corporate Governance Guidelines for AIM companies.

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

The Board

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

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

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

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

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

Chairman, Chief Executive Officer and Senior Independent Director

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

Board balance

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

Nomination Committee

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

Corporate Governance Report continued

Performance evaluation

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

Re-election

Mark McCafferty, John Davies and Stephen Oakley are retiring and seek re-election to the Board. Their biographical details are to be found on page 13 of this Annual Report and Accounts. The Nomination Committee believes that both John and Stephen continue to be effective and demonstrate commitment to their roles.

Mark McCafferty completed 9 years' service to the Group in March 2018 which is highlighted in Code provision B.1.1 and Part 4 of the QCA Corporate Governance Code (to which the Group will be adhering in future years) as a matter that is relevant to the Board's determination of his independence. However the Board remains of the opinion that Mark continues to be independent of character and judgment notwithstanding his long service and that the Company would continue to benefit from Mark's wise counsel and that he should remain on the board. In accordance with the recommendations in the QCA Corporate Governance Code the Board therefore propose that Mark be re-elected at the forthcoming AGM and it is intended that he stands for re-election annually thereafter.

Remuneration Committee

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

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

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

Relations with shareholders

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

Annual General Meeting

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

Financial reporting

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

Internal control

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

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

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

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

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

Consolidated accounts

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

Audit Committee

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

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

The Company has a formal policy that the auditor is not used for other work unless it is both in the best interests of the Company to use that firm and the Audit Committee is satisfied that it will not affect the independence of the auditor. Any such work undertaken is therefore performed by a separate team within KPMG. Appropriate safeguards have been put in place to ensure the independence of the audit and advisory work of the separate teams of KPMG LLP. No such advisory work however was performed during the year.

As part of its annual inspection of audit firms the Audit Quality Review team of the Financial Reporting Council ("FRC") reviewed KPMG's audit of the Group accounts for the year ended 30 June 2017. The committee discussed the findings of this external report and the actions undertaken by KPMG to address the matters raised. After discussions with KPMG the committee noted that any identified areas for further improvement by KPMG have been addressed or had appropriate action plans in place during this year's audit.

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

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

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

Corporate Governance Report continued

Board and Committee attendance

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

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

By order of the Board

John Davies
Chairman of the Audit Committee on its behalf
5 September 2018

Governance continued

Directors' remuneration report

Introduction

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

Information in this report relates to the 2018 financial year ('Year') unless otherwise stated.

Remuneration Committee

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

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

Remuneration policy

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

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

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

1. Basic salary and benefits;

2. Annual bonus opportunity not to exceed 100% of basic salary;

3. Incentive Schemes; and

4. Pension arrangements.

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

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

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

Basic salary

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

Basic salaries for the current executive directors during the Year were: Chief Executive Officer £384,275 and the Chief Financial Officer £258,336.

The committee resolved in July 2018 to review executive directors' base salaries for the forthcoming financial year. Following this review it was accordingly resolved to increase the basic salaries for the current executive directors to the following: Chief Executive Officer £397,725 and the Chief Financial Officer £267,378. The next review is scheduled to take place in or around July 2019.

Directors' remuneration report continued

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

Annual bonus payments

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

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

Share-based incentives

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

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

Pension arrangements

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

Directors' contracts

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

Details of the executive directors' contracts are summarised below:

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

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

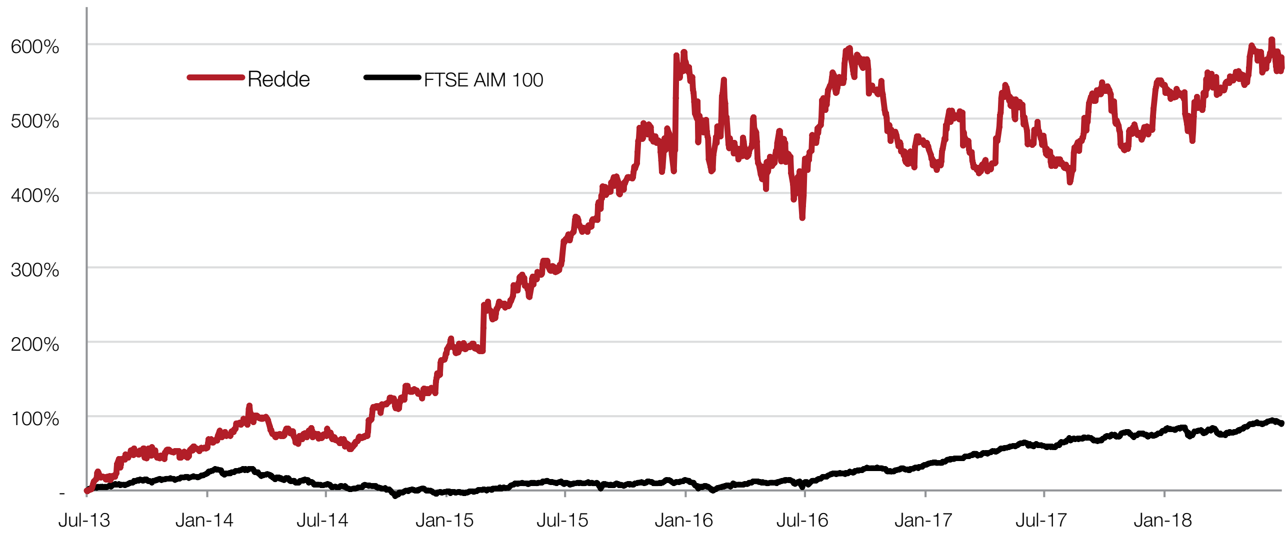
All non-executive directors have specific terms of engagement and are appointed subject to periodic re-election. Their fees are disclosed in the audited section of this report and are set by the Board as a whole. Non-executive directors cannot participate in any of the Company's share incentive schemes.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

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

Performance graph

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

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



Aggregate directors' remuneration

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

	2018 £'000	2017 £'000
Emoluments	**1,575**	1,573
Money purchase pension contributions	**152**	148
Total remuneration	**1,727**	1,721

Directors' emoluments

Executive Directors	**Fees/Basic salary £'000**	**Bonus £'000**	**Taxable benefits £'000**	**Sub-Total 2018 £'000**	**Pension 2018 £'000**	**Total 2018 £'000**	Sub-Total 2017 £'000	Pension 2017 £'000	Total 2017 £'000
M Ward	**384**	**360**	**15**	**759**	**91**	**850**	757	88	845
S Oakley	**258**	**242**	**12**	**512**	**61**	**573**	512	60	572
	642	**602**	**27**	**1,271**	**152**	**1,423**	1,269	148	1,417
Non-Executive Directors									
A Palmer-Baunack	**200**	**–**	**–**	**200**	**–**	**200**	200	–	200
M McCafferty	**52**	**–**	**–**	**52**	**–**	**52**	52	–	52
J Davies	**52**	**–**	**–**	**52**	**–**	**52**	52	–	52
Total emoluments	**946**	**602**	**27**	**1,575**	**152**	**1,727**	1,573	148	1,721

Directors' remuneration report continued

Directors' share options

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

2016 Performance Share Plan

M Ward

Target Year end	Options held at 01 July 2017 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	**Options held at 30 June 2018 '000**	**Options vested at 30 June 2018 '000**	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	585	–	–	–	**585**	**–**	0.1	See below	26/02/2026
30 June 2019	187	–	–	–	**187**	**–**	0.1	See below	02/09/2026
30 June 2020	–	235	–	–	**235**	**–**	0.1	See below	08/09/2027
Total	772	235	–	–	**1,007**	**–**	0.1		

S Oakley

Target Year end	Options held at 01 July 2017 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	**Options held at 30 June 2018 '000**	**Options vested at 30 June 2018 '000**	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	393	–	–	–	**393**	**–**	0.1	See below	26/02/2026
30 June 2019	125	–	–	–	**125**	**–**	0.1	See below	02/09/2026
30 June 2020	–	159	–	–	**159**	**–**	0.1	See below	08/09/2027
Total	518	159	–	–	**677**	**–**	0.1	See below	

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

By order of the Board

Mark McCafferty
Chairman of the Remuneration Committee on its behalf
5 September 2018

Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant, reliable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable to preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Independent auditor's report
to the members of Redde plc

1 Our opinion is unmodified

We have audited the financial statements of Redde plc ("the Company") for the year ended 30 June 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows, company statement of changes in equity, company statement of financial position, company statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2018 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2017, except for the goodwill impairment risk which now focusses specifically on the NewLaw CGU as other CGUs have significant headroom):

Receivables due from insurance companies, incorporating revenue recognition (£132.2 million; 2017: £99.1 million)

Refer to page 35 (accounting policy) and page 47 (financial disclosures).

The risk

Subjective estimate

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

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

Our response

Our procedures included:

- *Test of details:* Assessing the accuracy of the observable data used in developing the estimate, such as the amounts being claimed, the age of the claim being assessed and the historical collection rates by vouching a sample of them to source documents;

- *Historical comparisons:* Challenging the Group's key assumptions used in the initial estimates of the fair value of the consideration receivable based on a retrospective review of the accuracy of the Group's previous estimates and considering the actual historical collection rates in relation to each type of debt;
- *Test of details*: Assessing whether any assumptions which deviate from the historical collection rates reflect our knowledge of the current business and industry environment. This was obtained by holding discussions with key commercial, finance and legal staff, analysing the Group's legal papers and vouching source documents, where relevant.
- *Assessing transparency:* Assessing the adequacy of the Group's disclosures in relation to their receivables and whether disclosures in relation to the judgments made by the Group as well as the risks and steps taken to mitigate those risks are properly reflected within the financial statements.

Goodwill impairment (£40.3 million; 2017: £40.3 million)

Refer to page 35 (accounting policy) and page 45 (financial disclosures).

The risk

Forecast-based valuation

The recoverable amount of the NewLaw Cash-Generating Unit to which goodwill is allocated is determined from value in use calculations, which represents a key judgment area as inappropriate assumptions, particularly relating to forecast cash flows and discount rates, could result in a material misstatement of the goodwill balance as a result of the level of headroom associated with this CGU.

Our response

Our procedures included:

- *Historical comparisons:* Assessing the reasonableness of the budgets by considering the historical accuracy of previous forecasts;
- *Our sector experience:* Assessing whether assumptions used, in particular those relating to future revenue and profitability growth which drive the future cash flow forecasts, reflect our knowledge of the business and industry, including known or probable changes in the business environment;
- *Benchmarking assumptions:* Challenging, using our own valuation specialists, the key inputs used in the Group's calculation of the discount rates by comparing them to externally derived data, including available sources for comparable companies;
- *Sensitivity analysis:* Performing analysis to assess the sensitivity of the impairment review to changes in the key assumptions above;
- *Assessing transparency:* Assessing whether the Group's disclosures about the impairment test appropriately reflected the risks inherent in the valuation of goodwill.

Recoverability of parent company's investment in subsidiaries (£225.0 million; 2017: £225.0 million)

Refer to page 34 (accounting policy) and page 63 (financial disclosures).

The risk

Low risk, high value

The carrying amount of the parent company's investments in subsidiaries represents 74% (2017: 66%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response

Our procedures included:

- *Tests of detail:* Comparing the carrying amount of the investment with the subsidiary's draft balance sheet to identify whether its net assets, audited as part of the Group's audit as being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessing whether that subsidiary has historically been profit-making.

Independent auditor's report
to the members of Redde plc continued

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

Materiality for the Group financial statements as a whole was set at £1.8 million (2017: £1.6 million) determined with reference to a benchmark of Group profit before taxation of which it represents 4.6% (2017: 4.5%).

Materiality for the parent company financial statements as a whole was set at £1.35 million (2017: £1.2 million), determined with reference to a benchmark of company net assets, of which it represents 0.60% (2017: 0.47%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.09 million (2017: £0.075 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the full-scope audits for group purposes of 21 (2017: 29) of the Group's 23 (2017: 29) components, including the audit of the parent company. The components were audited to component materialities, which ranged from £0.1 million to £1.35 million (2017: £0.1 million to £1.2 million), having regard to the mix of size and risk profile of the Group across the components. This covered 100% of each of total Group revenue, Group profit before tax, and total Group assets (2017: 100% of each of total Group revenue, Group profit before tax, and total Group assets).

4 We have nothing to report on going concern

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 25, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

Robert Fitzpatrick (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
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	3	**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	4	**(83,797)**	**(7,209)**	**(91,006)**	(77,335)	(8,253)	(85,588)
Operating profit	5	**43,985**	**(7,209)**	**36,776**	38,672	(8,253)	30,419
Share of results of associates	14	**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)/credit	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 (p)							
Basic	10	**13.27**	**(1.91)**	**11.36**	11.26	(2.33)	8.93
Diluted	10	**13.07**	**(1.88)**	**11.19**	10.95	(2.27)	8.68

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

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

Consolidated statement of comprehensive income

for the year ended 30 June 2018

	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 attributable to equity holders of the company	**34,528**	26,811

Consolidated statement of changes in equity

for the year ended 30 June 2018

	Share Capital £'000	Share Premium Account £'000	Shares held in treasury £'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	*11*	**85,990**	85,990
Intangible assets	*12*	**16,527**	18,917
Property, plant and equipment (including vehicles)	*13*	**48,596**	55,515
Interests in associates	*14*	**2,559**	1,361
Deferred tax asset	*20*	**6,165**	4,236
		159,837	166,019
Current assets			
Trade and other receivables	*15*	**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	*16*	**(164,030)**	(131,386)
Obligations under finance leases	*17*	**(23,723)**	(20,683)
Provisions	*19*	**(2,475)**	(1,318)
		(190,228)	(153,387)
Net current assets		**21,932**	25,809
Non-current liabilities			
Obligations under finance leases	*17*	**(15,482)**	(25,377)
Deferred tax liability	*20*	**(3,836)**	(4,991)
Provisions	*19*	**(2,256)**	(2,506)
		(21,574)	(32,874)
Total liabilities		**(211,802)**	(186,261)
Net assets		**160,195**	158,954
Equity			
Share capital	*21*	**304**	304
Share premium account	*21*	**73,788**	73,780
Retained earnings		**86,103**	84,870
Equity attributable to owners of the Company		**160,195**	158,954

The notes on pages 34 to 58 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2018. They were signed on its behalf by:

Stephen Oakley
Chief Financial Officer
5 September 2018
Company Number 03120010

Consolidated statement of cash flows

for the year ended 30 June 2018

	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		**(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 of properties	*13*	**379**		–	
Property lease provisions	*4*	**1,973**		3,859	
Amortisation of intangible assets	*4*	**2,390**		2,390	
Losses on sale of property, plant and equipment		**417**		320	
Share-based payment charges	*4*	**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					
Deposits held under escrow		**–**		(3,000)	
Distributions from associates		**1,007**		938	
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		**8**		11	
Purchase of shares into treasury		**(1,964)**		–	
Proceeds from re-issue of treasury shares		**618**		–	
Dividends paid		**(33,740)**		(30,158)	
Finance lease principal repayments		**(37,504)**		(34,457)	
Net cash used in financing activities			**(72,582)**		(64,604)
Net (decrease)/increase in cash and cash equivalents	*25*		**(5,598)**		1,697
Cash and cash equivalents at beginning of year			**36,344**		34,647
Cash and cash equivalents at end of year	*25*		**30,746**		36,344
Cash and cash equivalents consist of:					
Cash at bank and in hand			**30,746**		36,344

Notes to the consolidated financial statements

1 Significant accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, in accordance with International Financial Reporting Standards (IFRSs) adopted in compliance with Article 4 of the EU IAS Regulation. The presentational currency is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

Adoption of new and revised standards

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

New and revised standards not yet adopted

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

- IFRS 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 considered to have any material impact on the profit before taxation of the Group.

- IFRS 16 – Leases. This is effective for year ended 30 June 2020. The Group is assessing the impact of IFRS 16 which, based upon leases presently held by the Group, is likely to increase Group EBITDA and Group net interest charges by similar amounts with an immaterial effect on profit before taxation. The amounts to be included under the standard into fixed assets and net debt respectively will be more definitively assessed nearer the time and are dependent upon future fleet mix as well as property lease agreements that will be in existence at that point.

Basis of consolidation

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

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

Going concern

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

Business combinations

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

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

Interest in associates

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

1 Significant accounting policies continued

Goodwill

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

For the purpose of impairment testing, each cash generating unit is allocated goodwill and is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Revenue recognition

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

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

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

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

Fleet and incident management revenue represents amounts chargeable, net of VAT, in respect of fleet and incident management and other related services provided to customers. Revenue is recognised when services are provided. In providing fleet and incident management services, the Group acts either as principal or agent. This is differentiated by the extent to which the Group has primary responsibility for providing the service and negotiating pricing, as well as the extent to which the Group is at risk for the gross payment. Where there are circumstances that do not meet the above criteria, and therefore the Group is not the principal in providing the service, revenue is accounted for on a net basis and comprises fees for processing services. Where the Group is acting as a principal, revenue is accounted for gross.

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

Notes to the consolidated financial statements
continued

1 Significant accounting policies continued

Expected adjustment arising on settlement of claims

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

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

Other accident management related activities

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

Trade receivables and claims in progress – credit hire and credit repair

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

Trade receivables – amounts invoiced for services

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

Operating profit

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

Exceptional items and adjustment items

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

Leases

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

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

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

1 Significant accounting policies continued

Borrowing costs

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

Property, plant and equipment

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

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

Non-hire fleet

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

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

Notes to the consolidated financial statements
continued

1 Significant accounting policies continued

Hire fleet

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

Impairment of tangible and intangible assets

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

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

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

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

Financial instruments – Loans and receivables

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

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Equity instruments

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

1 Significant accounting policies continued

Financial liabilities

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

De-recognition of financial liabilities

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

Share-based payments

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

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

Key judgments and sources of estimation uncertainty

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

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

The Group believes that a key source of estimation uncertainty affecting the Group's financial statements relates to the expected adjustments arising on settlement of insurance claims. A number of judgments are made by the Group relating to these estimates and details are set out in note 15. In addition, a number of judgments are made in the assessment of goodwill impairment (note 11).

2 Segmental information

The activities of the Group are managed by the Executive Board, "the Board", which is deemed to be the Chief Operating Decision Maker, as a single operating platform. The entities within the Group contribute as part of the whole operation of the Group to provide services for the core business. The Board of Redde plc considers the performance of the business by reference to contributions from all activities of the Group as a whole, and reviews requirements of the total Group when determining allocations of resources. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segment and to assess its performance. The Group has identified operating segments within the main reportable segment, two of which would qualify for separate reporting under 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.

Notes to the consolidated financial statements
continued

3 Revenue

	2018 £'000	2017 £'000
Revenue	**526,981**	472,344

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

4 Amortisation of intangibles, share based payments and exceptional items

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

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

In exercising this judgment, the directors have taken appropriate regard of IAS 1 "Presentation of financial statements" as well as guidance issued by the European Securities and Markets Authority on the reporting of non-adjusted results. Adjusted measures exclude the impact of the amortisation of intangibles, share based payments and exceptional items ("adjustment items") and are also analysed on the face of the Consolidated Income Statement on page 30.

	2018 £'000	2017 £'000
Administration costs – Amortisation of intangible assets and share based payments:		
a) Amortisation of acquired intangible assets	**2,390**	2,390
b) Share-based payments	**1,791**	2,004
Impact of above on operating profit	**4,181**	4,394
Exceptional items comprise the following:		
c) Property lease provisions	**1,973**	3,859
d) Impairment of freehold properties	**379**	–
e) Reorganisation and redundancy costs	**676**	–
Impact of exceptional items on operating profit	**3,028**	3,859
Total adjustments to operating profits and profit before tax	**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

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

a) Amortisation of acquired intangible assets

The Group recognised the value of customer relationships and acquired software amounting to £22.9m in total (note 12) as a result of the acquisition of FMG 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 year amounts to £2.4m (2017: £2.4m) (note 12), and the tax effect was a credit of £0.9m (2017: £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) Property lease 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 be 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) Impairment of freehold property

In connection with the restructuring of 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 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).

5 Operating profit

	2018 £'000	2017 £'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
owned	**1,437**	1,289
leased	**9,069**	10,029
Impairment of property	**379**	–
Loss on sale of property, plant and equipment	**417**	320
Operating lease rentals		
vehicles	**15,641**	12,956
property	**2,672**	2,472
other	**16**	16

Notes to the consolidated financial statements
continued

5 Operating profit continued

Details of auditor's remuneration is provided below:

	2018 £'000	%	2017 £'000	%
Audit services				
Statutory audit of Group and company financial statements	**79**	**29**	78	28
Statutory audit of Group subsidiaries pursuant to legislation	**138**	**52**	135	48
	217	**81**	213	76
Other services				
Review of interim financial statements	**41**	**15**	40	14
Other regulatory reporting	**11**	**4**	17	6
Cyber security review	**–**	**–**	11	4
Total auditor's remuneration	**269**	**100**	281	100

6 Staff costs

	2018 Employees	2018 FTE's	2017 Employees	2017 FTE's
The average number of employees (including executive directors) was:				
Operational	**1,774**	**1,616**	1,692	1,551
Office administration	**396**	**381**	362	346
Management	**99**	**97**	100	98
	2,269	**2,094**	2,154	1,995

	2018 £'000	2017 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**57,020**	53,277
Social security costs	**4,899**	4,482
Other pension costs	**1,053**	939
	62,972	58,698
Share-based payments charge	**1,791**	2,004
	64,763	60,702

The number of employees and full time equivalent number of employees at the year end was 2,292 and 2,111 respectively (2017: 2,228 and 2,053 respectively). Key management personnel and their remuneration are discussed in the directors' emoluments table on page 23 and the share plan tables on page 24.

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 issue costs charged in the year	**245**	245
Unwind of discount on provisions	**33**	–
	1,485	1,797
Reclassification of interest on finance lease obligations under fleet facilities to cost of sales	**(1,203)**	(1,538)
Total finance costs	**282**	259
Total net finance costs	**170**	150

8 Tax

	2018 £'000	2017 £'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
Tax charge on profit on ordinary activities	**(4,284)**	(4,960)

	2018 £'000	2017 £'000
Reconciliation of tax charge		
Profit for the year	**34,528**	26,811
Tax charge	**4,284**	4,960
Profit before tax	**38,812**	31,771
Tax at the weighted average UK corporation tax rate of 19.00% (2017: 19.75%)	**(7,375)**	(6,275)
Recognition of deferred tax asset	**2,755**	1,756
Adjustment in relation to prior periods	**33**	45
Impact of change in tax rate on recognised deferred tax	**696**	16
Tax effect of non-deductible expenses	**(318)**	(158)
Timing differences on the exercise of employee share options	**(75)**	(344)
Tax charge for the year	**(4,284)**	(4,960)

The tax rate of 19% (2017: 19.75%) reflects the reduction in the UK corporation tax rate from 20.0% to 19.0% effective from 1 April 2017. A further reduction to 17.0% (effective from 1 April 2020) was enacted in the 2016 Finance Act. This will reduce the Group's future current tax charge accordingly whilst the deferred tax assets and liabilities at 30 June 2018 have been calculated based upon these enacted rates.

Notes to the consolidated financial statements
continued

9 Dividends

	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 on 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

10 Earnings per share

Basic earnings per share

The calculation of the basic earnings per share at 30 June 2018 is based on the profit attributable to ordinary shareholders of £34,528,000 (2017: £26,811,000) and a weighted average number of ordinary shares outstanding of 303,882,212 (2017: 300,395,219) calculated as follows:

Profit attributable to ordinary shareholders

	Year ended 30 June 2018 Adjusted* £'000	Adjustment items £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2017 Adjusted* £'000	Adjustment items* £'000	Year ended 30 June 2017 £'000
Profit for the year	**40,319**	**(5,791)**	**34,528**	33,824	(7,013)	26,811

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

Weighted average number of ordinary shares

	2018 Number	2017 Number
In issue at 1 July	**303,978,408**	293,536,715
Effect of conversion of B shares	**–**	6,845,530
Effect of buy back and re-issue of treasury shares	**(1,214,007)**	–
Effect of shares issued for cash on exercise of executive share options	**–**	4,151
Effect of shares issued for cash on exercise of SAYE share options	**1,117,811**	8,823
Weighted average number of ordinary shares at 30 June	**303,882,212**	300,395,219

Diluted earnings per share

There is no difference between profit attributable to ordinary shareholders for basic and diluted earnings for share calculations. The calculation of the diluted earnings per share at 30 June 2018 is based on the profit attributable to ordinary shareholders of £34,528,000 (2017: £26,811,000) and a weighted average number of ordinary shares outstanding of 303,882,212 (2017: 300,395,219) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018 Number	2017 Number
Weighted average number of ordinary shares (basic)	**303,882,212**	300,395,219
Effect of 2013 executive share options scheme shares in issue	**–**	14,554
Effect of 2016 executive share options scheme shares in issue	**2,948,941**	3,618,650
Effect of 2017 executive share options scheme shares in issue	**1,101,551**	–
Effect of B shares in issue	**–**	3,565,380
Effect of 2014 issues of SAYE share option scheme shares in issue	**102,375**	954,072
Effect of 2015 issues of SAYE share option scheme shares in issue	**206,617**	322,600
Effect of 2016 issues of SAYE share option scheme shares in issue	**4,219**	21,868
Effect of 2017 issues of SAYE share option scheme shares in issue	**173,726**	97,480
Effect of 2018 issues of SAYE share option scheme shares in issue	**56,752**	–
Weighted average number of ordinary shares (diluted) at 30 June	**308,476,393**	308,989,823

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

11 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

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

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

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

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

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

2018	**Auxillis**	**NewLaw**	**FMG**
Allocation of Goodwill (£'000)	**18,950**	**40,281**	**26,759**
Pre-tax discount rate	**10.5%**	**12.3%**	**10.0%**
Headroom (£'m)	**402.5**	**27.5**	**89.9**
Headroom increase if discount rate 0.5% lower	**24.7**	**3.7**	**6.9**
Headroom decrease if discount rate 0.5% higher	**22.5**	**3.4**	**6.2**

2017	**Auxillis**	**NewLaw**	**FMG**
Allocation of Goodwill (£'000)	**18,950**	**40,281**	**26,759**
Pre-tax discount rate	**9.2%**	**11.7%**	**10.4%**
Headroom (£'m)	**334.0**	**21.9**	**75.3**

After review of the results of these tests, the directors consider that there has been no impairment to any of the CGUs during the year (2017: £nil).

The timing and amount of future cash flows are estimates which depend upon the outcome of future events, especially so where cash inflows and outflows arise in different reporting periods or where there is assumed growth in the business, and may need to be revised as circumstances change. Judgment is required in calculating an appropriate CGU specific discount rate.

Notes to the consolidated financial statements
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12 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

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

13 Property, plant and equipment (including vehicles)

	Freehold property £'000	Leasehold improvements £'000	Vehicle hire fleet £'000	Fixtures and equipment £'000	Total £'000
Cost					
At 01 July 2016	2,725	784	49,488	12,097	65,094
Additions	–	34	41,393	2,663	44,090
Disposals	–	(6)	(32,939)	(4,611)	(37,556)
At 30 June 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 2016	(115)	(475)	(6,888)	(10,011)	(17,489)
Charge for the year	(61)	(55)	(10,077)	(1,125)	(11,318)
Disposals	–	3	8,152	4,539	12,694
At 30 June 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
Depreciation charge for the year	(61)	(55)	(9,095)	(1,295)	(10,506)
Impairment charge for the year	(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

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

14 Interests in associates

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

	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 for the period ending 30 June 2018. Further information on transactions with associates are in note 26.

15 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables – claims due from insurance companies and self-insuring organisations	**132,249**	99,059
Trade receivables – amounts invoiced for services	**16,092**	15,578
Trade receivables	**148,341**	114,637
Other receivables	**175**	198
Accrued income	**3,208**	2,577
Total receivables for purposes of calculating debtor days	**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

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 revenue multiplied by 365 days.

a) Claims due from insurance companies

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

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

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

Notes to the consolidated financial statements
continued

15 Trade and other receivables continued

a) Claims due from insurance companies continued

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

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

An analysis of claims from insurance companies is given below.

	2018 £'000	**%**	2017 £'000	%
Pending claims	**18,926**	**14**	11,625	12
Between 1 and 120 days old	**61,166**	**46**	49,434	50
More than 120 days old	**52,157**	**40**	38,000	38
Total	**132,249**	**100**	99,059	100

Risk is spread primarily across the major UK based motor insurance companies in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities. The Group does not have a significant concentration of credit risk, with exposure spread across a large number of insurer counterparties. The most significant five insurers represented 24% (2017: 26%) of receivables.

b) Amounts invoiced for services

No interest is charged on receivables. The Group has provided for expected irrecoverable amounts specifically based on past default experience. The Group assesses the credit worthiness for each customer prior to commencing to trade with them. The most significant five customers represented 23% (2017: 25%) of receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £3.1m (2017: £2.5m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The cash collection period for these balances is normal for the industry.

Ageing of past due but not impaired receivables.

	2018 £'000	2017 £'000
30-60 days	**1,021**	1,031
60-90 days	**762**	616
90-120 days	**759**	443
More than 120 days	**589**	402
Total	**3,131**	2,492

15 Trade and other receivables continued

b) Amounts invoiced for services continued

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

	2018 £'000	2017 £'000
At beginning of year	**1,667**	1,661
(Released) / recognised	**(242)**	6
At end of year	**1,425**	1,667

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

16 Trade and other payables

	2018 £'000	2017 £'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 payable	**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.

17 Obligations under finance leases

	2018 £'000	2017 £'000
Amounts payable under finance leases		
Within one year	**24,763**	21,997
In the second to fifth years inclusive	**16,106**	26,167
Less future finance charges	**(1,664)**	(2,104)
Present value of lease obligations	**39,205**	46,060
Present value of lease obligations		
Within one year	**23,723**	20,683
In the second to fifth years inclusive	**15,482**	25,377
Present value of lease obligations	**39,205**	46,060
Analysed as:		
Amounts due for settlement within 12 months	**23,723**	20,683
Amounts due for settlement after 12 months	**15,482**	25,377
Shown in current/non current liabilities	**39,205**	46,060

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.3 years (2017: 2.2 years). For the year ended 30 June 2018 the average effective borrowing rate was 2.69% (2017: 3.39%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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18 Other borrowings

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

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

19 Provisions

	Onerous lease provisions £'000	Restructuring provisions £'000	Total £'000
At 1 July 2016	1,242	–	1,242
Provisions made in the year	3,859	–	3,859
Utilised during the year	(1,277)	–	(1,277)
At 30 June 2017	3,824	–	3,824
Provisions made in the year	1,973	218	2,191
Utilised during the year	(1,284)	–	(1,284)
At 30 June 2018	**4,513**	**218**	**4,731**
Included in current liabilities	2,257	218	2,475
Included in long term liabilities	2,256	–	2,256
	4,513	**218**	**4,731**

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

The Group is also restructuring its operations by moving its operations from three existing locations to alternative locations including one completely new premises. This restructuring has also given rise to redundancy costs. The provision also reflects the directors' estimate of those costs to which the Group is committed but have not yet been crystallised. These costs are expected to crystallise in full within the next 12 months.

20 Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2018 and 30 June 2017 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) Accelerated tax depreciation £'000	Asset Total £'000
At 1 July 2016	(5,469)	5,871
Credit / (charge) to income	478	(1,635)
At 30 June 2017	(4,991)	4,236
Credit to income	1,155	1,929
At 30 June 2018	**(3,836)**	**6,165**

20 Deferred tax continued

At he balance sheet date the Group has temporary differences, principally arising from capital allowances on fleet vehicles, of £41.9m (2017: £47.1m) which will be 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 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 the generation of the requisite future taxable profits and the timing of the unwind of the temporary difference.

Deferred tax asset not provided in full on temporary differences under the liability method is calculated at the tax rates that are expected to apply in the period when the asset is realised.

	Asset Tax losses carried forward £'000	Asset Accelerated tax depreciation £'000	Asset Other temporary 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

21 Share capital and share premium

a) Share capital movements in year

	Ordinary Shares of 0.1p		B Shares of 0.1p		Total
	Number	£'000	Number	£'000	£'000
In issue at 30 June 2016	293,536,715	294	10,410,910	10	304
Conversion of B shares	10,410,910	10	(10,410,910)	(10)	–
Exercise of SAYE share options	12,078	–	–	–	–
Exercise of executive share options	18,705	–	–	–	–
In issue at 30 June 2017	303,978,408	304	–	–	304
Exercise of SAYE share options	8,349	–	–	–	–
In issue at 30 June 2018 fully paid	**303,986,757**	**304**	**–**	**–**	**304**

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

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

Date	Reason	Number	Average price	Total £'000	Share Capital £'000	Share Premium £'000
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 SAYE shares issued	**8,349**		**8**	**–**	**8**

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21 Share capital and share premium continued

The following issues of new shares took place during the previous financial year:

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

22 Operating lease arrangements

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

	2018 Vehicles £'000	**2018 Properties £'000**	**2018 Total £'000**	2017 Vehicles £'000	2017 Properties £'000	2017 Total £'000
Within one year	**13,020**	**1,845**	**14,865**	8,861	1,992	10,853
In the second to fifth years inclusive	**4,162**	**7,828**	**11,990**	2,574	7,008	9,582
After five years	**–**	**2,996**	**2,996**	–	3,450	3,450
	17,182	**12,669**	**29,851**	11,435	12,450	23,885

Operating lease payments represent rentals payable by the Group for certain of its motor vehicles, plant and equipment and properties. Leases have a weighted average term of 2.92 years (2017: 3.63 years). The lease payments subject to the onerous lease provision of £4.5m (2017: £3.8m) (note 19) have been included within the above amounts.

23 Share-based payments

Equity settled share option plans

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

Mainstream options

2016 Performance Share Plan

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

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

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

23 Share-based payments continued

Mainstream options continued

Up to one half of the 3rd tranche of Awards will vest in full if the Company achieves a basic adjusted EPS of 14.64p in the financial year ended 30 June 2020 with a straight-line reduction to NIL if basic adjusted EPS is below 12.95p.

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

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

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

	2018 Number of options 000s	**2018 Weighted average exercise price (pence)**	2017 Number of options 000s	2017 Weighted average exercise price (pence)
Outstanding at beginning of year	**3,441**	**0.10**	2,441	0.29
Granted during the year	**1,169**	**0.10**	1,199	0.10
Forfeited, surrendered or lapsed during the year	**(727)**	**0.10**	(180)	0.10
Exercised during the year	**–**	**–**	(19)	14.25
Outstanding at end of year	**3,883**	**0.10**	3,441	0.10
Exercisable at the end of the year	**–**	**–**	–	–

The options outstanding at 30 June 2018 had a weighted average exercise price of 0.10p (2017: 0.10p) and a weighted average remaining contractual life of 8.2 years (2017: 8.8 years). The options as at 30 June 2018 had an exercise price of 0.10p; the highest and lowest closing value of shares during the year were 186.00p and 144.25p respectively. The value of shares as at 30 June 2018 was 176.00p.

Sharesave schemes

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

	2018 Number of options 000s	**2018 Weighted average exercise price (pence)**	2017 Number of options 000s	2017 Weighted average exercise price (pence)
Outstanding at beginning of year	**2,987**	**97.9**	2,572	86.2
Granted during the year	**1,031**	**138.2**	888	148.7
Exercised during the year	**(1,289)**	**48.3**	(12)	71.0
Forfeited or lapsed during the year	**(415)**	**141.7**	(461)	130.9
Outstanding at end of year	**2,314**	**135.4**	2,987	97.9
Exercisable at the end of the year	**–**	**–**	–	–

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23 Share-based payments continued

Sharesave schemes continued

Date of Grant	Outstanding at 01 July 2017 '000	Granted in the year '000	Exercised in the year '000	Forfeited or lapsed in the year '000	**Outstanding at 30 June 2018 '000**	Exercise price (pence)	Date from which Exercisable	Expiry date
26 June 2014	1,283	–	(1,283)	–	**–**	48.3	01/08/2017	01/02/2018
06 November 2015	959	–	(6)	(102)	**851**	126.9	01/12/2018	01/06/2019
30 September 2016	316	–	–	(120)	**196**	163.5	01/11/2019	01/05/2020
27 March 2017	429	–	–	(87)	**342**	132.8	01/05/2020	01/11/2020
03 October 2017	–	715	–	(99)	**616**	139.0	01/11/2020	01/05/2021
28 March 2018	–	316	–	(7)	**309**	136.4	01/05/2021	01/11/2021
	2,987	1,031	(1,289)	(415)	**2,314**	135.4		

The SAYE options outstanding at 30 June 2018 had a weighted average exercise price of 135.4p (2017: 97.9p) and a weighted average remaining contractual life of 1.5 years (2017: 1.2 years). The Group recognised total expense of £1.8m related to all of the equity-settled share-based payment transactions in 2018 (2017: £2.0m).

Assumptions used in the valuation of share based payments

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

	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme
Fair value of share option	45.4p	45.3p	19.9p	33.6p	28.1p
Date of grant	06/11/15	30/09/16	27/03/17	03/10/17	28/03/18
Share price on date of grant	180.5p	200.0p	148.5p	179.7p	169.0p
Exercise price	126.9p	163.5p	132.8p	139.0p	136.4p
Share options originally granted	1,303,787	461,407	430,824	714,669	316,383
Vesting period (years)	3.1	3.1	3.1	3.1	3.1
Expected volatility	35%	40%	32%	32%	31%
Expected life (years)	3.6	3.6	3.6	3.6	3.6
Risk free rate of return	0.98%	0.10%	0.31%	0.54%	0.89%
Fair value model used	Binomial	Binomial	Binomial	Binomial	Binomial

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

	Performance Plan	Performance Plan	Performance Plan
Fair value of share option	153.5p – 172.3p	123.5p – 178.9p	83.1p – 144.6p
Date of grant	26/02/16	02/09/16	07/09/17
Share price on date of grant	193.25p	205.5p	170.5p
Exercise price	0.1p	0.1p	0.1p
Share options originally granted	2,241,297	924,265	1,102,208
Vesting period (years)	3.0	3.0	3.0
Expected volatility	40%	40%	33%
Expected life (years)	3.0	3.0	3.0
Risk free rate of return	0.43%	0.12%	0.152%
Fair value model used	Binomial and Monte Carlo	Binomial and Monte Carlo	Binomial and Monte Carlo

24 Financial instruments

Capital risk management

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

Categories of financial instruments

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

	2018 £'000	2017 £'000
Net debt	**8,459**	9,716
Total shareholders' equity	**160,195**	158,954
Total capital	**168,654**	168,670
Gearing ratio	**5.0%**	5.8%

	2018 £'000	2017 £'000
Financial assets		
At amortised cost:		
Trade receivables	**148,341**	114,637
Disbursements recoverable in legal businesses	**13,687**	14,267
Cash and cash equivalents	**30,746**	36,344
Financial liabilities		
At amortised cost:		
Trade payables	**89,272**	69,100
Disbursements payable in legal businesses	**9,994**	10,148
Obligations under finance leases	**39,205**	46,060

Financial risk management objectives

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

Interest rate risk management

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

Interest rate sensitivity analysis

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2018 would have increased/decreased by £0.1m (2017: £0.1m). This is mainly attributable to the Group's exposure on variable rate borrowings and deposits.

Notes to the consolidated financial statements
continued

24 Financial instruments continued

Interest rate swap contracts
There were no outstanding interest rate swap contracts in existence at 30 June 2018 (2017: nil).

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

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

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

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

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

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

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

24 Financial instruments continued

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2018							
Non-interest bearing	**–**	**89,602**	**–**	**–**	**1,373**	**–**	**90,975**
Fixed interest rate instruments	**2.69**	**1,653**	**5,715**	**17,155**	**15,863**	**–**	**40,386**
		91,255	**5,715**	**17,155**	**17,236**	**–**	**131,361**
2017							
Non-interest bearing	–	69,558	–	–	16	–	69,574
Fixed interest rate instruments	3.39	1,557	5,237	15,204	26,166	–	48,164
		71,115	5,237	15,204	26,182	–	117,738

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

Externally imposed capital requirements

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

25 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**
Net 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
Cash inflow from decrease in borrowings and lease financing	**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)

Notes to the consolidated financial statements
continued

26 Related party transactions

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

- Fees and commissions in the amount of £210,921 (2017: £72,312) were charged by BCA during the year ended 30 June 2018 in respect of the disposal of such vehicles as agent of which £362 (2017: £nil) was outstanding at the year end.

- During the year costs of £39,494 (2017: £24,341) were charged by BCA in respect of vehicle repair, of which £6,634 (2017: £606) was outstanding at the year end.

- During the year costs of £26,400 (2017: £27,628) were charged by BCA in respect of building rent, of which £7,920 (2017: £7,920) was outstanding at the year end.

- During the year costs of £210,512 (2017: £79,758) were charged by BCA in respect of vehicle transport, of which £5,551 (2017: £194) was outstanding at the year end.

- In addition during the year the Group performed repairs to vehicles on behalf of BCA in the normal course of business and an amount of £1,046,783 (2017: £817,890) was charged to BCA of which £233,867 (2017: £223,817) was outstanding at the year end.

The Group also from time to time contract hires certain vehicles from specialist vehicles suppliers. During the year the Group paid rentals in respect of such hires to Local Car and Van Rental Limited ("LCVR") of which John Davies is a non-executive director. During the year rentals of £6,897 (2017: £10,338) were charged by LCVR in respect of vehicle rentals, of which £nil (2017: £nil) was outstanding at the year end.

Details of the Group's interests in associates, who are regarded as related parties, are provided in notes 14 and 31. During the year the Group made sales and recharges of expenses to these associates amounting to £7.5m (2017: £8.3m) and made purchases of £165,000 (2017: £109,000) from those associates. At the year end the Group was owed £439,000 (2017: £191,000) by these associates of which £389,000 (2017: £141,000) is included in trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2017: £50,000) is shown as amounts due from associates in note 15. In addition at the year end the Group owed £17,000 (2017: £24,000) to these associates and these amounts are included in trade payables in note 16.

Company statement of changes in equity

for the year ended 30 June 2018

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
Balance at 01 July 2016	304	73,769	–	211,373	285,446
Profit for the year	–	–	–	463	463
Total comprehensive income for the year	–	–	–	463	463
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**	**–**	**183,682**	**257,766**
Profit for the year	–	–	–	1,574	1,574
Total comprehensive income for the year	–	–	–	1,574	1,574
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**	**–**	**151,961**	**226,053**

Company statement of financial position

as at 30 June 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	30	**510**	540
Investments in subsidiaries	31	**224,971**	224,971
Deferred tax asset	34	**1,587**	1,050
		227,068	226,561
Current assets			
Trade and other receivables	32	**64,722**	87,420
Cash and cash equivalents		**14,204**	26,953
		78,926	114,373
Total assets		**305,994**	340,934
Current liabilities			
Trade and other payables	33	**(76,202)**	(79,344)
Provisions	19	**(1,483)**	(1,318)
		(77,685)	(80,662)
Net current assets		**1,241**	33,711
Non-current liabilities			
Long-term provisions	19	**(2,256)**	(2,506)
		(2,256)	(2,506)
Total liabilities		**(79,941)**	(83,168)
Net assets		**226,053**	257,766
Equity			
Share capital	21	**304**	304
Share premium account	21	**73,788**	73,780
Retained earnings		**151,961**	183,682
Total equity		**226,053**	257,766

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

The financial statements were approved by the Board of Directors and authorised for issue on 5 September 2018. They were signed on its behalf by:

Stephen Oakley
Chief Financial Officer
5 September 2018
Company Number 03120010

Company statement of cash flows

for the year ended 30 June 2018

	£'000	Year ended 30 June 2018 £'000	£'000	Year ended 30 June 2017 £'000
Cash flows from operating activities				
Profit for the year	**1,574**		463	
Tax (credit)/charge	**(537)**		250	
Finance income including exceptional costs	**(1,137)**		(1,416)	
Property lease provisions	**1,201**		3,859	
Depreciation	**30**		31	
Losses on sale of property, plant and equipment	**–**		3	
Share-based payment charges	**1,791**		2,004	
Decrease/(Increase) in receivables	**22,465**		(4,366)	
(Decrease)/Increase in payables	**(2,910)**		31,619	
Decrease in provisions	**(1,285)**		(1,277)	
Cash generated from operating activities		**21,192**		31,170
Finance interest received		**1,137**		1,416
Net cash generated from operating activities		**22,329**		32,586
Cash flows from financing activities				
Proceeds from issue of share capital	**8**		11	
Purchase of shares into treasury	**(1,964)**		–	
Proceeds from re-issue of treasury shares	**618**		–	
Dividends paid	**(33,740)**		(30,158)	
Net cash outflow from financing activities		**(35,078)**		(30,147)
Net (decrease)/increase in cash and cash equivalents		**(12,749)**		2,439
Cash and cash equivalents at beginning of year		**26,953**		24,514
Cash and cash equivalents at end of year		**14,204**		26,953
Cash and cash equivalents consist of:				
Cash at bank and in hand		**14,204**		26,953

Notes to the Company financial statements

27 Significant accounting policies

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

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

28 Operating profit

The auditor's remuneration for audit services to the Company was £10,000 (2017: £10,000).

29 Finance income and finance costs

	2018 £'000	2017 £'000
a) Finance income		
Interest receivable	**(1,137)**	(1,416)
b) Finance costs		
Loan issue costs charged in the year	**245**	245
	245	245
Total finance income	**(892)**	(1,171)

30 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Total £'000
Cost			
At 01 July 2016	438	495	933
Disposals	–	(5)	(5)
At 30 June 2017	**438**	**490**	**928**
Disposals	–	–	–
At 30 June 2018	**438**	**490**	**928**
Accumulated depreciation and impairment			
At 01 July 2016	(80)	(279)	(359)
Charge for the year	(9)	(22)	(31)
Disposals	–	2	2
At 30 June 2017	(89)	(299)	(388)
Charge for the year	(8)	(22)	(30)
Disposals	–	–	–
At 30 June 2018	**(97)**	**(321)**	**(418)**
Carrying amounts			
At 30 June 2018	**341**	**169**	**510**
At 30 June 2017	349	191	540

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

31 Details of related undertakings

Details of all of the Company's and Group's subsidiaries at 30 June 2018 are as follows:

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

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

Notes to the Company financial statements
continued

31 Details of related undertakings continued

Details of all of the Company's and Group's associates, being interests in the following Limited Liability Partnerships of which a group company is a designated Principal Member, at 30 June 2018 are as follows:

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

The Group through NewLaw Legal Limited ("NewLaw") is a designated member of each of the above LLP's (which are considered to be joint operations) and has contributed 50% of the capital for each of those LLP's (usually amounting to £1 for each LLP). NewLaw supplies legal processing services to each LLP. Each member firm of the LLP is required to appoint individuals to the management board of the LLP's but NewLaw does not appoint or control the majority of individuals to these boards who are ultimately responsible for the day to day operations, decision making and strategic development of the LLP's and therefore NewLaw is not considered to have overall control of the LLP's. Accordingly the Group only accounts for the results of these joint operations as associated company income based upon the (variable) share of the net income generated by way of profit share after the deduction of any other fixed allocations of such income.

Investments in subsidiaries during the year was as follows:

	£'000
Cost	
At 01 July 2016, 30 June 2017 and 30 June 2018	224,971
Impairment	
At 01 July 2016, 30 June 2017 and 30 June 2018	–
Net book value	
At 30 June 2018	**224,971**
At 30 June 2017	224,971

In line with its review of goodwill, discussed in note 11, the Company reviewed its investments in subsidiaries. The Company has applied the same cash flows to its main trading entity (Auxillis Services Limited) with the same assumptions as in note 11 on the basis that this entity represents materially all the future cash flows of the Group.

32 Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	**63,840**	86,622
Other debtors	**2**	4
Prepayments	**723**	728
VAT recoverable	**157**	66
	64,722	87,420

33 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**547**	550
Other taxation and social security	**710**	656
Accruals and deferred income	**3,132**	3,040
Amounts owed to subsidiary undertakings	**71,813**	75,098
	76,202	79,344

34 Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2018 and 30 June 2017 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) Accelerated tax depreciation £'000	Asset tax losses £'000
At 01 July 2016	–	1,300
Credit to income	–	(250)
At 30 June 2017	–	1,050
Charge to income	–	537
At 30 June 2018	**–**	**1,587**

35 Financial instruments

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

Categories of financial instruments

	2018 £'000	2017 £'000
Financial assets		
At amortised cost:		
Amounts owed by subsidiary undertakings	**63,840**	86,622
Cash and cash equivalents	**14,204**	26,953
Financial liabilities		
At amortised cost:		
Trade payables	**547**	550
Amounts owed to subsidiary undertakings	**71,813**	75,098

Financial risk management objectives

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

Interest rate risk management

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

Notes to the Company financial statements
continued

35 Financial instruments continued

Interest rate sensitivity analysis

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit for the year ended 30 June 2018 would have increased/decreased by £0.1m (2017: £0.1m). This is mainly attributable to the Company's exposure on variable rate deposits.

Interest rate swap contracts

There were no outstanding interest rate swap contracts in existence at 30 June 2018 (2017: nil).

Credit risk management

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

Liquidity risk management

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

Maturity of financial assets

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

Maturity of financial liabilities

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

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
2018						
Non-interest bearing	**72,360**	**–**	**–**	**–**	**–**	**72,360**
	72,360	**–**	**–**	**–**	**–**	**72,360**
2017						
Non-interest bearing	75,648	–	–	–	–	75,648
	75,648	–	–	–	–	75,648

Fair value of financial instruments

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

36 Related party transactions

Related Party Transactions to 30 June 2018

Details of the Company's interests in subsidiaries, who are regarded as related parties, are provided in note 31.

Transactions during the year with subsidiaries are summarised below:

Subsidiary undertakings	Management Charges £'000	Interest charges £'000	Charges to Company from subsidiaries £'000
2018	**41,202**	**984**	**(317)**
2017	40,032	1,288	(649)

Amounts due from and to subsidiaries at 30 June 2018 are shown in notes 32 and 33.

Shareholder information, financial calendar and advisors

Company enquiries

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

Pinesgate
Lower Bristol Road
Bath
BA2 3DP

Internet

Visit the Company's website at www.redde.com 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, Link Market Services Limited, 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

01 March – Interim results announcement
29 March – Interim dividend for 2018
06 September – Final results announcement
24 October – Annual General Meeting
08 November – Final dividend for 2018

2019

February – 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
Bryan Cave Leighton Paisner LLP
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