redde plc

Annual Report and Accounts 2019

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Operational and financial headlines

The ongoing strategy of the Group is sustainable and profitable growth. This year the Group has seen record revenues and further underlying growth in adjusted profit before taxation. The reach of the Group has been broadened and, through the continuing benefits of past acquisitions, diversified the Group's income streams. The Group continues to seek further opportunities to build scale and diversify into related markets where the returns and investment case are attractive.

Highlights

- Turnover £589.7m (2018: £527.0m)
- Adjusted* EBIT of £49.6m (2018: £46.2m)
- Adjusted* profit before taxation of £49.3m (2018: £46.0m)
- Statutory profit before tax of £41.6m (2018: £38.8m)
- Adjusted* basic EPS of 13.44p (2018: 13.27p)
- Statutory basic EPS of 11.28p (2018: 11.36p)
- Net cash inflow from operating activities of £12.0m (2018: £39.7m)
- Net cash inflow from operating activities to EBITDA ratio of 22% (2018: 72%) **
- Debtor days 116 days (2018: 105 days)
- Total cash balances of £11.9m (2018: £30.7m)
- Net debt of £34.7m (2018: £8.5m)
- Recommended final dividend of 6.15p per share making 11.65p for the year as a whole (2018: 6.15p making 11.65p for the year as a whole)

	2019	2018	% movement
Financial KPIs			
Revenue (£'000)	**589,724**	526,981	11.9
Gross profit (£'000)	**137,690**	127,782	7.8
Gross margin	**23.3%**	24.2%	(0.9)pt
Profit before taxation (£'000)	**41,654**	38,812	7.3
Earnings before interest and taxation ("EBIT") (£'000)	**41,942**	38,982	7.6
Adjusted* profit before taxation (£'000)	**49,288**	46,021	7.1
Adjusted* EBIT (£'000)	**49,576**	46,191	7.3
Adjusted* EBIT margin as % of revenue	**8.4%**	8.8%	(0.4)pt
EBITDA** (£'000)	**54,919**	55,435	(0.9)
Operating cash flow/EBITDA**	**22%**	72%	(50)pt
Debtor days***	**116**	105	(11) days

* 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 34 and are also analysed and described in note 4.

** Calculation of EBITDA is analysed in the consolidated statement of cash flows on page 37.

*** For the calculation of debtor days - See note 15.

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 400,000 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 over 10,000 vehicles and has access to over 50,000 vehicles through selected rental partnerships.

Our locations

The Group employs 2,400 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

This is my first Chairman's statement since I was appointed to the role of interim chairman on 1 August 2019 and I am pleased to be able to report to shareholders that the Group achieved an adjusted profit before taxation of £49.3m compared to £46.0m last year, an increase of 7.1%.

Results

Revenues were £589.7m (2018: £527.0m), an increase of £62.7m (11.9%). Sales growth principally reflects a 9.4% growth in the number of credit hires together with a 5.2% increase in the total number of repairs undertaken and higher activity within the Group's fleet and incident management businesses.

The adjusted earnings before interest and taxation ("EBIT") for the year were £49.6m, an increase of 7.3% over the £46.2m achieved last year.

There was a net interest charge of £0.3m (2018: £0.2m) mostly reflecting non-utilisation fees incurred during the year on the Group's bank revolving working capital facility.

Adjusted profit before tax for the year was therefore £49.3m (2018: £46.0m), an increase of 7.1%.

A charge of £2.4m (2018: £2.4m) in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG) and a £1.1m cost (2018: £1.8m) recorded under IFRS2 in respect of the charge under share based payments on incentive share schemes were incurred in the year.

This year also saw a pre-tax exceptional charge of £4.2m (2018: £3.0m) in respect of restructuring charges arising from changes in the footprint of the Group's operations initiated last year involving the consolidation of some of the Group's operations from three main locations to two, including a lease on new larger premises to accommodate anticipated growth. In addition certain other parts of the Group underwent operational restructuring during the year giving rise to redundancy and termination costs, and a charge for goodwill impairment. The net charge includes:

- provisions of £2.8m 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 including plans to refurbish a major property for subletting (2018: £2.0m relating to properties vacated in prior years);
- a profit of £0.2m on sale of a freehold property vacated during the year (2018: impairment charge of £0.4m);
- reorganisation costs including associated redundancy and other staff associated costs of £0.7m (2018: £0.6m); and
- as detailed in note 11, following the annual impairment review by the directors it has been determined that an impairment in the value of goodwill in relation to NewLaw is appropriate and the resultant non cash impairment charge of £0.9m has been included above in exceptional items for the current year.

After the amortisation of intangible assets and the charge for share based payments together with the exceptional items above, statutory profit before tax was £41.6m (2018: £38.8m) an increase of 7.3%.

There was a net tax charge of £7.1m (2018: £4.3m) and therefore the statutory profit after tax was £34.5m (2018: £34.5m).

Earnings per share ("EPS")

Statutory basic EPS is 11.28p (2018: 11.36p). Statutory diluted EPS is 11.08p (2018: 11.19p).

The adjusted basic EPS is 13.44p (2018: 13.27p). The adjusted diluted EPS is 13.21p (2018: 13.07p).

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 an unchanged final dividend of 6.15p per share, which if approved at the Annual General Meeting to be held on Wednesday 30 October 2019 will be paid on Thursday 7 November 2019 to those shareholders on the register at the close of business on Friday 4 October 2019. The shares will become ex-dividend on Thursday 3 October 2019.

An interim dividend of 5.50p per share was paid on 28 March 2019 and including this the total dividend for the year is 11.65p compared to a total of 11.65p for the interim and final dividends last year.

Outlook

As announced by the Group, on 8 March 2019 following an extensive period of contract tendering, the Group was informed that after 10 years of partnership and several prior successful renewals, it had not secured the renewal of a hire and repair contract with a large insurer.

The original contract was due to expire at the end of July 2019. However, following the announcement of 8 March an agreement was reached with the insurer concerned in respect of an orderly run-off of the services provided. This agreement involves the continuation of the higher-margin, non-fault hire and non-fault repair services through to November 2019. The lower margin work ceased on 31 July 2019. As a result, the positive effect on working capital is now expected to gain traction later in the 2020 financial year to accommodate this extension.

The Group is also pleased to report that a large insurer which had previously participated in a protocol agreement, which the Group terminated, has now agreed to take up a protocol agreement again after the Group was able to demonstrate the higher costs of not being in a protocol. The Group is pleased that the benefits delivered via protocol are valued by insurers who recognise the lower costs of settling claims under these agreements.

In addition, since the 8 March announcement the Group has won a number of new contracts in other areas of the Group as well as a contract renewal with a major insurer, all of which have contributed to the Board's confidence in its expectations for the financial year ended 30 June 2020.

Trading in the first two months since the year end has been in line with management expectations.

Directorate and our people

As previously announced on 1 May 2019, Avril Palmer-Baunack gave notice of her intention to step down as non-executive chairman and subsequently retired from the Board on 31 July 2019. I was appointed interim Chairman on 1 August 2019 and I look forward to working with the Board in the further development and delivery of the Group's strategic goals.

The Board would like to take this opportunity to thank Avril who was instrumental in reshaping the Group's business and has been a very supportive Chairman over the last 8 years. The Board has much admired and appreciated her determination at getting things done as well as the wise counsel and market experience that she brought to the Board. The Board wishes Avril all the best with her future plans.

Mark Chessman was appointed to the Board as an executive director of the Group on 27 November 2018. Mark joined FMG as Chief Operating Officer in December 2014, becoming first managing director in April 2015 and then, following FMG's acquisition by Redde, its Chief Executive Officer in October 2015. Mark is a member of the Chartered Institute of Management Accountants and, prior to his role at FMG, spent twelve years with Lex Autolease, initially in 2002 as Finance Director of Lloyds TSB Autolease and latterly as corporate sales director. In July 2018 Mark was appointed as Redde's Chief Operating Officer and he continues in this role.

The enthusiasm, energy and commitment of our people has been instrumental in delivering high standards of service and customer satisfaction, as demonstrated by the customer feedback we receive. We would like to congratulate and thank all of our colleagues for their contribution to the business.

Annual General Meeting

The Group's Annual General Meeting will be held on Wednesday 30 October 2019. The notice of the Meeting accompanies this Annual Report and Accounts.

John Davies
Chairman
4 September 2019

Group Strategic Report
Market and business model

Operational review
Accident Management

The year again saw a continued increase in 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 those partners that the Group serves. This growth was also influenced in the early part of the year by the residual knock-on effect of the prolonged 2017/18 winter period (referred to in the media as "the Beast from the East"). This resulted in repairer capacity being squeezed and the availability of parts being affected by the higher levels of claims working their way through the repair supply chain, increasing demand for replacement vehicles. The relatively benign weather in the second half has however seen an easing in repairer workload and improved capacity with hire lengths returning to more normal levels as a result.

It is noted that during the year members of the ABI commented that the cost of repairs has increased due to increased repair costs of bumper safety sensors and the cost of realigning them. At the same time the delay in availability of some spare parts sourced from overseas and the increasing complexity of repairs has also increased repair times and, as a consequence, average hire days.

On 8 March 2019 the Group announced that the Company was not successful in securing the renewal of a hire and repair contract with a large insurer.

The original contract was due to expire at the end of July 2019. However since making the original announcement an agreement was reached with the insurer concerned in respect of an orderly run off of the services provided. This agreement involves the continuation of the higher margin non-fault hire and non-fault repair services through to November 2019. The lower margin work ceased on 31 July 2019. As a result of this the positive effect on working capital is now expected to gain traction later in the financial year 2020 to accommodate this extension.

The Group is pleased to report that a large insurer which had previously participated in a protocol agreement, which the Group terminated, has now agreed to take up a protocol agreement again after the Group was able to prove out to the insurer the higher costs of not being in a protocol. The Group is pleased that the benefits delivered via protocol agreements are valued by insurers who recognise the lower costs of settling claims under these agreements.

In addition, since the 8 March announcement there have been a number of new contract wins in other parts of the Group as well as a contract renewal with a major insurer.

In connection with the above the Group's wide service offering has seen increased levels of interest from the market and during the year the Group participated in 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 and contracts have been secured for delivery in the new financial year with both new and existing partners. At the same time extensions in the coverage and scope of "not-at-fault" services have also been achieved with other existing partners. These developments support the Group's 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 partners. This will in turn support the Group's position as a leading provider for vehicle mobility, rapid roadside recovery, repair, legal and other support services.

Protocols and Insurer Claims Portal

A main activity of the Group's operating model is to deliver credit hire and repair services on a B2C basis. This has a natural lag for receivables collections which under an insurance claim process can be lengthy. The Group has shortened this cycle considerably over the years through protocol arrangements with insurers. This generally involves discounting a claim in return for a non-frictional and a more efficient, faster settlement process. It is within the Group's gift to operate this model and the Group always seeks to find a balance to the level of discount and the timing of cash. Where insurers don't make settlement in line with those timings the Group has the right to remove those discounts and operate to recover the full amount of a claim.

As a large stakeholder in the motor claims market the Group has good relationships with many insurers and makes efforts to maintain those relationships. However, going forwards, the Group intends to be more robust on collections to ensure the value of protocols is preserved for those that meet the terms and to remove non performing protocols so that fuller recoveries are made. Some insurers choose to take the discount under protocol but then defer payments at their leisure which is not equitable. If the Group has to sacrifice some debtor days to preserve value, then it will do so. The strength and quality of the Group's claims are unquestionable and the Group is very confident that its protocol offering provides the most cost effective and efficient settlement offering to insurers. This has been proven out with more than one insurer returning to protocols having experienced the costs outside these arrangements. Therefore, in order to improve debtor days beyond what has already been achieved, the Group will make tough decisions to create better, longer-term outcomes.

Rising accident costs for insurers has resulted in most insurers looking to reduce operational costs and in many instances this has manifested itself in the insurers providing less resource to the processing of claims leading to longer claims settlement times. During the year the Group launched a bespoke, digital, protocol portal link which enables further claim processing efficiencies for both protocol insurers and the Group and the provision of

real-time claim settlement status. The year saw an increase in the number of protocol insurers linking in direct to the Group's protocol portal which will over time reduce claims processing times for those insurers although the roll out of this is dependent upon the availability of insurer internal IT resources.

Fleet and Incident Management

The Group's fleet and incident management business made further progress in growing its customer base, including the on-boarding of a number of insurer and large commercial broker clients for the provision of third party claims intervention services, reducing their cost of claims. The pipeline of potential business is encouraging with a number of new accounts being on-boarded for full implementation in the new financial year. In order to service the additional business and to provide the infrastructure for anticipated future growth, FMG's fleet and incident management operations were moved to larger premises in Huddersfield (comprising 43,000 square feet of operational space) from two existing premises in Huddersfield (comprising together 29,000 square feet) in September 2018 and the costs of this relocation are included in exceptional items.

Legal Services

The Group's latest ABS named 'Your Law' (which was launched last year by National Accident Helpline and supported by the Group's NewLaw legal firm) has showed encouraging progress and has continued to build its case load and consequently its levels of settlements to provide an increased contribution from this source which supplies a greater proportion of non-RTA cases under management. Whilst these cases together with the growth in NewLaw's employers' liability and medical negligence practice (supported by increased marketing) take longer to settle than road traffic accident claims and require greater cash investment as they progress, they are not affected by government announced reforms of RTA soft tissue injury compensation levels that are presently scheduled to come into effect in April 2020. The Group is investing in IT systems to provide a customer portal that will integrate with the proposed MoJ portals and provide efficiencies to deal with low-value claims after the reforms take effect. During the year the consolidation of substantially all of NewLaw's operations into NewLaw's existing building in Cardiff was completed and the relocation and other costs of this restructuring are included in exceptional items.

Technology Initiatives

The year saw the continuation of the investment in technology that commenced last year, 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.

The year saw mobile device optimisation and an upgrade of Auxillis's digital customer portal being implemented, enabling a clearer and faster data transfer between customers and our operational systems. In addition the Group delivered an upgrade to its Repair Tracker solution enabling network repairers to provide job status information in a more simplified and timely fashion via the portal, enabling automated updates to be provided to customers via our digital platforms. Direct data integration with a leading bodyshop management system has also been implemented, targeting further efficiencies to the capture of repair status information, and reducing administrative overheads for repairers.

A major upgrade to Auxillis's core operational claims management system was successfully completed in October 2018, providing enhanced platform capability which will support further operating efficiencies and customer service improvements. Work also commenced on the development of a digital self-service claims-capturing platform which will further enhance efficiencies in claims management, with greater visual tracking of claims progress by claimants.

During the year the Group has further developed its use of robotics processing automation in the processing of claims information and documentation including "back office" operational and finance systems. Applications live to date have proved cost effective and their use will be expanded across the Group where appropriate providing potential opportunities for future efficiencies.

The significant investment 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 has now come to fruition with the first phase of the project to replace one of NewLaw's core operating systems and associated reporting warehouse going live during the year. The second phase of this project is scheduled to go live shortly and the Group is actively involved in further system development to support its work processing cases as and when the planned government reforms to the conduct and outcomes of RTA soft tissue cases are implemented.

The Group has continued on its strategy of investing in core IT infrastructure, and is currently in the process of delivering enhanced network security controls across all operating sites.

Relationships and Customer Service

Customer service delivery has continued to be a strong focus for the Group and this has translated into net promoter scores above industry norms for the appropriate service. Performance feedback on the Group's operational service delivery and customer satisfaction rates is of

increasing importance with existing and potential new business partners who share the Group's vision for the customer journey.

Recognition of Auxillis for providing outstanding customer service was yet again evident at the prestigious North East Contact Centre Awards in February 2019 where Auxillis was honoured by being awarded the accolade of Contact Centre of the Year (in the over 250 seats category) having been runner up for this award in past years.

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 the short term and in peak periods.

The year saw a 10.7% increase in total number of hire days driven by a 9.4% increase in credit hire case volumes compared to last year. The average number of vehicles held during the year was increased by 20.0% from 9,312 to 11,173 as a result of the need to meet increases in demand seen during the year.

Fleet utilisation was maintained above our 80% target and was 81.6% compared to 82.9% last year with the fall being influenced by the implementation of an expanded contract for services being delayed by the insurer from 1 January to mid-March 2019. The average age of the fleet during the year was reduced to little over 10 months compared to 11 months last year.

The number of vehicles held at 30 June 2019 increased by 10.0% to 10,711 vehicles as a result of the increased demand during the year as well as providing more capacity to reduce the use of more expensive cross-hires and this compares to 9,741 at 30 June 2018.

Infrastructure

The Group has for the past 20 years occupied premises in Bath as a head office. Following a review of future requirements and options available the Group has advanced new plans to refurbish and sub-let such parts of these premises that are considered surplus to requirements as a head office. This work is expected to complete by the end of the new financial year at a capital cost of between £2 - £3 million.

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
4 September 2019

Group Strategic Report

Financial Review

Performance and adjusted results

Management is required to exercise its judgment in the classification of certain items such as exceptional items 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.

As these alternative performance measures ("APMs") are not defined by IFRS, they may not be directly comparable to other companies' APMs. They are not intended to be a substitute for, or superior to, IFRS measurements and the directors recommend that the IFRS measures should also be used when readers of this document assess the performance of the Group.

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

Results

For the year, the Group recorded an adjusted EBIT of £49.6m (2018: £46.2m). The adjusted profit before tax was £49.3m (2018: £46.0m) and the statutory profit before tax was £41.6m (2018: £38.8m).

Revenue

Revenues were £589.7m (2018: £527.0m), an increase of £62.7m (11.9%).

Sales growth principally reflects a 9.4% growth in the number of credit hire cases and a 11.4% increase in credit hire days. There was also a 5.2% increase in the total number of repairs undertaken against the corresponding period last year as well as continued momentum within the Group's fleet and incident management business.

Gross profit and adjusted EBIT

Gross profit was £9.9m higher than the corresponding period last year and gross margin was 23.3% (2018: 24.2%). The fall in gross margin was in line with the Board's expectations and for the year as a whole was influenced by an increased mix of lower margin activities and higher levels of commission payments to our referral partners. The Group expects gross margin percentage to improve following the termination of low margin business as a result of the exit of the contract with the large insurer mentioned in the operating review.

Adjusted administrative expenses were £93.4m (2018 £83.8m), an increase of 11.4% over last year reflecting increased investment in underlying infrastructure, marketing costs as well as increased operational costs as a result of the increased volumes. Adjusted administrative expenses as a percentage of sales was however reduced to 15.8% (2018: 15.9%).

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 £5.3m (2018: £2.2m). The increase reflects growth in the number of cases processed in Your Law LLP (in which NAHL plc is the majority partner) which commenced as a start-up venture in July 2017.

Earnings before interest and taxation

	2019 £'m	2018 £'m
Adjusted EBIT – continuing operations	**49.6**	**46.2**
Adjustments:		
Amortisation of acquired intangibles	(2.4)	(2.4)
Share based payments	(1.1)	(1.8)
Leasehold property provisions	(2.8)	(2.0)
Freehold property profit on sale*	0.2	(0.4)
Goodwill impairment – NewLaw	(0.9)	–
Restructuring costs	(0.7)	(0.6)
Statutory EBIT	**41.9**	**39.0**

* (2018: impairment)

The adjusted EBIT was £49.6m (2018: £46.2m).

Adjusted EBIT margin was 8.4% (2018: 8.8%).

EBITDA was £54.9m (2018: £55.4m). See page 37.

Net finance income

There was a net interest charge of £0.3m (2018: £0.2m) mostly comprising non utilisation fees on the Group's revolving working capital facilities with HSBC.

Financial Review continued

Adjusted profit before taxation

Adjusted profit before tax of £49.3m (2018: £46.0m) is an increase of £3.3m (7.1%) over last year.

Amortisation of intangibles, share based payments and exceptional items

A charge of £2.4m (2018: £2.4m) in respect of amortisation of intangible assets (acquired by virtue of the purchase of FMG) and a £1.1m cost (2018: £1.8m) 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 £4.2m (2018: £3.0m) in respect of restructuring charges arising from changes in the footprint of the Group's operations initiated last year involving the consolidation of some of the Group's operations from three main locations to two, including a lease on new larger premises to accommodate anticipated growth, and a charge for goodwill impairment. The net charge includes:

- provisions of £2.8m 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 (2018: £2.0m relating to properties vacated in prior years);
- a profit of £0.2m on sale of a freehold property vacated during the year (2018: impairment charge of £0.4m);
- reorganisation costs including associated redundancy and other staff associated costs of £0.7m (2018: £0.6m); and
- as detailed in note 11, following the annual impairment review by the directors it has been determined that an impairment in the value of goodwill in relation to NewLaw is appropriate and the resultant non cash impairment charge of £0.9m (2018: £nil) has been included above in exceptional items for the current year.

The tax effect of all of the above was a credit of £1.0m (2018: credit of £1.4m).

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 £41.6m (2018: £38.8m).

There was a net tax charge of £7.1m (2018: £4.3m) and therefore the statutory profit after tax is £34.5m (2018: £34.5m).

Earnings per share – Basic and Diluted

Statutory basic EPS is 11.28p (2018: 11.36p). Statutory diluted EPS is 11.08p (2018: 11.19p).

The adjusted basic EPS is 13.44p (2018: 13.27p). The adjusted diluted EPS is 13.21p (2018: 13.07p).

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

Dividends

An interim dividend of 5.50p per share was paid on 28 March 2019 (2018: 5.50p). A final dividend of 6.15p per share has been recommended by the Board (2018: 6.15p).

This dividend, if approved at the Annual General Meeting to be held on Wednesday 30 October 2019, will be paid on Thursday 7 November 2019 to those shareholders on the Register at the close of business on Friday 4 October 2019 making a total dividend for the year of 11.65p compared to a total of 11.65p for the interim and final dividends last year.

Working capital

The high demand for the Group's services continues and as a consequence the Group is investing in the appropriate working capital to support this demand including fleet. This follows an increase in the volume of work undertaken and investment in new IT digitisation projects and infrastructure to support this growth.

At the year end three (non-partner) insurers writing UK business from outside the UK were in administration or liquidation resulting in a hiatus on the settlement of claims whilst the relevant regulators oversee the responsibility of settling claims liabilities under their jurisdictional obligations. Whilst recoverability of these claims continues under the relevant legislation, it is clear that this is proving to be a slow process and accounts for approximately 3 debtor days.

More recently, collection of claims against one large (non-partner) Third Party Insurer has been challenging in the period as they reacted against the higher levels of claims seen in the market as a result of the "Beast from the East" and technology-led repair cost inflation by seeking to challenge some aspects of the claim. Based upon the run rate of past payments, the consequent reductions in payments amount to approximately £16m of the increase in working capital and account for approximately 9 debtor days. Such actions only serve to defer settlement of claims which are demonstrably proven and enforceable. The Group's track record shows that insurers who delay settling liabilities leads to an elongated outcome which adds unnecessary cost to the insurer by making recoveries through a litigated process. Consequently, and until the cost burden point is made, the Group expects a lag on an

element of the normal cash collection recovery time with this insurer but with a higher margin return as a result.

The Group can also report that since year end a previously announced terminated protocol agreement with a large insurer has been reinstated after the Group had proved out the higher costs of not being in a protocol. This demonstrates that the benefits delivered via Protocol agreements are valued by insurers who recognise the lower costs of settling claims under these agreements and the Group will continue to work in supporting these aims.

As a result of the extension of the run off period to November 2019 for the contract with the large insurer mentioned in the Operating Review the positive effect on working capital arising from the run off is expected to gain traction in the second half of the financial year ending 30 June 2020 to accommodate this extension.

As a result of the above and the increase in sales volumes, debtor days at 30 June 2019 were 116 days and compare to 105 days at 30 June 2018. This measure is based upon net trade receivables and contract assets, other receivables and accrued income as a proportion of the related underlying sales revenue for the past 12 months multiplied by 365 days.

Revenue generated debtors at 30 June 2019 were £187.0m and compare to £151.7m at 30 June 2018, an increase of £35.3m (23.3%). Trade creditors decreased to £87.8m compared to £89.3m at 30 June 2018, a decrease of 1.7%.

Net assets

Net assets at 30 June 2019 were £161.1m (2018: £160.2m).

Cash flow

Cash generated from operating activities was £20.9m (2018: £46.5m). After other net outflows in respect of interest and taxation net cash flow from operating activities was £12.0m (2018: £39.7m).

Net debt, cash and financing

Cash balances were £11.9m at 30 June 2019 (2018: £30.7m). The decrease in cash balances is mostly the result of the increased investment in net working capital, and in particular receivables, funding the growth in sales including investment in an expanded fleet and an increasing amount of corporation tax paid following use of losses and allowances from previous years.

In order to fund the greater investment in working capital mentioned previously much of the increase was funded out of cash balances although shortly before the year end use was made of the hitherto unutilised revolving facility in place with HSBC UK Bank plc with drawings of £9m being made.

On 7 August 2019 the Group extended the maturity date of the HSBC facility from December 2020 to August 2024 in the new amount of £50m and details of this are in note 18. This facility will provide support for future expansion of business by the Group.

As outlined in the operating review during the year the total average number of vehicles on the fleet during the year was increased by 20.0% over last year to service the increased volumes of hire days and also to reduce the levels of more expensive cross hire vehicles utilised in previous periods. A greater proportion of these new vehicles were funded by finance lease arrangements compared to last year. The number of vehicles funded by finance leases increased to 35.7% at 30 June 2019 compared with 32.2% at 30 June 2018. Despite this and an increase in the higher number of fleet vehicles to meet demand, fleet financing lease debt was reduced to £37.6m at 30 June 2019, a reduction of £1.6m compared to £39.2m at 30 June 2018 reflecting the funding of a greater mix of lower cost per unit small domestic vehicles.

Net debt at 30 June 2019 was therefore £34.7m and compares to £8.5m at 30 June 2018.

By order of the Board

Stephen Oakley
Chief Financial Officer
4 September 2019

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 the Brexit risks and those other 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.

Brexit

There has been much speculation but no certainty on the effect of Brexit on the timeliness, quantity and cost of the supply of goods or services into the United Kingdom post Brexit which is presently re-scheduled for 31 October 2019.

The Group does not employ a significant number of Non UK EU nationals and does not directly purchase or sell goods or services from or to the EU.

The services that the Group supplies is contained within the UK and principally involve the arrangement of accident and incident management on behalf of customers. In such cases the Group will instruct third parties to supply replacement parts and/or make repairs to customer's vehicles whilst also supplying replacement cars to the customer from the Group's own fleet of vehicles whilst repairs are being carried out. The costs of these services are then collected from the relevant insurance company or fleet owner as appropriate under the law of tort or relevant services agreement.

Depending on the outcome of Brexit, there are scenarios which could result in delays in the sourcing of required replacement parts for repairs or new vehicles into the United Kingdom and it is possible that such delays might, in the absence of any mitigating actions by vehicle manufacturers or stockholders in the repairer supply chain, lead to delays in the supply of new vehicles or delays in the repairing of vehicles causing an increase in off-road time for those vehicles that are classed as un-driveable (with a corresponding increase in required replacement vehicle hire days). This is turn would have an adverse impact on costs which are passed through the supply chain. In the case of delays in the supply of new motor vehicles the Group would manage its fleet rotation by similarly delaying corresponding disposals of its fleet.

To the extent that Brexit generally adversely affects the economic conditions in the United Kingdom then the risks to the Group are as outlined in the further principal risks and uncertainties as detailed below.

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

Principal Risks and Uncertainties continued

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 contract assets

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

Operational risks and systems

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

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

Liquidity and financial

The Group manages its existing cash balances and operational cash flow surpluses to provide day to day working capital headroom. In addition the Group has available to it a £50m 5 year committed revolving capital facility with HSBC and also has a £5m overdraft facility with the same bank.

The Group also has both committed and uncommitted fleet finance facilities to finance replacement vehicle purchases. In addition the principal financial risks and uncertainties therefore include capital risk, interest rate risk and credit risk.

Going concern

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

The directors have assessed the future funding requirement of the Group and the Company, and have compared them to the sources and levels of working capital resources available including cash balances and the existing

committed £55m bank revolving credit and overdraft facilities as well as the numerous fleet financing lines provided by various parties. The assessment included a review of current financial projections to June 2021 and any applicable covenants under the bank facilities.

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
4 September 2019

Governance

Board of Directors

John Davies

Chairman – Non Executive

John joined the Board as non-executive director in December 2011 and was appointed interim Chairman on 1 August 2019 after Avril Palmer-Baunack stepped down from the Board. John also acts as chairman of the Audit Committee and will continue in this role until a successor is found.

John has a wealth of relevant experience 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 Local Car and Van Rental Limited. John is also a former Chairman of the Vehicle Remarketing Association.

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 to the Board as 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.

Mark Chessman

Chief Operating Officer

Mark was appointed to the Board as an Executive Director of the Group on 27 November 2018. Mark joined FMG as Chief Operating Officer in December 2014, becoming first managing director in April 2015 and then, following FMG's acquisition by Redde, its Chief Executive Officer in October 2015.

Mark is a member of the Chartered Institute of Management Accountants and, prior to his role at FMG, spent twelve years with Lex Autolease, initially in 2002 as Finance Director of Lloyds TSB Autolease and latterly as corporate sales director. In July 2018 Mark was appointed as Redde's Chief Operating Officer and he continues in this role.

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 an Adviser to CVC and the senior independent director on the Warwickshire CCC Board. He has previously held non-executive directorships with HMV Group plc, UMBRO plc and Horserace Totalisator (Tote).

Directors' report

The directors present their Annual Report and the audited financial statements for the year ended 30 June 2019. The Corporate Governance section set out on pages 20 to 23 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 2019 was £45.5m (2018: £38.8m) and a profit after tax for the year of £37.8m (2018: £34.5m), 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 30 October 2019, will be paid on Thursday 07 November 2019 to those shareholders on the register at the close of business on Friday 04 October 2019.

An interim dividend of 5.50p per share was paid on 28 March 2019 and including this the total ordinary dividend for the year is 11.65p compared to interim and final dividends totaling 11.65p last year.

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 20 of this Annual Report.

The names and biographies of the current directors appear on page 16.

Governance continued

Directors' report

Directors' interests

At 30 June 2019, including family interests, the following directors held the number of shares of the Company as shown below:

	Ordinary Shares
Avril Palmer-Baunack (resigned 31 July 2019)	80,334
Martin Ward	4,004,812
Stephen Oakley	2,032,500
Mark Chessman	89,991
Mark McCafferty	30,000

No other changes took place in the interests of directors between 30 June 2019 and the date of this report (or date of resignation if earlier).

Details of directors' share options are contained in the Directors' Remuneration Report on pages 24 to 27.

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 4 September 2019, 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	28.87
Woodford Investment Management	60,940,731	19.86
Richard Griffiths and associated companies	23,540,032	7.67
Société Générale SA	18,383,147	5.99
Polar Capital LLP	16,178,447	5.27
Aviva Investors*	12,186,015	3.97
Janus Henderson*	10,482,300	3.42

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

Share capital and rights attaching to the Company's shares

As at at 30 June 2019, the Company's issued share capital consisted of 306,706,045 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.

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 30 October 2019. 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
4 September 2019

Governance continued

Corporate Governance report

The application of the QCA Corporate Governance Guidelines for AIM companies ("QCA Code") and corporate governance during the period 01 July 2018 to 30 June 2019 ("Year").

Since 28 September 2018 and in accordance with AIM Rule 26 the Company has applied the QCA Code.

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 Chessman	27/11/18	Chief Operating Officer	N/A
Mark McCafferty	01/03/09	Senior Independent Director	Remuneration (C) Audit Nomination
John Davies*	01/12/11	Non-executive director	Audit (C) Remuneration Nomination

*Avril Palmer-Baunack resigned on 31 July 2019. John Davies has since 1 August 2019 acted as non-executive chairman and will continue do so until a successor is appointed. During this interim period the Company will deviate from the requirements of the QCA Code as at least half of the directors are not non-executive directors on the Board and the Chairman will continue as the chairman of the audit committee.

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 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 under review at least half of the Board have been non-executive directors including the Chairman but this has not been so since 31 July 2019 and will continue not to be so until a new chairman is appointed. 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. John Davies was considered as independent on his appointment as interim chairman. The position will not be in accordance with the QCA Code until a new chairman is appointed.

Nomination Committee

Board appointments and succession planning are the responsibility of the Nomination Committee. This committee currently comprises Mark McCafferty and John Davies. There were two meetings in the Year.

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. The performance of the former Chairman was not assessed in the Year.

Re-election

Mark McCafferty completed 9 years' service to the Group in March 2018 which is highlighted in Part 4 of the QCA Code 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. As agreed at last year's AGM and in accordance with the recommendations in the QCA Code the Board therefore propose that Mark be re-elected at the forthcoming AGM and it is intended that he continues to stand for re-election annually thereafter.

Martin Ward is retiring by rotation and seeks re-election to the Board. Mark Chessman having been appointed since the last Annual general Meeting also retires and offers himself for re-election. Their biographical details are to be found on page 16 of this Annual Report and Accounts. The Nomination Committee believes that Mark McCafferty, Martin Ward and Mark Chessman continue to be effective and demonstrate commitment to their roles.

Remuneration Committee

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

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.

Corporate Governance Report continued

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 16 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.

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 auditor in the absence of management.

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

Board and Committee attendance

The attendance of 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	10/11	–	3/4	3/3
Martin Ward	11/11	–	–	–
Stephen Oakley	11/11	–	–	–
Mark Chessman	6/6	–	–	–
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
4 September 2019

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 2019 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). It currently comprises Mark McCafferty (chairman) and John Davies, both of whom are independent non-executive directors and during the Year Avril Palmer-Baunack was also a member.

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 £397,725, Chief Financial Officer £267,378 and Chief Operating Officer £300,000.

The committee resolved in July 2019 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 £405,680, Chief Financial Officer £272,726 and the Chief Operating Officer £306,000. The next review is scheduled to take place in or around July 2020.

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 (in all cases subject to the insurers' willingness to provide or limit cover for any particular individuals) 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. The directors have waived any entitlement to bonus payments that was due for the Year 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)
Mark Chessman	27 November 2018	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
John Davies	01 December 2011	3 months notice (subject to re-election)
Mark McCafferty	01 March 2009	3 months notice (subject to re-election)

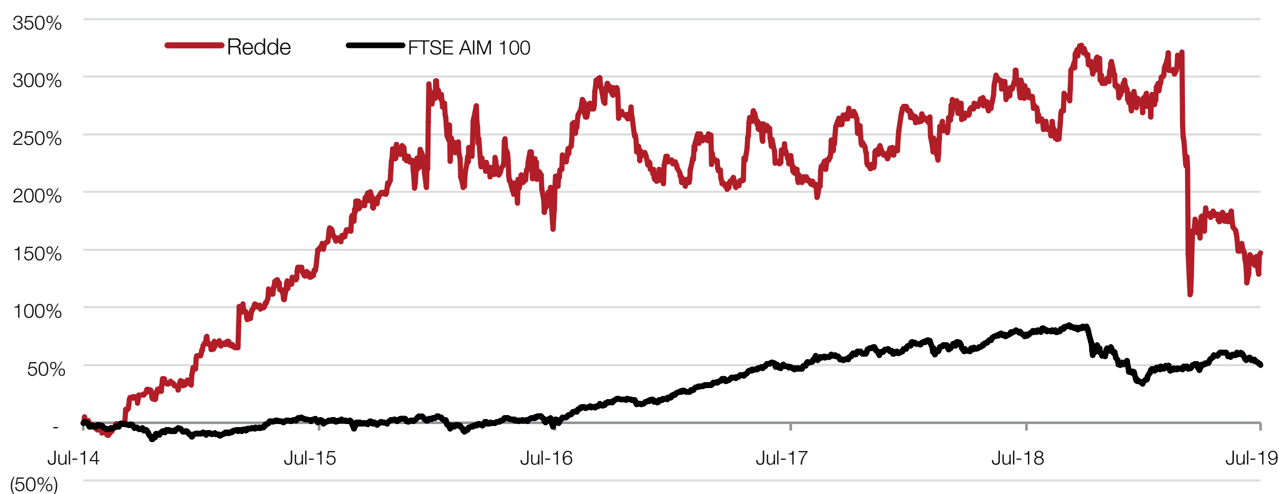
Governance continued

Directors' remuneration report continued

Performance graph

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

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



Aggregate directors' remuneration

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

	2019 £'000	2018 £'000
Emoluments	**1,199**	1,575
Money purchase pension contributions	**165**	152
Total remuneration	**1,364**	1,727

Directors' emoluments

Executive Directors	Fees/Basic salary £'000	Bonus £'000	Taxable benefits £'000	Sub-Total 2019 £'000	Pension 2019 £'000	Total 2019 £'000	Sub-Total 2018 £'000	Pension 2018 £'000	Total 2018 £'000
M Ward	**398**	**–**	**18**	**416**	**93**	**509**	759	91	850
S Oakley	**268**	**–**	**23**	**291**	**63**	**354**	512	61	573
M Chessman*	**180**	**–**	**8**	**188**	**9**	**197**	–	–	–
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	**1,150**	**–**	**49**	**1,199**	**165**	**1,364**	1,575	152	1,727

* From date of appointment

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 2018 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	**Options held at 30 June 2019 '000**	**Options vested at 30 June 2019 '000**	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	585	–	(536)	(49)	**–**	**–**	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
30 June 2021	–	204	–	–	**204**	**–**	0.1	See below	26/09/2028
Total	1,007	204	(536)	(49)	**626**	**–**	0.1		

S Oakley

Target Year end	Options held at 01 July 2018 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	**Options held at 30 June 2019 '000**	**Options vested at 30 June 2019 '000**	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	393	–	(360)	(33)	**–**	**–**	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
30 June 2021	–	137	–	–	**137**	**–**	0.1	See below	26/09/2028
Total	677	137	(360)	(33)	**421**	**–**	0.1		

M Chessman

Target Year end	Options held at 01 July 2018* '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	**Options held at 30 June 2019 '000**	**Options vested at 30 June 2019 '000**	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2019	50	–	–	–	**50**	**–**	0.1	See below	02/09/2026
30 June 2020	62	–	–	–	**62**	**–**	0.1	See below	08/09/2027
30 June 2021	115	–	–	–	**115**	**–**	0.1	See below	26/09/2028
Total	227	–	–	–	**227**	**–**	0.1		

* Or date of appointment if later

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
4 September 2019

Statement of Directors' responsibilities

in respect of the Annual Report and financial statements

The directors are responsible for preparing the Annual Report and Accounts 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.

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 2019 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 2019 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:

Claims due from insurance companies and self-insuring organisations, incorporating revenue recognition
(£164.7 million; 2018: £132.2 million) *Refer to page 39 (accounting policy) and page 54 (financial disclosures).*

The risk

Subjective estimate

The Group recognises contract assets on claims due from insurance companies and self-insuring organisations which are subject to the insurance claims and associated disputes being settled. Revenue recognised in respect of these claims represents variable consideration and is subject to a variable consideration adjustment ("the constraint"), taking into account the settlement risk involved in agreeing amounts owed by the insurers, aging profile and historical collection rates. The valuation of these contract assets at the year-end forms the judgmental part of the revenue recognised in the year.

The assumptions underlying the calculation of the constraint as well as the adjustments being made involve judgment and impact both the carrying value of these assets and the revenue recognised in relation to the associated claims.

The effect of these matters is that, as part of our risk assessment, we determined that valuation of these outstanding claims has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

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 variable consideration 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 agreeing to 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 (£39.4 million; 2018: £40.3 million)
Refer to page 39 (accounting policy) and page 50 (financial disclosures).

The risk
Forecast-based valuation
Goodwill allocated to the NewLaw Cash Generating Unit is significant and at risk of irrecoverability due to continuing pressures in the Personal Injury market and the anticipated impact of legislative changes. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the sensitivity estimated by the Group.

Our response
Our procedures included:

- **Our sector experience:** Evaluating the assumptions used, in particular those relating to forecast revenue growth and profit margins Considering whether these reflect our knowledge of the business and industry, including known or probable changes in the business environment;

- **Historical comparisons:** Assessing the reasonableness of the budgets by considering the historical accuracy of previous forecasts;

- **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data used in the calculation of the discount rate using our own valuation specialist;

- **Sensitivity analysis:** Performing analysis to assess the sensitivity of the impairment review to changes in the key assumptions above;

- **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and

- **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Revenue recognition – work in progress (accident management) and revenue cut-off (fleet and incident management services)
Refer to page 39 (accounting policy) and page 45 (financial disclosures).

The risk
Calculation error and 2019/2020 revenue
The Group applies estimation methodology in the recognition of gross revenue (and accrued costs) in respect of accident repair services in progress at the period-end. The specific inputs to the calculation are the volumes of ongoing cases, average cost and the stage of completion.

While the range of estimation uncertainty is not significant, there remains a risk that the assumptions adopted are inappropriately derived and are open to potential management manipulation. The risk of potential manipulation extends to the recognition of billed revenue relating to fleet and incident management services delivered in the period around the year-end.

Our response
Our procedures included:

- **Test of details:** Assessing the accuracy of the observable data used in developing the work in progress estimate for the Group's accident repair services by agreeing a sample of jobs to source documents;
- **Methodology implementation:** Assessing the model used to calculate the work in progress number to ensure that the outputs are consistent with the data inputs ; and
- **Test of details:** Selecting a sample of high risk fleet management revenue transactions at either side of the period end and comparing these to the supporting evidence to ensure that revenue is recognised in the correct period.

Recoverability of parent company's investment in subsidiaries (£225.0 million; 2018: £225.0 million)
Refer to page 39 (accounting policy) and page 70 (financial disclosures).

The risk
Low risk, high value
The carrying amount of the parent company's investments in subsidiaries represents 73% (2018: 74%) 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 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, was in excess of its carrying amount and assessing whether those subsidiaries have historically been profit-making;
- **Comparing valuations:** Where the carrying value of the investment exceeded the net assets of the subsidiary we obtained the forecasts used by the directors in their assessment of the recoverability of their investments. We challenged and assessed the underlying assumptions used in these forecasts, taking into consideration the assumptions used by the directors in testing the recoverability of Goodwill at a Group level and the sensitivity of impairment of the parent company's investment in subsidiaries to these assumptions.

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 £2.0 million (2018: £1.8 million) determined with reference to a benchmark of Group profit before taxation, normalised to exclude the impairment of NewLaw goodwill of £0.9 million (2018: £Nil) as disclosed in Note 4, of which it represents 4.8% (2018: 4.6%).

The group team performed procedures on the item excluded from normalised Group profit before taxation.

Materiality for the parent company financial statements as a whole was set at £1.35 million (2018: £1.35 million), determined with reference to a benchmark of company net assets, of which it represents 0.60% (2018: 0.60%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.10 million (2018: £0.09 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 22 (2018: 23) reporting components, we subjected 16 (2018: 21) to full scope audits for group purposes. This covered 100% of total Group revenue, 96% of Group profit before tax, and 98% of total Group assets (2018: 100% of each of total Group revenue, Group profit before tax, and total Group assets).

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

The remaining 4% of Group profit before tax and 2% of total Group assets is represented by 5 reporting components, none of which individually represented more than 2% of any of total Group revenue, Group profit before tax or total Group assets.

The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team approved the component materialities, which ranged from £0.015 million to £1.35 million, having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 22 components (2018: None of the 23 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the group team.

The group team held telephone conference meetings with the (2018: None) component auditor in the United Kingdom to assess the audit risk and strategy. At these meetings, the findings reported to the group team were discussed in more detail, and any further work required by the group team was then performed by the component auditor.

4 We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company’s and the Group’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

Our responsibility is to conclude on the appropriateness of the directors’ conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group or the company will continue in operation.

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Group’s and Company’s business model and analysed how those risks might affect the Group’s and Company’s financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group’s and Company’s available financial resources over this period was the non-timely recovery of receivables and subsequent impact on working capital, in particular the actions of the one large Third Party Insurer (as detailed on page 10) and other potential changes in the behaviour of insurers.

As these were risks that could potentially cast significant doubt on the Group’s and the Company’s ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group’s financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

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
4 September 2019

Consolidated income statement

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 Adjusted* £'000	Year ended 30 June 2019 Adjustment Items* £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 Adjusted* £'000	Year ended 30 June 2018 Adjustment Items* £'000	Year ended 30 June 2018 £'000
Revenue	3	**589,724**	**–**	**589,724**	526,981	–	526,981
Cost of sales		**(452,034)**	**–**	**(452,034)**	(399,199)	–	(399,199)
Gross profit		**137,690**	**–**	**137,690**	127,782	–	127,782
Administrative expenses	4	**(93,375)**	**(7,634)**	**(101,009)**	(83,797)	(7,209)	(91,006)
Operating profit	5	**44,315**	**(7,634)**	**36,681**	43,985	(7,209)	36,776
Share of results of associates	14	**5,261**	**–**	**5,261**	2,206	–	2,206
EBIT		**49,576**	**(7,634)**	**41,942**	46,191	(7,209)	38,982
Net finance costs	7	**(288)**	**–**	**(288)**	(170)	–	(170)
Profit before taxation		**49,288**	**(7,634)**	**41,654**	46,021	(7,209)	38,812
Tax (charge)/credit	8	**(8,163)**	**1,015**	**(7,148)**	(5,702)	1,418	(4,284)
Profit for the year		**41,125**	**(6,619)**	**34,506**	40,319	(5,791)	34,528
Profit for the year attributable to:							
Equity holders of the Company		**41,125**	**(6,619)**	**34,506**	40,319	(5,791)	34,528
Profit for the year		**41,125**	**(6,619)**	**34,506**	40,319	(5,791)	34,528
Earnings per share (p)							
Basic	10	**13.44**	**(2.16)**	**11.28**	13.27	(1.91)	11.36
Diluted	10	**13.21**	**(2.13)**	**11.08**	13.07	(1.88)	11.19

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 2019

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit for the year	**34,506**	34,528
Other comprehensive income	**–**	–
Total comprehensive income for the year attributable to equity holders of the company	**34,506**	34,528

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Share Capital £'000	Share Premium Account £'000	Shares held in treasury £'000	Retained Earnings £'000	Total £'000
Balance at 01 July 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**
Profit for the year	–	–	–	34,506	34,506
Total comprehensive income for the year	–	–	–	34,506	34,506
Issue of Ordinary Shares	3	980	–	–	983
Dividends paid in the year	–	–	–	(35,682)	(35,682)
Share-Based Payments	–	–	–	1,082	1,082
Balance at 30 June 2019	**307**	**74,768**	**–**	**86,009**	**161,084**

Consolidated statement of financial position

as at 30 June 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill	11	**85,077**	85,990
Intangible assets	12	**14,137**	16,527
Property, plant and equipment (including vehicles)	13	**46,022**	48,596
Interests in associates	14	**4,401**	2,559
Deferred tax asset	20	**6,940**	6,165
		156,577	159,837
Current assets			
Receivables and contract assets	15	**219,645**	181,414
Cash and cash equivalents		**11,880**	30,746
		231,525	212,160
Total assets		**388,102**	371,997
Current liabilities			
Trade and other payables	16	**(171,301)**	(164,030)
Obligations under finance leases	17	**(15,535)**	(23,723)
Short term borrowings	18	**(9,000)**	–
Provisions	19	**(3,401)**	(2,475)
		(199,237)	(190,228)
Net current assets		**32,288**	21,932
Non-current liabilities			
Obligations under finance leases	17	**(22,030)**	(15,482)
Deferred tax liability	20	**(3,800)**	(3,836)
Provisions	19	**(1,951)**	(2,256)
		(27,781)	(21,574)
Total liabilities		**(227,018)**	(211,802)
Net assets		**161,084**	160,195
Equity			
Share capital	21	**307**	304
Share premium account	21	**74,768**	73,788
Retained earnings		**86,009**	86,103
Equity attributable to owners of the Company		**161,084**	160,195

The notes on pages 38 to 65 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 4 September 2019. They were signed on its behalf by:

Stephen Oakley
Chief Financial Officer
4 September 2019
Company Number 03120010

Consolidated statement of cash flows

for the year ended 30 June 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Profit for the year		**34,506**		34,528	
Tax charge		**7,148**		4,284	
		41,654		38,812	
Income from associates		**(5,261)**		(2,206)	
Net finance costs	*7*	**288**		170	
Fleet finance lease interest	*7*	**1,222**		1,203	
Depreciation of tangible fixed assets	*13*	**10,124**		10,506	
Impairment of properties	*13*	**–**		379	
Impairment of goodwill	*11*	**913**		–	
Property lease provisions	*4*	**3,064**		1,973	
Amortisation of intangible assets	*4*	**2,390**		2,390	
(Gains) / Losses on sale of property, plant and equipment		**(557)**		417	
Share-based payment charges	*4*	**1,082**		1,791	
EBITDA		**54,919**		55,435	
Increase in receivables and contact assets		**(38,173)**		(38,633)	
Increase in payables		**6,607**		30,723	
Decrease in provisions		**(2,443)**		(1,066)	
Cash generated from operating activities			**20,910**		46,459
Bank interest received		**37**		112	
Bank interest paid		**(61)**		–	
Fleet finance lease interest		**(1,222)**		(1,203)	
Interest element of non-fleet finance lease rentals		**(1)**		(4)	
			(1,247)		(1,095)
Taxation paid			**(7,616)**		(5,652)
Net cash from operating activities			**12,047**		39,712
Cash flows from investing activities					
Distributions from associates		**3,419**		1,007	
Purchase of property, plant and equipment		**(3,748)**		(3,075)	
Proceeds from sale of plant and equipment		**29,985**		29,340	
Net cash inflow from investing activities			**29,656**		27,272
Cash flows from financing activities					
Proceeds from issue of share capital		**983**		8	
Purchase of shares into treasury		**–**		(1,964)	
Proceeds from re-issue of treasury shares		**–**		618	
Proceeds from borrowings		**9,000**		–	
Dividends paid		**(35,682)**		(33,740)	
Finance lease principal repayments		**(34,870)**		(37,504)	
Net cash used in financing activities			**(60,569)**		(72,582)
Net (decrease)/increase in cash and cash equivalents	25		**(18,866)**		(5,598)
Cash and cash equivalents at beginning of year			**30,746**		36,344
Cash and cash equivalents at end of year	25		**11,880**		30,746
Cash and cash equivalents consist of:					
Cash at bank and in hand			**11,880**		30,746

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

Two new accounting standards, IFRS 15 (Revenue from contracts with customers) and IFRS 9 (financial Instruments), have come into force for the current financial year and have now been adopted. The Group has assessed the impacts of these standards and they have not resulted in any material measurement differences. Consequently the two methods of adoption, being the fully retrospective method or the modified retrospective method, are not applicable to the Group. The Group has applied the practical expedient in IFRS 15 paragraph 121 exempting the Group from disclosure of amounts pertaining to outstanding performance obligations for contracts with an expected duration of 1 year or less.

New and revised standards not yet adopted

The following standard has not been applied in preparing these consolidated Financial Statements:

- IFRS 16 - Leases.

The Group will report its financial statements under IFRS 16 for the first time from 1 July 2019. The Group presently expects to adopt IFRS 16 on a modified retrospective basis in its 2019/20 financial statements. Accordingly prior year comparatives will not be restated for the effect of IFRS 16 but instead the Group's 1 July 2019 opening reserves will be restated for the full cumulative impact of adopting this standard.

The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The following indicative impacts are anticipated:

- there is expected to be an increase in total assets, as leased assets which are currently accounted for off balance sheet (i.e. classified as operating leases under IAS 17) will be recognised on balance sheet and valued in accordance with the principles of IFRS 16. The biggest asset categories impacted for the group are expected to be land and buildings and motor vehicles currently supplied under contract hire arrangements;

- there is expected to be an increase in debt, as liabilities relating to existing operating leases are recognised;

- operating lease expenditure will be reclassified and split between depreciation and finance costs. Therefore EBITDA will increase. Future depreciation and finance costs are also expected to increase as a result of increased assets and liabilities;

- there is an expected temporary but immaterial reduction in profit after tax. This is expected to be driven by an increase in finance costs as a result of the new leases. These finance costs will have an accelerated profile which will reduce over a lease term; and

- there may be a corresponding effect on tax balances in relation to all of the above impacts.

This standard will require the Group to make key accounting judgments in particular around the likelihood of lease renewals. Details of the Group's existing operating lease commitments at 30 June 2019 are set out in note 22.

On transition, the Group intends to apply the practical expedient allowing the exclusion of leases with a remaining life of less than one year. As a result, on 1 July 2019 right of use assets will increase by £18.6m, lease liabilities will increase by £19.1m, and there will be a one-off reduction to opening reserves of £0.5m. If applied for the financial year just ended then operating profit would have increased by 0.6m, interest charges would have increased by 0.3m and profit before taxation would have increased by £0.3m. EBITDA would have increased by £20.9m.

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.

1 Significant accounting policies continued

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 14.

Business combinations

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

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

Interest in associates

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

Goodwill

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

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 is recognised on the basis of contractual performance obligations following the 5 step model under IFRS 15 and is the consideration to which the Group expects to be entitled based on contractual terms and customary business practice (after applying the variable consideration constraint), net of VAT and other sales taxes. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services on the basis of a relative stand-alone selling price of the individual service.

Credit hire revenue is recognised from the date a vehicle is placed on hire, over time as the performance obligation is completed. Each performance obligation is the provision of an individual vehicle for the needed duration, and is satisfied as the hire takes place. 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 for variable consideration to the expected settlement value, 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. For more information as to the operation of protocol agreements, please see the strategic report commentary on page 6.

Notes to the consolidated financial statements
continued

1 Significant accounting policies continued

The Group also receives late payment fees 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 would be at significant risk of reversal; rather they are recognised 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. Each performance obligation for this service is the repair of an individual vehicle, and is satisfied over time as this repair takes place. Credit repair revenue is recognised based on a reasonable estimate of the cost and stage of completion of the repair services at the reporting date. Credit repair revenue is reported after adjustment for variable consideration to the expected settlement value. The Group records credit repair revenue on a principal basis as the service is controlled by the Group, who have primary responsibility for its provision. Managed repair revenue is recorded at a point in time when the repair is started based on the contractual value of each repair, 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. The Group's performance obligations include various services related to the management of a fleet of vehicles, and revenue is recognised over time or at a point in time, depending on the individual service, as or when these obligations are performed. Where more than one service is provided under a single arrangement, the consideration receivable is allocated to the identifiable services on the basis of the relative stand-alone selling price of the individual service. 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 control over the service provided, primary responsibility for providing the service and discretion in establishing pricing. 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. The Group's performance obligation is the provision of legal services, and revenue is recognised at a point in time when the case is settled, or in the case of interim and processing fees, over time as the legal work required to process the case is completed. 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 and the performance obligation has been completed. Revenue in relation to legal services is valued at the expected recoverable amount, after due regard to non-recoverable time. Expected recoverable amount 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 receipt of cash flows, either through an interim fee or through the outcome of cases, to justify the recognition of an asset. Certain costs incurred and associated with partnerships and directly relating to the activities of the Group's legal services are held as prepayments until the corresponding benefits accrue to the business.

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 as the performance obligation is completed, over time or at a point in time depending on the nature of the service, at the fair value of the consideration received or receivable, net of discounts, VAT and other sales related taxes.

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, and are therefore considered to be variable consideration. On initial recognition, this consideration is constrained to exclude any revenue at significant risk of reversal. As described above, the Group records revenue net of potential reversal on the settlement of claims, which reflects the Group's estimate of the expected recoverable amounts from insurers. The Group reassesses the amounts of variable consideration at the balance sheet date reflecting the latest information available on the settlement of claims in the period.

The Group's estimation of the amounts of revenue 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.

1 Significant accounting policies continued

Contract assets – Claims due from insurance companies and self-insuring organisations

Credit hire and credit repair contract assets and claims in progress are stated at the expected net claim value, which is after a variable consideration adjustment 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. At the end of each reporting period the Group updates the estimated claim values, to reflect the Group's most recent estimation of amounts ultimately recoverable. Any further variable consideration adjustments arising from such subsequent revision of the Group's expected claim values 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.

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.

Notes to the consolidated financial statements
continued

1 Significant accounting policies continued

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

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

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

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

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

Property, plant and equipment

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

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

Non-hire fleet

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

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

Hire fleet

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

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.

1 Significant accounting policies continued

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 – Borrowings

Borrowings 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

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable quantitative and qualitative information that is relevant and available, based on the Group's experience including forward looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

For certain categories of financial asset, such as non-insurance debt, 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 is based on the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

Financial assets are generally considered to be in default if sufficient indicators exist that the debtor will not pay. Amounts are written off as uncollectable when all reasonably collectable amounts have been recovered and following the completion or cessation of enforcement activity.

The carrying amount of financial assets is reduced by the impairment losses directly for all financial assets with the exception of trade receivables invoiced for services, where the carrying amount is reduced through the use of a loss allowance. The Group uses the simplified model for loss allowances.

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

Cash and cash equivalents

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

Equity instruments

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

Financial liabilities

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

Notes to the consolidated financial statements
continued

1 Significant accounting policies continued

De-recognition of financial liabilities

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

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 variable consideration 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, the sources of estimation uncertainty and judgments made in the assessment of goodwill impairment are set out in 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 two operating segments.

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

3 Revenue

	2019 £'000	2018 £'000
Revenue – insurance claims (variable consideration under IFRS 15)	**416,416**	363,844
Revenue – invoiced for services (non-variable consideration under IFRS 15)	**173,308**	163,137
Total revenue	**589,724**	526,981

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.

As these alternative performance measures ("APMs") are not defined by IFRS, they may not be directly comparable to other companies' APMs. They are not intended to be a substitute for, or superior to, IFRS measurements and the directors recommend that the IFRS measures should also be used when readers of this document assess the performance of the Group.

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 analysed on the face of the Consolidated Income Statement on page 34.

	2019 £'000	2018 £'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	**1,082**	1,791
Impact of above on operating profit	**3,472**	4,181
Exceptional items comprise the following:		
c) Property lease provisions	**2,812**	1,973
d) Impairment of freehold properties	**(246)**	379
e) Reorganisation and redundancy costs	**683**	676
f) Goodwill impairment	**913**	–
Impact of exceptional items on operating profit	**4,162**	3,028
Total adjustments to operating profits and profit before tax	**7,634**	7,209
Tax effect of the above	**(1,015)**	(1,418)
Impact on profit after tax for the year	**6,619**	5,791

Notes to the consolidated financial statements
continued

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 (2018: £2.4m) (note 12), and the tax effect was a credit of £0.4m (2018: £0.9m).

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 £1.1m for the year (2018: £1.8m). Such charges are included in adjustment items as they do not represent a cash cost of operations, have no effect on the net assets of the Group and given that unissued options are already included in the statutory diluted earnings per share calculations these costs are removed to avoid double counting in arriving at such diluted earnings per share.

c) Leasehold property provisions

The Group has restructured its operations by the moving of its operations from three existing locations to two locations one of which involving new premises with greater capacity to accommodate anticipated growth. Provisions made include provisions for the Group's plans to mitigate against the holding costs between now and the end date of any liabilities for the resultant empty properties for those premises that will be no longer occupied by the Group. In addition the Group presently is subject to a number of onerous long term leases of certain properties vacated in prior years 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 £2.8m (2018: £2.0m) has been made in this respect. The tax effect was a credit of £0.5m (2018: £0.4m).

d) Profit on sale of freehold property (2018: Impairment)

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 property vacated was sold in March 2019 at a profit of £0.2m. The impairment provision last year reflects the then anticipated change in the valuation from an 'in use' basis to one that reflected vacant possession and amounted to £0.4m.

e) Reorganisation and redundancy costs

As stated above the Group has restructured 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 were unable or unwilling to relocate to NewLaw's existing head office premises in Cardiff or whose roles would be duplicated as a result of the merger of operations. In addition certain of the Group's other operations were also restructured during the year giving rise to redundancy and termination payments. These restructurings did not represent the normal operations of the Group. The total costs of this and other costs associated with the restructuring total £0.7m (2018: £0.7m) for the year and the tax effect was a credit of £0.1m (2018: £0.1m).

f) Goodwill impairment

As detailed in note 11, following the annual impairment review by the directors it has been determined that an impairment in the value of goodwill in relation to NewLaw is appropriate and the resultant non cash impairment charge of £0.9m has been included above in exceptional items for the current year.

5 Operating profit

	2019 £'000	2018 £'000
Operating profit has been arrived at after charging:		
Depreciation of property, plant and equipment		
owned	**1,805**	1,437
leased	**8,319**	9,069
Profit on disposal (2018: impairment) of property	**(246)**	379
(Profit) / Loss on sale of property, plant and equipment	**(311)**	417
Operating lease rentals		
vehicles	**21,270**	15,641
property	**2,931**	2,672
other	**16**	16

Details of auditor's remuneration is provided below:

	2019 £'000	**%**	2018 £'000	%
Audit services				
Statutory audit of Group and company financial statements	**84**	**28**	79	29
Statutory audit of Group subsidiaries pursuant to legislation	**168**	**57**	138	52
	252	**85**	217	81
Other services				
Review of interim financial statements	**43**	**15**	41	15
Other regulatory reporting	**–**	**–**	11	4
Total auditor's remuneration	**295**	**100**	269	100

6 Staff costs

	2019 Employees	**2019 FTE's**	2018 Employees	2018 FTE's
The average number of employees (including executive directors) was:				
Operational	**1,879**	**1,707**	1,774	1,616
Office administration	**410**	**399**	396	381
Management	**116**	**114**	99	97
	2,405	**2,220**	2,269	2,094

	2019 £'000	2018 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**60,939**	57,020
Social security costs	**5,150**	4,899
Other pension costs	**1,393**	1,053
	67,482	62,972
Share-based payments charge	**1,082**	1,791
	68,564	64,763

The number of employees and full time equivalent number of employees at the year end was 2,469 and 2,254 respectively (2018: 2,292 and 2,111 respectively). Key management personnel and their remuneration are discussed in the directors' emoluments table on page 26 and the share plan tables on page 27.

Notes to the consolidated financial statements
continued

7 Finance income and finance costs

	2019 £'000	2018 £'000
a) Finance income		
Interest receivable	**(37)**	(112)
b) Finance costs		
Interest on obligations under finance leases	**1,223**	1,207
Loan arrangement costs amortisation and non-utilisation fees	**232**	245
Interest on obligations under working capital loan facility	**61**	–
Unwind of discount on provisions	**31**	33
	1,547	1,485
Reclassification of interest on finance lease obligations under fleet facilities to cost of sales	**(1,222)**	(1,203)
Total finance costs	**325**	282
Total net finance costs	**288**	170

8 Tax

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profit for the year	**(7,917)**	(7,401)
Adjustments in respect of prior years	**(42)**	33
Total current tax charge	**(7,959)**	(7,368)
Deferred tax		
Recognition of previously unrecognised fixed asset & other temporary differences	**1,170**	2,029
Origination and reversal of temporary differences	**(79)**	359
Adjustments in respect of prior years	**(51)**	–
Differences in tax rate on deferred tax movements	**(229)**	696
Tax charge on profit on ordinary activities	**(7,148)**	(4,284)

	2019 £'000	2018 £'000
Reconciliation of tax charge		
Profit for the year	**34,506**	34,528
Tax charge	**7,148**	4,284
Profit before tax	**41,654**	38,812
Tax at the weighted average UK corporation tax rate of 19.00% (2018: 19.00%)	**(7,914)**	(7,375)
Recognition of previously unrecognised fixed asset & other temporary differences	**1,170**	2,755
Adjustment in relation to prior periods	**93**	33
Difference in tax rate on deferred tax movements	**(229)**	696
Tax effect of non-deductible expenses	**147**	(318)
Employee share option charges on which no deferred tax is recognised	**(415)**	(75)
Tax charge for the year	**(7,148)**	(4,284)

The tax rate of 19.0% (2018: 19.0%) reflects the standard UK corporation tax rate effective from 1 April 2017. A 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 2019 have been calculated based upon these enacted rates.

9 Dividends

	2019 £'000	2018 £'000
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
Final dividend for 2018 of 6.15p paid on 08 November 2018	**18,815**	–
Interim dividend for 2019 of 5.50p paid on 28 March 2019	**16,867**	–
Total dividends paid in the year	**35,682**	33,740

10 Earnings per share

Basic earnings per share

The calculation of the basic earnings per share at 30 June 2019 is based on the profit attributable to ordinary shareholders of £34,506,000 (2018: £34,528,000) and a weighted average number of ordinary shares outstanding of 305,928,616 (2018: 303,882,212) calculated as follows:

Profit attributable to ordinary shareholders

	Year ended 30 June 2019 Adjusted* £'000	Adjustment items £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 Adjusted* £'000	Adjustment items* £'000	Year ended 30 June 2018 £'000
Profit for the year	**41,125**	**(6,619)**	**34,506**	40,319	(5,791)	34,528

* 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

	2019 Number	2018 Number
In issue at 1 July	**303,986,757**	303,978,408
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	**1,527,619**	–
Effect of shares issued for cash on exercise of SAYE share options	**414,240**	1,117,811
Weighted average number of ordinary shares at 30 June	**305,928,616**	303,882,212

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 2019 is based on the profit attributable to ordinary shareholders of £34,506,000 (2018: £34,528,000) and a weighted average number of ordinary shares outstanding of 305,928,616 (2018: 303,882,212) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019 Number	2018 Number
Weighted average number of ordinary shares (basic)	**305,928,616**	303,882,212
Effect of 2016 executive share options scheme shares in issue	**1,248,405**	2,948,941
Effect of 2017 executive share options scheme shares in issue	**1,077,217**	1,101,551
Effect of 2018 executive share options scheme shares in issue	**1,138,615**	–
Effect of 2014 issues of SAYE share option scheme shares in issue	–	102,375
Effect of 2015 issues of SAYE share option scheme shares in issue	**357,731**	206,617
Effect of 2016 issues of SAYE share option scheme shares in issue	–	4,219
Effect of 2017 issues of SAYE share option scheme shares in issue	**37,079**	173,726
Effect of 2018 issues of SAYE share option scheme shares in issue	**20,572**	56,752
Effect of 2019 issues of SAYE share option scheme shares in issue	**1,625,766**	–
Weighted average number of ordinary shares (diluted) at 30 June	**311,434,001**	308,476,393

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

Notes to the consolidated financial statements
continued

11 Goodwill

	£'000
Cost	
At 01 July 2017, 30 June 2018 and 30 June 2019	**140,308**
Accumulated impairment losses	
At 01 July 2017, 30 June 2018	**(54,318)**
Impairment charge for the year - NewLaw	(913)
At 30 June 2019	**(55,231)**
Net book value at 30 June 2019	**85,077**
Net book value at 30 June 2018	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 appropriate 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 a very conservative 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:

2019	**Auxillis**	**NewLaw**	**FMG**
Allocation of Goodwill (£'000)	**18,950**	**39,368**	**26,759**
Pre-tax discount rate	**11.4%**	**15.7%**	**11.1%**
Headroom (£'m)	**286.0**	**0.0**	**85.8**
Headroom increase if discount rate 0.5% lower	**16.4**	**1.5**	**5.6**
Headroom decrease if discount rate 0.5% higher	**(15.1)**	**(1.4)**	**(5.1)**

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**

In undertaking the annual impairment review, the directors are required to perform certain calculations strictly in terms of the formulaic approach outlined in IAS36. In doing this they have considered both external and internal sources of information and any observable indications that may suggest that the carrying value of goodwill may be impaired.

In connection with the goodwill attributable to NewLaw it has been observed that there may be uncertainties, both positive and negative, with regard to the effects of the implementation of the Civil Liability Act (Act) which is presently scheduled to come into force on 1 April 2020. The main effects of the Act are to restrict the amount of damages payable for soft tissue injuries suffered by victims of (principally) road traffic accidents and the amount of fees recoverable from negligent third parties. As a consequence NewLaw, like the rest of the market, is in the process of adapting business models and processes in order to continue to handle such claims more efficiently so as to remain profitable albeit with lower levels of return than has been the case historically. At the same time as reducing cash generated from soft tissue injury cases these changes will require some investment in marketing and IT systems.

11 Goodwill continued

The recoverable amounts of NewLaw's goodwill has therefore, as required under IAS36, been determined based upon a value in use calculation. The value in use calculation is most sensitive to the key assumptions (prescribed in IAS36) in respect of cash flows, long term growth rate and discount rates. Discount rates are themselves the result of numerous judgemental inputs for which many differing views are held by separate independent experts.

These assumptions are subject to a considerable range of possible variations and judgments whilst being constrained by the requirement under IAS36 to have regard to general market comparators (rather than those specific to the Group) as well as certain stress scenarios in relation to the cash flows.

As a result of these changes and the resultant possible uncertainty over the levels of soft tissue injury claims that will be available in the market after 1 April 2020, IAS36 requires the Board to take a prudent view on the future cash flows and discount rates applicable to NewLaw (notwithstanding its confidence in the future prospects for the business following its restructure of operations during last year) and this has resulted in the Board's decision to recognise a non-cash impairment of NewLaw's goodwill in the amount of £0.9m as an exceptional item as disclosed in note 6).

After review of the results of these tests, the directors consider that there has been no impairment to any of the other CGUs during the year (2018: £nil). Any increase in the discount rate to 47.8% (Auxillis) and 46.5% (FMG) respectively would create a potential impairment indicator, however such levels are not deemed to be appropriate or reasonable by management.

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.

12 Intangible assets

	Customer relationships £'000	Computer software £'000	Total £'000
Cost			
At 01 July 2017. 30 June 2018 and 30 June 2019	**21,900**	**1,000**	**22,900**
Amortisation			
At 01 July 2018	(5,840)	(533)	(6,373)
Charge for year	(2,190)	(200)	(2,390)
At 30 June 2019	**(8,030)**	**(733)**	**(8,763)**
Net book value			
At 30 June 2019	**13,870**	**267**	**14,137**
At 30 June 2018	16,060	467	16,527

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

Notes to the consolidated financial statements
continued

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 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
Additions	–	61	34,436	2,481	36,978
Disposals	(2,287)	–	(36,381)	(439)	(39,107)
At 30 June 2019	**438**	**881**	**47,701**	**13,952**	**62,972**
Accumulated depreciation and impairment					
At 01 July 2017	(176)	(527)	(8,813)	(6,597)	(16,113)
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)
Depreciation charge for the year	(44)	(55)	(8,463)	(1,562)	(10,124)
Disposals	554	–	8,711	414	9,679
At 30 June 2019	**(106)**	**(627)**	**(7,532)**	**(8,685)**	**(16,950)**
Carrying amounts					
At 30 June 2019	**332**	**254**	**40,169**	**5,267**	**46,022**
At 30 June 2018	2,109	248	41,866	4,373	48,596
Leased assets included above:					
At 30 June 2019	**–**	**–**	**39,542**	**–**	**39,542**
At 30 June 2018	–	–	41,706	22	41,728

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 (2018: 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.

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 below information has been obtained from management accounts of the entities concerned for the period ending 30 June 2019. Further information on transactions with associates are in note 26.

The Group has one associate that is material to the Group, "Your Law LLP", which is incorporated in the UK. The Group equity accounts for the results of Your Law LLP 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.

	Your Law LLP £'000	Immaterial associates £'000	Total £'000
Carrying amount of interests in associates at 1 July 2018	584	1,975	2,559
Group's share of:			
Profit from continuing operations	3,654	1,607	5,261
Other Comprehensive Income	–	–	–
Drawings from associate	(2,150)	(1,269)	(3,419)
Carrying amount of interests in associates at 30 June 2019	**2,088**	**2,313**	**4,401**

	Your Law LLP £'000	Immaterial associates £'000	Total £'000
Carrying amount of interests in associates at 1 July 2017	–	1,360	1,360
Group's share of:			
Profit from continuing operations	671	1,535	2,206
Other Comprehensive Income	–	–	–
Drawings from associate	(87)	(920)	(1,007)
Carrying amount of interests in associates at 30 June 2018	**584**	**1,975**	**2,559**

The following is summarised financial information for Your Law LLP for the period ended 30 June 2019.

	2019 £'000	2018 £'000
Current assets	**8,134**	3,312
Non-current assets	**–**	–
Current liabilities	**(5,493)**	(2,483)
Non-current liabilities	**–**	–
Net assets	**2,641**	829
Revenue	**6,769**	1,598
Profit for the year	**4,491**	803
Profit attributable to Redde Group	**3,654**	671

Notes to the consolidated financial statements

continued

15 Receivables and contract assets

	2019 £'000	2018 £'000
Contract assets – claims due from insurance companies and self-insuring organisations	**164,732**	132,249
Trade receivables – amounts invoiced for services	**18,844**	16,092
Trade receivables and contract assets	**183,576**	148,341
Other receivables	**430**	175
Accrued income	**3,026**	3,208
Total receivables and contract assets for purposes of calculating debtor days	**187,032**	151,724
Disbursements recoverable in legal businesses	**14,383**	13,687
Amounts due from associates	**50**	50
Taxation recoverable	**120**	63
Prepayments	**18,060**	15,890
	219,645	181,414

On adoption of IFRS 15, the comparative disclosures have been restated to reclassify £132.2m of trade receivables to contract assets.

The Group's debtor days at 30 June 2019 were 116 days (2018: 105 days). This measure is based on net trade receivables and contract assets, other receivables and accrued income as a proportion of revenue multiplied by 365 days.

a) Claims due from insurance companies and self-insuring organisations

Claims due from insurance companies and self-insuring organisations 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 variable consideration amounts ultimately recoverable, which is constrained to exclude any revenue at significant risk of reversal. The estimation of any such expected adjustment 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 and self-insuring organisations 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.

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 and self-insuring organisations do not carry a contractual 'due date', nor does the expected adjustment arising on settlement 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 and self-insuring organisations 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 claims due 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.

15 Receivables and contract assets continued

a) Claims due from insurance companies and self-insuring organisations continued

An analysis of claims from insurance companies is given below.

	2019 £'000	%	2018 £'000	%
Pending claims	**12,224**	**7**	18,926	14
Between 1 and 120 days old	**67,902**	**41**	61,166	46
More than 120 days old	**84,606**	**52**	52,157	40
Total	**164,732**	**100**	132,249	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 27% (2018: 24%) of contract assets. The measurement of contract assets changes from period to period due to the estimation uncertainty discussed above. Please see the strategic report for a discussion of the significant events in the current year.

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 32% (2018: 23%) of receivables.

Included in this category of the Group's trade receivables balance are debtors with a carrying amount of £3.5m (2018: £3.1m) 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.

	2019 £'000	2018 £'000
30-60 days	**1,117**	1,021
60-90 days	**699**	762
90-120 days	**436**	759
More than 120 days	**1,297**	589
Total	**3,549**	3,131

The movement in the loss allowance, which is equal to lifetime expected credit losses, was as follows:

	2019 £'000	2018 £'000
At beginning of year	**1,425**	1,667
(Released) / recognised	**(88)**	(242)
At end of year	**1,337**	1,425

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.

Notes to the consolidated financial statements
continued

16 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**87,777**	89,272
Other taxation and social security	**9,781**	8,413
Accruals and deferred income	**57,032**	50,633
Disbursements payable in legal businesses	**10,398**	9,994
Other creditors	**2,431**	2,236
Corporation tax payable	**3,882**	3,482
	171,301	164,030

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

	2019 £'000	2018 £'000
Amounts payable under finance leases		
Within one year	**16,432**	24,763
In the second to fifth years inclusive	**22,599**	16,106
Less future finance charges	**(1,466)**	(1,664)
Present value of lease obligations	**37,565**	39,205
Present value of lease obligations		
Within one year	**15,535**	23,723
In the second to fifth years inclusive	**22,030**	15,482
Present value of lease obligations	**37,565**	39,205
Analysed as:		
Amounts due for settlement within 12 months	**15,535**	23,723
Amounts due for settlement after 12 months	**22,030**	15,482
Shown in current/non current liabilities	**37,565**	39,205

It is the Group's policy to lease certain of its fixtures, equipment and motor vehicles under finance leases. The average lease term is 2.2 years (2018: 2.3 years). For the year ended 30 June 2019 the average effective borrowing rate was 2.79% (2018: 2.69%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

18 Other borrowings

On 07 August 2019 the Group extended and amended its existing 5 year £35m unsecured revolving credit facility with HSBC expiring in December 2020 to a 5 year £50m facility maturing in August 2024. The Group also has an annual unsecured overdraft facility of £5m with the same bank. The related covenants for the previous £35m facility which was in place during the year under review surrounded a net debt to EBITDA ratio (< 3:1) and the ratio of qualifying trade and other receivables including contract assets to amounts drawn under the HSBC facility (> 1.5:1). Under the extended £50m facility the receivables cover covenant has been replaced by an adjusted EBITDA/to net finance charges ratio (>4:1). The margin charged on the £35m revolving credit facility was 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. Under the £50m facility rates range from a minimum of 1.20% over LIBOR to a maximum of 2.20% over LIBOR The margin on the overdraft is 1.25% over Bank of England Base Rate.

At the balance sheet date the Group had drawn £9.0m (2018: £nil) of its revolving credit facility all of which is repayable within one year. The weighted average interest rate charged during the year was 1.97% (2018: n/a). The directors consider that the fair value of the Group's borrowings is equal to their book value.

19 Provisions

	Onerous lease provisions £'000	Restructuring provisions £'000	Total £'000
At 1 July 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
Provisions made in the year	3,064	–	3,064
Utilised during the year	(2,225)	(218)	(2,443)
At 30 June 2019	**5,352**	**–**	**5,352**
Included in current liabilities	3,401	–	3,401
Included in long term liabilities	1,951	–	1,951
	5,352	**–**	**5,352**

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 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 including refurbishment plans. Last year the Group has also restructured its operations by moving its operations from three existing locations to alternative locations including one completely new premises. This restructuring also gave rise to redundancy costs which has now been completed.

20 Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method as at 30 June 2019 and 30 June 2018 using the tax rates enacted at the balance sheet date as described in note 8.

	(Liability) £'000	Asset £'000
At 1 July 2017	(4,991)	4,236
Credit to income	1,155	1,929
At 30 June 2018	(3,836)	6,165
Credit to income	36	775
At 30 June 2019	**(3,800)**	**6,940**

Notes to the consolidated financial statements
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20 Deferred tax continued

At the balance sheet date the Group has temporary differences, principally arising from capital allowances on fleet vehicles of £39.2m (2018: £41.9m) which will be available for offset against future trading profits. A deferred tax asset has been recognised in respect of £38.2m (2018: £32.6m) of this amount to reflect the forecast utilisation of capital allowances carried forward. No deferred tax was recognised on the remaining £1.0m (2018: £9.3m).

Deferred tax asset/(liability) not provided in full on temporary differences under the liability method using a tax rate of 17% (2018: 19%):

	Asset Tax losses carried forward £'000	Share incentives £'000	Asset Accelerated tax depreciation £'000	Asset Other temporary differences £'000
At 30 June 2019	**–**	**161**	**17**	**(3)**
At 30 June 2018	270	957	1,400	89

21 Share capital and share premium

a) Share capital movements in year

Ordinary Shares of 0.1p	Number	£'000
In issue at 30 June 2017	303,978,408	304
Exercise of SAYE share options	8,349	–
In issue at 30 June 2018	303,986,757	304
Exercise of SAYE share options	771,481	1
Exercise of executive share options	1,947,807	2
In issue at 30 June 2019 fully paid	**306,706,045**	**307**

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
16 August 2018	Exercise of SAYE Options	3,597	139.00p	5	–	5
28 September 2018	Exercise of SAYE Options	8,035	126.94p	10	–	10
22 October 2018	Exercise of SAYE Options	22,962	126.94p	29	–	29
08 November 2018	Exercise of SAYE Options	6,946	138.17p	10	–	10
03 December 2018	Exercise of SAYE Options	386,300	126.94p	491	1	490
13 December 2018	Exercise of SAYE Options	159,117	126.94p	202	–	202
03 January 2019	Exercise of SAYE Options	38,132	126.94p	48	–	48
24 January 2019	Exercise of SAYE Options	67,196	126.94p	86	–	86
14 February 2019	Exercise of SAYE Options	37,314	126.94p	47	–	47
22 February 2019	Exercise of SAYE Options	1,049	126.94p	1	–	1
06 March 2019	Exercise of SAYE Options	40,833	126.94p	52	–	52
	Total SAYE shares issued	**771,481**		**981**	**1**	**980**
13 September 2018	Exercise of Executive Share Options	1,285,722	0.1p	1	1	–
19 September 2018	Exercise of Executive Share Options	207,134	0.1p	–	–	–
24 September 2018	Exercise of Executive Share Options	410,699	0.1p	1	1	–
27 September 2018	Exercise of Executive Share Options	25,739	0.1p	–	–	–
28 February 2019	Exercise of Executive Share Options	18,513	0.1p	–	–	–
	Total Executive Option shares issued	**1,947,807**		**2**	**2**	**-**
	Total shares issued	**2,719,288**		**983**	**3**	**980**

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
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**

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:

	2019 Vehicles £'000	**2019 Properties £'000**	**2019 Total £'000**	2018 Vehicles £'000	2018 Properties £'000	2018 Total £'000
Within one year	**13,482**	**2,453**	**15,935**	13,020	1,845	14,865
In the second to fifth years inclusive	**2,650**	**16,059**	**18,709**	4,162	7,828	11,990
After five years	**–**	**1,236**	**1,236**	–	2,996	2,996
	16,132	**19,748**	**35,880**	17,182	12,669	29,851

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 2.55 years (2018: 2.92 years). The lease payments subject to the onerous lease provision of £5.4m (2018: £4.5m) (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 September 2016 Awards will vest in full if the Company achieves a basic adjusted EPS of 12.53p in the financial year ended 30 June 2019 with a straight-line reduction to NIL if basic adjusted EPS is below 11.00p.

Up to one half of the September 2017 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.

100% of the September 2018 Awards will vest in full if the Company achieves a basic adjusted EPS of 17.25p in the financial year ended 30 June 2021 with a straight-line reduction to NIL if basic adjusted EPS is below 15.26p.

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23 Share-based payments continued

Mainstream options continued

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:

Date of Grant	Outstanding at 01 July 2018 '000	Options granted in the year '000	Options exercised in the year '000	Options lapsed in the year '000	**Options in issue at 30 June 2019 '000**	**Options vested at 30 June 2019 '000**	Exercise price (pence)	Date from which exercisable	Expiry date
30 June 2018	1,958	–	(1,947)	–	**11**	**11**	0.1	See below	26/02/2026
30 June 2019	823	–	–	(6)	**817**	**–**	0.1	See below	02/09/2026
30 June 2020	1,102	–	–	(24)	**1,078**	**–**	0.1	See below	08/09/2027
30 June 2021	–	1,157	–	(18)	**1,139**	**–**	0.1	See below	26/09/2028
Total	3,883	1,157	(1,947)	(48)	**3,045**	**11**	0.1		

The options outstanding at 30 June 2019 had a weighted average exercise price of 0.10p (2018: 0.10p) and a weighted average remaining contractual life of 8.3 years (2018: 8.2 years). The options as at 30 June 2019 had an exercise price of 0.10p; the highest and lowest closing value of shares during the year were 199.60p and 82.30p respectively. The value of shares as at 30 June 2019 was 105.40p.

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.

Date of Grant	Outstanding at 01 July 2018 '000	Granted in the year '000	Exercised in the year '000	Forfeited or lapsed in the year '000	**Outstanding at 30 June 2019 '000**	Exercise price (pence)	Date from which Exercisable	Expiry date
06 November 2015	851	–	(764)	(73)	**14**	126.9	01/12/2018	01/12/2019
30 September 2016	196	–	(1)	(95)	**100**	163.5	01/11/2019	01/05/2020
27 March 2017	342	–	(1)	(211)	**130**	132.8	01/05/2020	01/11/2020
03 October 2017	616	–	(5)	(452)	**159**	139.0	01/11/2020	01/05/2021
28 March 2018	309	–	–	(220)	**89**	136.4	01/05/2021	01/11/2021
03 October 2018	–	513	–	(329)	**184**	147.2	01/11/2021	01/05/2022
09 April 2019	–	3,717	–	(138)	**3,579**	84.8	01/05/2022	01/11/2022
	2,314	4,230	(771)	(1,518)	**4,255**	93.6		

The SAYE options outstanding at 30 June 2019 had a weighted average exercise price of 93.6p (2018: 135.4p) and a weighted average remaining contractual life of 2.6 years (2018: 1.5 years). The Group recognised total expense of £1.1m related to all of the equity-settled share-based payment transactions in 2019 (2018: £1.8m).

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:

23 Share-based payments continued

Sharesave schemes continued

	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme	SAYE Scheme
Fair value of share option	45.3p	19.9p	33.6p	28.1p	34.5p	21.6p
Date of grant	30/09/16	27/03/17	03/10/17	28/03/18	03/10/18	09/04/19
Share price on date of grant	200.0p	148.5p	179.7p	169.0p	192.0p	119.4p
Exercise price	163.5p	132.8p	139.0p	136.4p	147.2p	84.8p
Share options originally granted	461,407	430,824	714,669	316,383	512,900	3,716,916
Vesting period (years)	3.1	3.1	3.1	3.1	3.1	3.1
Expected volatility	40%	32%	32%	31%	30%	34%
Expected life (years)	3.6	3.6	3.6	3.6	3.6	3.6
Risk free rate of return	0.10%	0.31%	0.54%	0.89%	0.93%	0.72%
Fair value model used	Binomial	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	123.5p – 178.9p	83.1p – 144.6p	165.8p
Date of grant	02/09/16	07/09/17	26/09/18
Share price on date of grant	205.5p	170.5p	194.8p
Exercise price	0.1p	0.1p	0.1p
Share options originally granted	924,265	1,102,208	1,157,294
Vesting period (years)	3.0	3.0	3.0
Expected volatility	40%	33%	25%
Expected life (years)	3.0	3.0	3.0
Risk free rate of return	0.12%	0.15%	0.94%
Fair value model used	Binomial and Monte Carlo	Binomial and Monte Carlo	Binomial

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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:

	2019 £'000	2018 £'000
Net debt	**34,685**	8,459
Total shareholders' equity	**161,084**	160,195
Total capital	**195,769**	168,654
Gearing ratio	**17.7%**	5.0%

	2019 £'000	2018 £'000
Financial assets		
At amortised cost:		
Trade receivables	**18,844**	16,092
Claims due from insurance companies and self-insuring organisations	**164,732**	132,249
Disbursements recoverable in legal businesses	**14,383**	13,687
Cash and cash equivalents	**11,880**	30,746
Financial liabilities		
At amortised cost:		
Trade payables	**87,777**	89,272
Disbursements payable in legal businesses	**10,398**	9,994
Obligations under finance leases	**37,565**	39,205

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 2019 would have increased/decreased by £27k (2018: £77k). This is mainly attributable to the Group's exposure on variable rate borrowings and deposits.

24 Financial instruments continued

Interest rate swap contracts

There were no outstanding interest rate swap contracts in existence at 30 June 2019 (2018: 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 claims due from insurance companies and self-insuring organisations.

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 claims due from insurance companies and self-insuring organisations 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 claims due from insurance companies or self-insuring organisations 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 claims due from insurance companies and self-insuring organisations. 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, claims due from insurance companies and self-insuring organisaitons 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.

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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
2019							
Non-interest bearing	**–**	**88,100**	**–**	**–**	**1,771**	**–**	**89,871**
Variable rate instruments	**1.97**	**9,007**	**–**	**–**	**–**	**–**	**9,007**
Fixed interest rate instruments	**2.79**	**1,198**	**3,629**	**11,606**	**22,599**	**–**	**39,032**
		98,305	**3,629**	**11,606**	**24,370**	**–**	**137,910**
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

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 2018 £'000	Cash flow £'000	Non cash changes £'000	**30 June 2019 £'000**
Net cash and cash equivalents	30,746	(18,866)	–	**11,880**
Debt due within one year	–	(9,000)	–	**(9,000)**
Debt due after more than one year	–	–	–	**–**
	–	(9,000)	–	**(9,000)**
Finance leases	(39,205)	34,870	(33,230)	**(37,565)**
	(39,205)	25,870	(33,230)	**(46,565)**
Net debt	(8,459)	7,004	(33,230)	**(34,685)**

	2019 £'000	2018 £'000
Decrease in cash and cash equivalents in the year	**(18,866)**	(5,598)
Net drawdowns under bank working capital revolving credit facility	**(9,000)**	–
Finance lease principal repayments	**34,870**	37,504
Change in net debt resulting from cash flows	**7,004**	31,906
New finance leases	**(33,230)**	(30,649)
Movement in net debt in the year	**(26,226)**	1,257
Net debt at start of the year	**(8,459)**	(9,716)
Net debt at end of the year	**(34,685)**	(8,459)

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, Avril Palmer-Baunack, who was the Group's non-executive Chairman throughout the year under review and up to 31 July 2019 when she retired from the Board is also BCAM's executive chairman. Accordingly BCAM is regarded as a related party for the year under review. Transactions with BCAM were as follows:

- Fees and commissions in the amount of £169,565 (2018: £210,921) were charged by BCA during the year ended 30 June 2019 in respect of the disposal of such vehicles as agent of which £362 (2018: £362) was outstanding at the year end.
- During the year costs of £141,292 (2018: £39,494) were charged by BCA in respect of vehicle repair, of which £8,253 (2018: £6,634) was outstanding at the year end.
- During the year costs of £29,352 (2018: £26,400) were charged by BCA in respect of building rent, of which £11,462 (2018: £7,920) was outstanding at the year end.
- During the year costs of £299,323 (2018: £210,512) were charged by BCA in respect of vehicle transport, of which £4,079 (2018: £5,551) 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 £955,621 (2018: £1,046,783) was charged to BCA of which £237,669 (2018: £233,867) 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 £4,342 (2018: £6,897) were charged by LCVR in respect of vehicle rentals, of which £nil (2018: £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 £10.6m (2018: £7.5m) and made purchases of £108,000 (2018: £165,000) from those associates. At the year end the Group was owed £2.1m (2018: £439,000) by these associates of which £2.0m (2018: £389,000) is included in trade receivables (amounts invoiced for services) under 30 day payment terms and £50,000 (2018: £50,000) is shown as amounts due from associates in note 15. In addition at the year end the Group owed £29,000 (2018: £17,000) 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 2019

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
Balance at 01 July 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**
Profit for the year	–	–	–	35,120	35,120
Total comprehensive income for the year	–	–	–	35,120	35,120
Issue of Ordinary Shares	3	980	–	–	983
Dividends paid in the year	–	–	–	(35,682)	(35,682)
Share-Based Payments	–	–	–	1,082	1,082
Balance at 30 June 2019	**307**	**74,768**	**–**	**152,481**	**227,556**

Company statement of financial position
as at 30 June 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	*30*	**479**	510
Investments in subsidiaries	*31*	**224,971**	224,971
Deferred tax asset	*34*	**1,802**	1,587
		227,252	227,068
Current assets			
Trade and other receivables	*32*	**78,655**	64,722
Cash and cash equivalents		**1,320**	14,204
		79,975	78,926
Total assets		**307,227**	305,994
Current liabilities			
Trade and other payables	*33*	**(65,319)**	(76,202)
Short term borrowings	*18*	**(9,000)**	–
Provisions	*19*	**(3,401)**	(1,483)
		(77,720)	(77,685)
Net current assets		**2,255**	1,241
Non-current liabilities			
Long-term provisions	*19*	**(1,951)**	(2,256)
		(1,951)	(2,256)
Total liabilities		**(79,671)**	(79,941)
Net assets		**227,556**	226,053
Equity			
Share capital	*21*	**307**	304
Share premium account	*21*	**74,768**	73,788
Retained earnings		**152,481**	151,961
Total equity		**227,556**	226,053

The notes on pages 69 to 74 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 4 September 2019. They were signed on its behalf by:

Stephen Oakley
Chief Financial Officer
4 September 2019
Company Number 03120010

Company statement of cash flows

for the year ended 30 June 2019

	£'000	Year ended 30 June 2019 £'000	£'000	Year ended 30 June 2018 £'000
Cash flows from operating activities				
Profit for the year	**35,120**		1,574	
Tax charge/(credit)	**156**		(537)	
Net finance income including exceptional costs	**(979)**		(859)	
Property lease provisions	**3,064**		1,201	
Depreciation	**31**		30	
Share-based payment charges	**1,082**		1,791	
(Increase)/decrease in receivables	**(13,933)**		22,465	
Decrease in payables	**(11,253)**		(3,188)	
Decrease in provisions	**(1,452)**		(1,285)	
Cash generated from operating activities		**11,836**		21,192
Finance interest received		**1,303**		1,137
Bank interest paid		**(324)**		–
Net cash generated from operating activities		**12,815**		22,329
Cash flows from financing activities				
Proceeds from issue of share capital	**983**		8	
Purchase of shares into treasury	**–**		(1,964)	
Proceeds from re-issue of treasury shares	**–**		618	
Proceeds from borrowings	**9,000**		-	
Dividends paid	**(35,682)**		(33,740)	
Net cash outflow from financing activities		**(25,699)**		(35,078)
Net decrease in cash and cash equivalents		**(12,884)**		(12,749)
Cash and cash equivalents at beginning of year		**14,204**		26,953
Cash and cash equivalents at end of year		**1,320**		14,204
Cash and cash equivalents consist of:				
Cash at bank and in hand		**1,320**		14,204

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 £15,000 (2018: £10,000).

29 Finance income and finance costs

	2019 £'000	2018 £'000
a) Finance income		
Interest receivable	**(1,303)**	(1,137)
b) Finance costs		
Loan issue costs charged in the year and non utilisation fees	**232**	245
Bank interest on working capital facility	**61**	–
Unwind of discount on provisions	**31**	33
	324	278
Total finance income	**(979)**	(859)

30 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Total £'000
Cost			
At 01 July 2017	438	490	928
Disposals	–	–	–
At 30 June 2018	**438**	**490**	**928**
Disposals	–	–	–
At 30 June 2019	**438**	**490**	**928**
Accumulated depreciation and impairment			
At 01 July 2017	(89)	(299)	(388)
Charge for the year	(8)	(22)	(30)
At 30 June 2018	(97)	(321)	(418)
Charge for the year	(8)	(23)	(31)
At 30 June 2019	**(105)**	**(344)**	**(449)**
Carrying amounts			
At 30 June 2019	**333**	**146**	**479**
At 30 June 2018	341	169	510

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

Notes to the Company financial statements
continued

31 Details of related undertakings

Details of all of the Company's and Group's subsidiaries at 30 June 2019 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: Broad Lea House, Dyson Wood Way, Bradley, 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.

31 Details of related undertakings continued

Details 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 2019 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 LLPs (which are considered to be joint operations) and has contributed 50% of the capital for each of those LLPs (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 LLPs 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 LLPs and therefore NewLaw is not considered to have overall control of the LLPs. 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 2017, 30 June 2018 and 30 June 2019	224,971
Impairment	
At 01 July 2017, 30 June 2018 and 30 June 2019	–
Net book value	
At 30 June 2019	**224,971**
At 30 June 2018	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

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings	**77,469**	63,840
Other debtors	**39**	2
Prepayments	**944**	723
VAT recoverable	**203**	157
	78,655	64,722

Notes to the Company financial statements
continued

33 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**1,029**	547
Other taxation and social security	**820**	710
Accruals and deferred income	**2,082**	3,132
Amounts owed to subsidiary undertakings	**61,388**	71,813
	65,319	76,202

34 Deferred tax

Deferred tax charge is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018: 19%).

	Asset tax losses £'000
At 01 July 2017	1,050
Credit to income	537
At 30 June 2018	1,587
Charge to income	215
At 30 June 2019	**1,802**

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

	2019 £'000	2018 £'000
Financial assets		
At amortised cost:		
Amounts owed by subsidiary undertakings	**77,469**	63,840
Cash and cash equivalents	**1,320**	14,204
Financial liabilities		
At amortised cost:		
Trade payables	**1,029**	547
Borrowings	**9,000**	–
Amounts owed to subsidiary undertakings	**61,388**	71,813

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.

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 2019 would have increased/decreased by £27k (2018: £77k). 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 2019 (2018: 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
2019						
Non-interest bearing	**62,417**	**–**	**–**	**–**	**–**	**62,417**
Variable rate instruments	**9,007**	**–**	**–**	**–**	**–**	**9,007**
	71,424	**–**	**–**	**–**	**–**	**71,424**
2018						
Non-interest bearing	72,360	–	–	–	–	72,360
	72,360	–	–	–	–	72,360

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.

Notes to the Company financial statements
continued

36 Related party transactions

Related Party Transactions to 30 June 2019

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
2019	**42,769**	**1,243**	**(234)**
2018	41,202	984	(317)

Amounts due from and to subsidiaries at 30 June 2019 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

2019

01 March – Interim results announcement
29 March – Interim dividend for 2019
05 September – Final results announcement
30 October – Annual General Meeting
07 November – Final dividend for 2019

2020

February – Interim results announcement
March – Interim dividend for 2020
September – Final results announcement
October – Annual General Meeting
November – Final dividend for 2020

Advisors

Auditor
KPMG LLP
66 Queen Square
Bristol
BS1 4BE

Solicitors
Bryan Cave Leighton Paisner LLP
Adelaide House
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London
EC4R 9HA

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