Anexo

Annual Report 2019

Anexo

Anexo is a specialist integrated credit hire and legal services group.

We provide replacement vehicles and associated legal services to impecunious customers who have been involved in a non-fault accident.

These individuals typically do not have the financial means or access to a replacement vehicle. This allows the Group to charge credit hire rather than spot hire rates, recovering these charges from the at-fault insurer at no upfront cost to the individual.

Contents

Total credit hire 2014

301,000

(CMA)

Total road traffic accidents[1]

700,000[2]

(Ministry of Justice)

1. Year to March 2018.
2. PI claims reported to the police (March 2018). This figure does not include accidents where personal injury was not sustained.

Financial Highlights

Raised
£25.0m

Revenue
+24.7%

Profit margin
30.4%

Basic EPS
12p

Operating profit
£15.4m

Net cash balance
£5.5m

Dividend
1.5p

- Successfully raised £25.0 million[1] (before expenses) and admitted to trading on AIM in June 2018.
- Revenue increased by 24.7% to £56.5 million (FY 2017: £45.3 million).
- Operating profit reported at £15.4 million (FY 2017: £15.0 million) – an increase of 2.7%.
- Adjusted[2] operating profit before exceptional items slightly ahead of market expectations, rising by 13.9% to £17.2 million (FY 2017: £15.1 million).
- Adjusted[2] operating profit margin reduced marginally to 30.4% (FY 2017: 33.3%).
- Profit before tax of £14.3 million (FY 2017: £14.6 million) – a reduction of 2.0%.
- Adjusted[2] profit before tax and exceptional items increased to £16.1 million, (FY 2017: £14.6 million) – an increase of 10.3%.
- Adjusted[3] basic EPS at 12 pence (FY 2017: 11.4 pence).
- Proposed final dividend of 1.5 pence per share (FY 2017: Nil).
- Net assets reported at £75.8 million (FY 2017: £55.6 million) representing an increase of 36.3%.
- Net cash outflow from operating activities to fund growth of £7.9 million (FY 2017: net cash inflow: £1.1 million).
- Strong cash balance of £5.5 million at 31 December 2018 (31 December 2017: £0.2 million).
- Net debt balance at 31 December 2018 was £17.3 million (31 December 2017: £15.0 million).

Note: The basis of preparation of the consolidated Financial Statements for the current and previous year is set out in the Financial Review on pages 08 to 11.

1. The placing that accompanied Anexo's admission to AIM raised £25.0 million before expenses, of which £10.0 million was raised for the Group, and £15.0 million for the Selling Shareholders, of which not less than £5.0 million was repaid to the Group.
2. Adjusted operating profit and profit before tax: excludes the costs of Admission to AIM and share-based payment charges. A reconciliation to reported (IFRS) results is included in the Financial Review on pages 08 to 11.
3. Adjusted EPS: adjusted PBT less tax at statutory rate divided by the number of shares on a pro forma basis, i.e. assuming that the number of shares in issue immediately post-IPO were in issue through the entire comparative period.

At a Glance

Anexo Group is an integrated legal services and credit hire business giving the Group a strong business model and competitive advantage.

Business Overview

The Group currently comprises four business units under the two main reporting divisions – credit hire and legal and claims services:

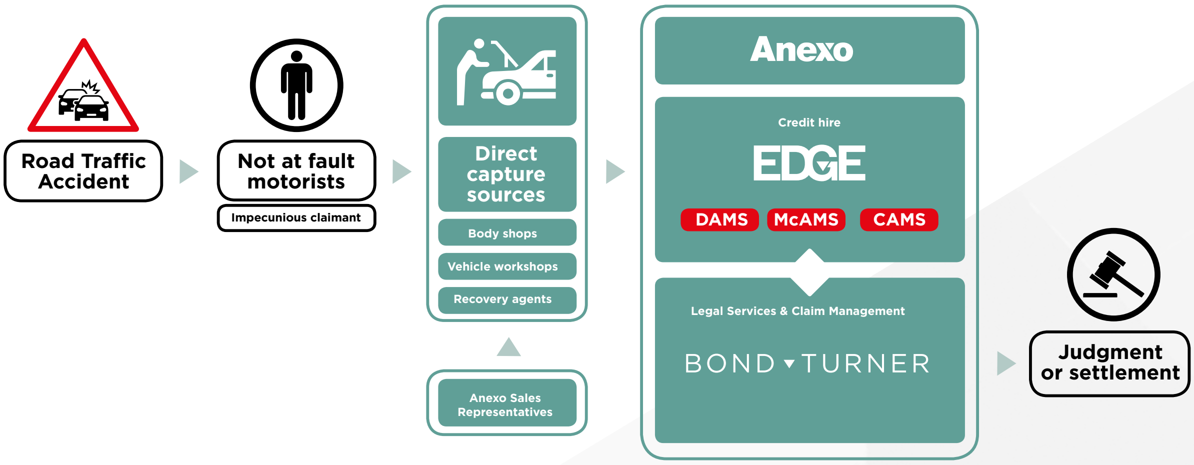
Edge

- Established in 1996
- Complete solution for Non Fault Motorist
- Two key divisions:
  - **DAMS**
    Provision of car and light commercial vehicles
  - **McAMS**
    provision of motorcycles
- National coverage
- Key route to market via local body shops and repairers

Bond Turner

- Legal practice including:
  - Recovery of hire charges and repairs from at fault insurer
  - Personal injury
  - Bond Turner acts on all claims generated by EDGE
  - Advocacy led by Alan Sellers
- PALS – provision of specialist reports
- IGCA

The Direct Capture Model



Anexo's Opportunity

Following the Group's successful IPO, Anexo is making the necessary investment in legal capacity to fully leverage the potential in its case book and realise its potential as a significant cash generating asset. By increasing the number of senior fee earners within the Group from 66 at the end of 2017 to 89 at December 2018, it is anticipated that by the end of 2019, it will lead to a significant and positive impact on the Group's net cash generation as cases are settled at an increasing rate.

Total credit hire 2014
301,000
(CMA)

Total road traffic accidents[1]
700,000[2]
(Ministry of Justice)

In 2017 only 15,000 RTA applications received and Anexo processed 4,500 of these claims.

No. of vehicles on the road
37.7 million
(Ministry of Transport)

1. Year to March 2018.
2. PI claims reported to the police (March 2018). This figure does not include accidents where personal injury was not sustained.

Operational Overview

2018 has been an exciting year for the Group, the highlight being the successful listing on AIM in June.

Listing on AIM in June 2018 raised £10.0 million of expansion capital (pre expenses) to allow management to take advantage of the significant opportunities that exist within our core market; providing replacement cars and motorcycles to individuals who have been involved in a non-fault road traffic accident ('RTA') and would ordinarily not have access to a replacement vehicle.

These funds, alongside strategic increases in our working capital funding balances, have allowed both the continued investment in the fleet and more importantly the opening of a new office for the legal practice. The new office is expected to significantly increase our capacity to settle claims from within the extensive case portfolio built over a number of years, and in doing so is expected to unlock value from our litigation assets as settlement levels increase.

We have provided certain data and statistics below and on the following pages to provide further detail around the trading and operational performance of the Group, many of which were also presented in the Admission Document to support the listing of the Group. The measures presented are those management consider provide the best reflection of performance.

Admission to AIM

The ordinary share capital of Anexo was successfully admitted to the Alternative Investment Market of the London Stock Exchange ('AIM') on 20 June 2018 ('Admission'). Through a placing to investors, £10 million (gross) of new equity capital was raised on Admission to fund the further growth of the Group, which is incorporated in England and Wales and has its registered office in the UK.

"2018 has been an exciting year for the Group, the highlight being the successful listing on AIM in June 2018 raising £10.0 million of expansion capital."

Adjusted profit before tax*

£16.1m

2017: £14.6m

* After exceptional items including costs of Admission to AIM and share-based payment charges.

Financial and Operational KPIs

- Bolton office opened on 3 December 2018. At 31 December 2018 we had recruited 20 experienced litigators significantly increasing capacity within Bond Turner.
- Focus on settlement rate which continues to move upwards driving increased cash collections.
- Number of new cases funded increased 31.2% to 5,930 (FY 2017: 4,520).

Total revenues

£56.5m +24.7%

(2017: £45.3m)

2018 £56.5m
2017 £45.3m

Gross profit

£40.3m +18.8%

(2017: £33.9m)

2018 £40.3m
2017 £33.9m

Adjusted operating profit*

£17.1m +13.9%

(2017: £15.1m)

2018 £17.1m
2017 £15.1m

Cash collections from settled cases

£58.1m +7.6%

(2017: £53.9m)

2018 £58.1m
2017 £53.9m

Adjusted profit before tax*

£16.1m +10.3%

(2017: £14.6m)

2018 £16.1m
2017 £14.6m

Vehicles on hire at the year-end

1,531 +87.9%

(2017: 815)

2018 1,531
2017 815

Average vehicles on hire for the year

1,155 +29.2%

(2017: 894)

2018 1,155
2017 894

Senior fee earners at period end

89 +34.8%

(2017: 66)

2018 89
2017 66

Average number of senior fee earners

76 +22.6%

(2017: 62)

2018 76
2017 62

New cases funded

5,930 +31.2%

(2017: 4,520)

2018 5,930
2017 4,520

* Adjusted operating profit and profit before tax: excludes the cost of Admission to AIM and share-based payment charges.

Executive Chairman's Statement

On behalf of the Board, I am pleased to introduce Anexo's maiden set of full year results since the Group's admission to trading on AIM in June 2018, which has enabled us to accelerate our growth and enhance market share.

The Group has performed strongly in the financial year ended 31 December 2018, with significant growth compared to FY 2017 and Anexo has excellent prospects for FY 2019 and beyond.

Group Performance

We delivered a strong performance across the Group in our first financial year on AIM and it was pleasing to see revenues growing across the operational businesses. Group revenues increased from £45.3 million in FY 2017 to £56.5 million in FY 2018, generating growth of 24.7% year on year, a result which was ahead of market expectations.

Credit Hire Division

Anexo has deployed an element of the funds raised at IPO to expand the fleet, reaching 1,946 vehicles available for hire at period end (FY 2017: 1,066), an 82.6% increase on the prior year with a similar trend seen in the number of vehicles on hire to clients which increased from 815 to 1,531 during FY2018 (an increase of 87.9%).

In particular, the Group has witnessed growth in our motorcycle business, facilitated by the strategic investment in the fleet.

The high utilisation rates of these vehicles and bikes on the road (which is typically in the region of 75% to 80%) demonstrates the strong demand for Anexo's credit hire services across the UK and the quality of the Group's sales staff which are supporting the expansion of our market share. These trends are even more pleasing given we have only had access to the IPO funding for part of the year.

Furthermore, as outlined at the time of the IPO, the increased access to financial resources is accelerating Anexo's growth strategy as we are able to employ additional local sales representatives, who are proven to generate higher revenues with increased efficiency when working closer to home, whilst broadening Anexo's geographic footprint in the UK.

Legal Services Division

A significant portion of the IPO funds were targeted at increasing capacity within Bond Turner, our legal services business. This was to facilitate the scaling of the Credit Hire business whilst improving cash generation. The expanded capacity at Bond Turner has been supported by the opening of our new office in Bolton in December 2018, where recruitment has progressed well and the number of highly skilled, vastly experienced litigators continues to grow. In fact we have managed to increase the number of senior fee earners within the Group from 66 at the end of FY 2017 to 89 at 31 December 2018, an increase of almost 35% during the year in line with our recruitment policy.

With further significant investment planned into FY 2019, these additional staff are expected to provide a significant increase to the number of cases settled during FY 2019 and ultimately the level of cash recovered from our significant portfolio of cases.

With the support of our larger legal team, it is pleasing to see that Anexo has been able to increase the number of new cases funded by 31.2% between FY 2017 and FY 2018, having completed just over 5,200 credit hire claims during FY 2018.

As a result of the factors set out above, I am pleased to be able to report to shareholders that the Group achieved an adjusted profit before taxation of £16.1 million compared to £14.6 million last year, an increase of 10.3%, further details around the Group's performance are included within the Financial Review on pages 08 to 11.

Dividends

The Board is pleased to propose a final dividend of 1.5 pence per share, which if approved at the Annual General Meeting to be held on 12 June 2019 will be paid on 28 June 2019 to those shareholders on the register at the close of business on 21 June 2019. The shares will become ex-dividend on 20 June 2019. No interim dividend was paid or proposed by Anexo Group Plc.

Corporate Governance

Anexo values corporate governance highly and the Board believes that effective corporate governance is integral to the delivery of the Group's corporate strategy, the generation of shareholder value and the safeguard of our shareholders' long-term interests.

As Chairman, I am responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role. The Board is responsible for the Group's strategic development, monitoring and achievement of its business objectives, oversight of risk and maintaining a system of effective corporate governance. I will continue to draw upon my experience to help ensure that the Board delivers maximum shareholder value.

Alan Sellers
Executive Chairman

Our Employees and Stakeholders

The strong performance of the Group reflects the dedication and quality of the Group's employees. We rely on the skills, experience and commitment of our team to drive the business forward. Their enthusiasm, innovation and performance remain key assets of the Group and are vital to its future success. On behalf of the Board, I would like to thank all of our employees, customers, suppliers, business partners and shareholders for their continued support over the last year.

Outlook

The outlook for FY 2019 is positive and we remain confident that management decisions and investment will result in increasing claims generation and an expanding market share for our Credit Hire division.

As we continue to expand the Legal Services division, we expect revenues to increase. Recruitment has continued to progress well in Anexo's new Bolton office and we are close to finalising the terms of contracts with a number of high quality litigators. The additional capacity is driving our settlement numbers and rates and we believe this will significantly improve cash generation in FY 2019 by fully leveraging the potential in our case book and realise its potential as a significant cash generating asset. Having only opened the office in early December 2018, we had successfully recruited 20 legal staff into Bolton by the year end.

Trading in the year to date has been in line with the Board's expectations. We are in final negotiations with yet more high quality litigators who wish to join our growing Bond Turner practice in Bolton, which is helping us to increase the number of claims processed by the Group.

Anexo remains extremely well positioned to grow its market share and take advantage of the opportunities available to it. The Board views the current financial year with considerable optimism.

Annual General Meeting

The Group's Annual General Meeting will be held on 12 June 2019. The notice of the Meeting accompanies this Annual Report and Accounts.

Alan Sellers
Executive Chairman
9 April 2019

"I am pleased to report that our strategic IPO objectives have been met, alongside sustained profitable growth and a maiden dividend proposed."

Financial Review

On behalf of the Board, I am pleased to report that the Group has performed above market expectations, resulting in a strong trading performance for 2018.

Basis of Preparation

Anexo Group Plc was admitted to AIM on 20 June 2018 (the 'IPO'). Given the Company was formed on 27 March 2018 and acquired its subsidiaries on 15 June 2018, there are no consolidated statutory comparative figures for the year ended 31 December 2017. In order to provide an understanding of the trading performance of the Group, comparative numbers have been presented on a basis consistent with the Group being in existence through FY 2018 and FY 2017.

In addition, to provide comparability across reporting periods, the results within this Financial Review are presented on an 'underlying' basis, adjusting for the £1.4 million cost of this year's IPO transaction and the £0.4 million charge recorded for share-based payments.

A reconciliation between underlying and reported results is provided at the end of this Financial Review. This Financial Review also incorporates and constitutes the Strategic Report of the Group.

Revenue

In FY 2018 Anexo successfully increased revenues across both of its divisions, Credit Hire and Legal Services, resulting in Group revenues of £56.5 million, representing a 24.7% increase over the prior year (FY 2017: £45.3 million). Details of our revenue recognition policies are set out on pages 42 to 43.

During FY 2018 we provided vehicles to 5,215 individuals (FY 2017: 4,586) an increase of 13.7%. Much of this growth has arisen within the motorcycle side of our business and of the increase in claims (629 – 13.7%) between FY 2017 and FY 2018. The number of motorcycle claims increased from 2,260 in FY 2017 to 2,923 in FY 2018, an increase of 663 (29.3%). This growth follows the strategic decision to expand the McAMS division alongside our continued investment into the motorcycle community, with the sponsorship of the McAMS Yamaha team in the British Superbike Championship continuing into FY 2019.

Growth has also been reported within the Legal Services division, revenues rising from £20.5 million in FY 2017 to £22.5 million in FY 2018 (an increase of 9.8%).

Expansion of the headcount in Bond Turner is critical to increasing both revenues and cash settlements into the Group and the opening of the Bolton Office in December 2018 provides a crucial platform for growth in both factors. By the end of December 2018, we had recruited 20 staff into the Bolton Office, of which 17 are senior fee earners, taking the total number of staff employed in Bond Turner to 267 (FY 2017: 187), of which 89 are senior fee earners (FY 2017: 66). This investment has resulted in an increase in senior fee earners of 23 (34.8%) significantly adding to our settlement and cash recovery capacity.

Gross Profits

Gross profits were reported at £40.3 million (at a margin of 71.4%) in FY 2018, increasing from £34.0 million in FY 2017 (at a margin of 74.9%). Whilst the reported results indicate a reduction in margin, staffing costs within Bond Turner are reported within Administrative Expenses, gross profit in effect being reported at 100% within Bond Turner. This reduction reflects the change in the mix of Credit Hire to total revenues which increased between FY 2017 (54.8%) and FY 2018 (60.2%).

Gross profits for the Credit Hire division reached £19.9 million in FY 2018 (at a margin of 58.5%) rising from £14.9 million in FY 2017 (at a margin of 60.2%), the slight reduction reflecting an increase in vehicle insurance premiums year on year.

Operating Costs

Administrative expenses before exceptional items increased year-on-year, reaching £21.6 million in FY 2018 (FY 2017: £18.1 million) an increase of £3.5 million (19.3%) reflecting the continued investment in staffing costs within Bond Turner to drive settlement of cases and cash collections; staffing costs increased to £8.7 million (FY 2017: £6.2 million) an increase of £2.5 million, the balance of the increase reflecting investment in staff and infrastructure to allow the Group to meet its growth aspirations, as well as to meet its requirements as a PLC.

During FY 2018 we continued to invest heavily in our motorcycle fleet, a significant element of which is capitalised and depreciated, whereas a lesser element is sourced under operating lease arrangements (as are all of the car fleet) and charged to the profit and loss accounts as incurred. Total capex on vehicles reached £2.9 million in FY 2018 (FY 2017: £1.3 million) resulting in an increased depreciation charge in the year of £1.6 million (FY 2017: £0.8 million).

EBITDA

Adjusted EBITDA reached £18.7 million in FY 2018, increasing from £15.8 million in FY 2017 (18.4%), the result, as previously announced was ahead of management expectations. To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges, professional and other costs charged to the profit and loss account in relation to the listing along with depreciation, interest and tax from the measure of profit.

The GAAP measure of the profit before interest and tax was £15.4 million (FY 2017: £15.1 million) reflecting the non-cash share-based payment charge of £0.4 million (FY 2017: £Nil) (see pages 54 to 55 for further details) as well as the professional and other fees arising from the listing (£1.4 million). Where we have provided adjusted figures, they are after add-back of these two items and a reconciliation of the underlying and reported results in included on page 11.

EPS and Dividend

Statutory basic EPS is 10.4 pence (FY 2017: 11.4 pence). Statutory diluted EPS is 10.2 pence (FY 2017: 11.1 pence). The adjusted EPS is 12.0 pence (FY 2017: 11.4 pence). The adjusted diluted EPS is 11.8 pence (FY 2017: 11.1 pence). The adjusted figures exclude the effect of share based payments and the fees associated with the listing. The detailed calculation in support of the EPS data provided above is included within Note 12 of the Financial Statements.

Mark Bringloe
Chief Financial Officer

"Following significant investment it is anticipated that the real financial benefits to the Group will come through in FY 2019."

Financial Review continued

Following our first period end trading as an AIM quoted Group a final dividend of 1.5 pence per share has been recommended by the Board (FY 2017: Nil). No interim dividend was either paid or proposed by Anexo Group Plc since incorporation. This dividend, if approved at the Annual General Meeting to be held on 12 June 2019, will be paid on 28 June 2019 to those shareholders on the Register at the close of business on 21 June 2019.

Group Statement of Financial Position

The Group's net assets position is dominated by the balances held within trade and other receivables. This balance includes credit hire and credit repair debtors and disbursements paid in advance and support of ongoing claims. The value of the receivables totalled £165.2 million in FY 2018, rising from £151.5 million in FY 2017. In accordance with our income recognition policies, provision is made to reduce the carrying value to recoverable amounts, being £76.0 million and £55.9 million respectively, an increase of 36.0%. This increase reflects the recent trading activity and strategy of the Group and is in line with management expectation.

In addition, the Group has a total of £23.0 million reported as accrued income (FY 2017: £16.3 million) which represents the value attributed to those ongoing hires and claims.

Further investment has been made into the motorcycle fleet in FY 2018 to keep up with demand, with total fixed asset additions totalling £3.5 million in FY 2018 (FY 2017: £1.5 million), the fleet being in part financed with hire purchase, the balance outstanding increasing during FY 2018 to £2.5 million (FY 2017: £1.3 million).

Trade and other payables, including tax and social security increased to £7.2 million compared to £5.4 million at 31 December 2017, an increase of 33.3%.

Net assets at 31 December 2018 reached £75.8 million (FY 2017: £55.6 million).

Cash Flow

Following the AIM listing, the Group utilised the funds raised, alongside increases in debt facilities, to take advantage of the opportunities in the market and increase the number of vehicles on the road alongside a significant investment in the capacity of the legal services business, where the number of senior staff engaged to settle cases and recover cash for the Group increased from 66 to 89 during FY 2018 (an increase of 34.8%). Whilst this strategy improves profitability and absorbs working capital in the short term, it is anticipated that the real financial benefits to the Group will come through in FY 2019.

Fleet investment was most significant on the McAMS side of the Credit Hire division, where the number of vehicles on the road increased from 563 at the start of the period to 1,011 at 31 December 2018, an increase of 80%. The number of cars and vans in this division also saw significant growth, with vehicles on the road increasing from 252 to 520 during FY 2018 (an increase of 106.0%), demonstrating the significant opportunities available to the Group as a whole.

In FY 2018 the Group reported a net cash outflow from operating activities of £7.9 million (FY 2017: Cash inflow £1.1 million). The total variance between the profits reported in FY 2018 of £11.4 million (FY 2017: £12.5 million) and the net cash flow from operating activities reached £19.3 million (FY 2017: £11.3 million) and included the investment made into new cases across both the Credit Hire and Legal Services divisions, absorbing a net £20.5 million of funds in FY 2018 (FY 2017: £12.4 million). During the year total cash receipts increased to £58.1 million (FY 2017: £54.0 million) an increase of 7.6% year on year.

Investment in the motorcycle fleet continued into FY 2018, accounting for the majority of the £3.5 million of fixed asset additions (FY 2017: £1.5 million), funded from cash flow and the draw of an additional £2.6 million of hire purchase funding (FY 2017: £1.2 million).

As previously reported, the Group generated a net £9.3 million from the AIM listing, alongside additional debt funding of £4.0 million (FY 2017: £6.8 million). As a result of the above, the Group reported a net increase in cash and cash equivalents of £0.5 million in 2018 (FY 2017: £2.5 million).

Revenue
£56.5m
2017: £45.3m

Net Debt, Cash and Financing

Cash balances increased during FY 2018 and at 31 December 2018 reached £5.5 million (FY 2017: £0.2 million), this increase reflects additional funding facilities secured and drawn during FY 2018, net debt reported at £17.3 million at 31 December 2018 (FY 2017: £15.0 million).

Borrowings increased during the year to fund the additional working capital investment in the Group's portfolio of claims, the balance rising from £15.2 million in FY 2017 to £22.8 million at the end of FY 2018. The two principal facilities include an invoice discounting facility within Direct Accident Management Limited, (and secured on the credit hire and repair receivables) and a revolving credit facility within Bond Turner Limited.

The Group is in advanced discussions with a specialist legal assets funder to extend and increase existing facilities and secure additional funding from the Group's current asset base to support growth across all aspects of the business operations. This extends the current facilities which expire in November 2019. This funding is intended to support the Group's working capital as it continues to expand its legal capacity and increase the rate of cash conversion.

Further details are included on page 41 of the Financial Statements.

Reconciliation of Underlying and Reported IFRS Results

In establishing the underlying operating profit, the costs adjusted include £1.4 million (FY 2017: £Nil) related to the cost of the Company's Admission to AIM that was completed in June 2018 (the 'IPO costs') and £0.4 million of costs related to share-based payments (FY 2017: £Nil).

A reconciliation between underlying and reported results is provided below:

	Year to December 2018				Year to December 2017
	Underling £'000s	IPO Costs	Share-based payment £'000s	Reported £'000s	Reported and underlying £'000s
Revenue	56,505	–	–	56,505	45,302
Gross profit	40,337	–	–	40,337	33.953
Other operating costs (net)	(23,168)	(1,411)	(384)	(24,963)	(18,879)
Operating profit	17,169	(1,411)	(384)	15,374	15,074
Finance costs (net)	(1,090)	–	–	(1,090)	(492)
Profit before tax	16,079	(1,411)	(384)	14,284	14,582
Operating profit	17,169	(1,411)	(384)	15,374	15,074
Depreciation	1,574	–	–	1,574	760
EBITDA	18,743	(1,411)	(384)	16,948	15,834

By order of the Board

Mark Bringloe
Chief Financial Officer
9 April 2019

Principal Risks and Uncertainties

The Board recognises the need for an effective and well-defined risk management framework. The Board is responsible for overseeing and regularly reviewing the current risk management and internal control mechanisms. Anexo conducts a full risk assessment matrix, categorising all its key risks and outlining the mitigating actions that are in place.

Type of risk	Principal risk	Risk description	Mitigation
Statutory Risk	Potential reduction in fee income from potential introduction of changes to legislation (case law or statutory changes).	Any reduction in fee income will directly affect profit levels.	Education of key staff members regarding risks and the need to perform. Keep abreast of changes in case law and statute.
Statutory Risk	Government actions and legal developments leading to decrease in costs/damage recovery and negative impact on turnover/profit.	The credit hire aspect of the Group is reliant on the House of Lords ruling that non-fault accident victims deemed impecunious have the right to recover credit hire rates from third party insurers. It cannot be predicted with certainty what future legal and regulatory changes may occur or the resultant effect that they may have upon the credit hire aspect of business.	The Group keeps abreast of developments.
Operational Risk	New costs within the business due to the need to maintain business levels.	A rise in payment of issue fees (quantum due to legislative changes and increase in volume issued) and hearing fees to litigate cases would directly affect profit levels.	Closely monitor costs and review monthly. Commercial decision by management to increase settlement and drive cases to conclusion.
Operational Risk	Retention of lawyers.	The Group is heavily reliant on its lawyers to manage and settle the Group's claims. If the Group were to lose the services of key lawyers with high settlement rates, or cease to be able to attract new lawyers, this could significantly impair the strategy, operations and financial condition of the Group.	Maintenance of staff satisfaction levels to help the Group monitor the risk of losing key members of staff. The Group adopts an ongoing recruitment policy. The Group trains staff from a junior level and supports staff in training, education and development to ensure retention. Key lawyers are incentivised and the firm offers competitive packages within the market to ensure staff retention.
Operational Risk	Reliance on senior management.	The current senior management team have been heavily involved in the Group's success. The Group cannot guarantee that it will be able to recruit suitably qualified staff on a timely basis to replace those individuals in the event of the departure of any of the senior management team. A failure to do so could have a materially adverse impact on the Group's operations and financial condition.	The Group adopts an ongoing recruitment policy. The opening of the Bolton office has opened up recruitment opportunities for excellent specialised staff which was previously restricted due to logistical restraints. The firm trains staff from a junior level and supports staff in training, education and development to ensure staff retention. Key lawyers are incentivised and the firm offers competitive packages within the market to ensure staff retention.

Type of risk	Principal risk	Risk description	Mitigation
Operational Risk	Losing cases.	The Group invests heavily in cases that are reliant on a successful outcome for recovery of money. Bond Turner works on a no win no fee basis, DAMS operate on credit hire and PALS and IGCA 2013 receive no monies up front. Money is only received upon successful conclusion of any claim. If the claim is lost, no money will be received.	Review of circumstances around those cases that are lost. Consideration of factors that may attribute to unsuccessful outcomes and pre-exempt any unusually high areas of risk in any new business. Conduct risk/benefit analysis on any potentially new risky claims. Consideration of merits of appealing cases and benefit weighed against wide scale potential negative consequences. Ensure that potential claims are properly vetted and we proceed with cases that are likely to succeed. Train and employ staff with excellent technical skills to increase chance of successful outcome and use specialised counsel. Feedback to sales representatives. Fraud indicators, ongoing dialogue through sales team and garages.
Operational Risk	Weaknesses in IT Systems and Cyber Security.	Disruption to operations impeding work and risking damage to reputation and customer relationships.	Ongoing, regular extensive reviews and testing.
Operational Risk	Health and Safety Issues.	The activities of certain parts of the Group involve a range of Health and Safety risks.	All Group subsidiaries operate Health and Safety management systems appropriate to the nature and scale of their risks.
Market Risk	Competition.	The Group could face competition from other companies that offer similar products and services in the broader credit hire and PI sector. Any direct competitor offering the same service and scale would have to be a new entrant to the market or a change in existing business model, which would be unlikely given very high set up costs.	Monitor the market and continue to offer competitive product. Continue to invest in development of the service and ensure a growing established team of effective lawyers is constantly maintained.

Principal Risks and Uncertainties continued

Type of risk	Principal risk	Risk description	Mitigation
Market Risk	Retention of garages and sources of work.	Garages that advertise DAMS services could be enticed by other deals from competitors. Some competitors are offering enhanced deals that are not LASPO compliant and some lay individuals can be enticed with the offer of extra cash.	Nurture garages through education, offer competitive deals, and train them into understanding compliance with LASPO, Code of Conduct and FCA rules.
Regulatory Risk	Regulatory compliance.	Compliance with Code of Conduct, Solicitors Accounts Rules, any applicable FCA rules, GDPR, Statute (LASPO) etc.	Ensure regulatory compliance is monitored through updated policies, staff training, spot checks and audits. Conduct risk assessments to identify any areas of weakness or potential breach. Monitor and record any complaints/ feedback.
GDPR/ Personal Data Risk	Introduction of stringent new laws regarding the treatment of personal data, damages are payable if breaches occur.	The Group holds and processes a large volume of sensitive personal data which is inherent in the Group's day-to-day practises. If breaches of personal data occur, damages can be claimed and large fines are payable. This has an obvious negative effect on the Group's financials as well as causing potential reputational damage to the firm.	Regular staff training on the GDPR legislation. Random spot checking of processes and staff practises. Regular review of processes. Risk assessment on implementation of new processes. Ongoing reviews of systems relating to any complaints.
Litigation Risk	Adverse costs arising from litigation.	The Group is a highly litigious firm. Adverse costs arising from litigation will negatively impact the Group's financial as well as cause potential reputational damage from losing cases.	This risk is extensively and continuously discussed with management and fee earners to ensure awareness. Management is satisfied that costs will be kept to a minimum through maintaining review levels of adverse costs. Despite the mitigation, the Group recognises that some adverse costs cannot be avoided in entirety due to clients' inability to reply fully and in a timely fashion, draconian court orders and the hostile nature of litigation.

Type of risk	Principal risk	Risk description	Mitigation
Financial Risk	Bank covenants.	Importance of understanding processes and requirements for bank covenants. Covenants may not be properly complied with.	Daily, weekly and monthly checks are carried out by the Group. Staff awareness training is regularly provided. Constant review and reporting to the bank on covenants to ensure that business performance remains within the expected criteria.
Financial Risk	General expenditure increase.	If the Group's costs are not effectively monitored, there could be a general increase in expenditure, with excess costs causing financial difficulty.	Costs are closely monitored by the CFO and the Finance team and reviewed monthly. Overview of costs is discussed at each Board meeting.
Financial Risk	Cash spend.	The Group must ensure that cash spend is within facilities and that expenditure is monitored, e.g. monitoring of tax liabilities, large project spends etc. Excess spend would cause the Group financial difficulty and may mean the Group is unable to achieve its objectives.	Cash spend and costs are reviewed by the CFO and management regularly to ensure there is a healthy balance between the Group's vehicle fleet and the conservation of financial resources. New financing options are considered and reviewed where necessary. Review the current case load and need for issuing as case expenditure is front loaded.

Board of Directors

The Anexo Group Plc was incorporated on 27 March 2018, at which point Alan Sellers, Samantha Moss and Colin Brennand were appointed as Directors of the Company, details of the current Board are presented below.

			
	Alan Sellers Executive Chairman	**Mark Bringloe** Chief Financial Officer	**Samantha Moss** Bond Turner Managing Director
Committee Membership			
Date Joined	Alan was appointed Executive Chairman of Anexo Group Plc in March 2018 and was one of the founders of the business. He has been instrumental in forming the Group as it operates today.	Mark was appointed as Chief Financial Officer in May 2018, originally joining the Group as Finance Director in 2009.	Samantha was appointed as a Director of Anexo Group Plc in March 2018, having worked for Bond Turner since 2004.
Experience & Qualifications	Alan is an expert in civil litigation, personal injury and credit hire claims and clinical and professional negligence. He is recognised as a leading figure in these fields. Alan was called to the Bar in 1991 at the Gray's Inn Bar and alongside his duties as Executive Chairman continues to practise as one of Anexo's in-house team of barristers.	Mark has previously worked at Ernst & Young, Robson Rhodes and most recently BDO where he was a Director within the Corporate Finance team. For the last 15 years of his career in professional practice Mark specialised in the provision of due diligence and associated services for private equity and other stakeholders as well as supporting a number of listings to AIM. Mark is a qualified Chartered Accountant.	Samantha is a specialist in clinical and professional negligence and civil litigation, including personal injury and credit hire claims. Samantha also maintains managerial responsibility for Bond Turner and overseas regulatory compliance, client care, complex claim, staff supervision, account and complaints handling. Samantha is married to Alan Sellers. Samantha graduated from the University of Manchester with a degree in law and accountancy in 2003 and was subsequently admitted as a solicitor in 2008.

Committee Membership Key:

▲ Audit Committee

▲ Remuneration Committee

▲ Risk and Regulation Committee

Christopher Houghton

Senior Independent Non-Executive Director

Christopher joined the Group in May 2018 on listing.

Christopher joined Park Group plc in 1986 in a finance role rising to Finance Director in 2001. After taking on operational responsibilities he became Chief Executive in 2012 retiring from the group in 2018.

Christopher is a fellow of the Chartered Institute of Management Accountants.

Roger Barlow

Independent Non-Executive Director

Roger joined the Anexo Group Plc Board in June 2018.

Roger has held a number of directorships and is currently Senior Independent Non-Executive Director and Chair of Audit at a challenger bank, Bank & Clients plc and a Non-Executive Director of Loughborough Building Society. He is the independent member of the Audit Committee at the Information Commissioner's Office. He has also been CFO and Chairman of two AIM listed companies.

Roger is a Chartered Accountant and was a partner with KPMG until 2000.

Richard Pratt

Independent Non-Executive Director

Richard joined the Group in May 2018 on listing.

Richard has been the head of his chambers since 2012 and leader of the Northern Circuit between 2011 and 2013. Richard is also a recorder of the Crown Court and joined the Group in May 2018, having been appointed as QC in 2006.

Richard was called to the Bar in 1980 and has practised in Liverpool, specialising in criminal law.

Elizabeth Sands

Independent Non-Executive Director

Elizabeth joined the Group in June 2018.

Elizabeth is currently Chairman of Great Bowery, a New York based fashion agency backed by Private Equity. She has also provided independent advice to a number of both private and public companies including a FTSE100 utilities company and an international investment bank. She was previously Head of Organisation and Transformation UK at AT Kearney following which she was Vice Chair of the Finance and Investment, and Workforce committees at the Devon Partnership NHS Trust.

Corporate Governance

Dear shareholder,

I am pleased to present my first Corporate Governance Statement as Chairman of the Board of Directors of Anexo Group Plc. As Chairman, it is my responsibility to ensure that Anexo practises sound corporate governance. The Company has therefore adopted the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). The QCA Code is a widely recognised benchmark for corporate governance of smaller quoted companies to which the UK Corporate Governance Code is not considered applicable, due to company size and early development phase.

The Board considers that Anexo complies with the QCA Code so far as is practicable, having regard to the Company's current stage of evolution. A statement detailing both how the Company complies with the QCA Code, and areas of non-compliance, is outlined below.

QCA Principles

1. Establish a strategy and business model which promotes long-term value for shareholders

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders through the Company's growth strategy.

As a specialist integrated credit hire and legal services group, Anexo provides replacement vehicles and associated legal assistance to consumers who have been involved in non-fault motor accidents. The Group provides an integrated end-to-end service to impecunious customers including the provision of a credit hire vehicle, upfront settlement of repair and recovery charges through to the management and recovery of costs, and the processing of any associated personal injury claim. The Group comprises four business units under two reporting divisions; Credit Hire and Legal Services.

A key proposition for customers is that there is no upfront cost to the customer (including hire and repair charges), with Bond Turner seeking to recover costs from the at-fault insurer, typically through a litigated claims process on behalf of the customer. The Group's business model is underpinned by legal precedent supporting the ability of impecunious customers to recover higher credit hire rates from at-fault insurers.

Anexo intends to deliver long-term value to its shareholders through its growth strategy. The Group's plans for growth have been centred on increasing the number of solicitors and legal assistants to process the Group's existing case load and enabling the Group to take on more cases. Anexo's strategy also includes increasing the vehicles available for hire and the number of sales staff employed, as well as bringing more barristers in-house.

At the year ended 31 December 2018, Anexo's strategy achievements included:

- the opening of a new regional office for Bond Turner, the Group's legal services division, which became operational on 3 December 2018. Located in Bolton, the office housed a 20-strong team comprising of 17 senior fee earners including qualified solicitors, qualified legal executives and litigation specialists at 31 December 2018. Bolton has proved an abundant recruitment location for high calibre, experienced legal professionals; and
- vehicles on the road increased by from 815 to 1,531 between 1 January 2018 and 31 December 2018.

In 2019, the Company intends to continue its growth strategy through regional expansion and taking advantage of opportunities that may arise following the anticipated introduction of the Civil Liability Bill in April 2020.

Challenges to delivering the Company's strategy include changes to legislation that the credit-hire aspect of the Group is reliant on, retention of advertisements in key garages, retention of key lawyers and adverse costs arising from litigation. These key challenges, as well as mitigating actions, are outlined in the Principal Risks and Uncertainties section of the Strategic Report on pages 12 to 15.

2. Seek to understand and meet shareholder needs and expectations

Anexo places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders. The Company seeks to provide effective communication through Interim and Annual Reports, Regulatory News Service announcements and information on the Company website. Shareholders can also sign up to the Company's investor alert service to ensure that they receive all press releases, financial results and other key shareholder messages directly from the Company as soon as they become available.

The Company's first Annual General Meeting is scheduled for 12 June 2019 and will provide an opportunity for the Board to meet shareholders. The Chairman of the Board, each of the Committee Chairmen, Directors (both Executive and Non-Executive) will be available to respond to any shareholder questions regarding Board/Committee activities.

The Company is open to receiving feedback from key stakeholders, and will take action where appropriate. The key contact for shareholder liaison is Christopher Houghton, Senior Independent Director.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees, regulators and other key stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which takes into account a wide range of key resources including solicitors, sales staff and barristers.

All employees within the Group are valued members of the team, and the Company seeks to implement provisions to retain and incentivise its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. The Board recognises the importance of ensuring that the management of the Group are effectively motivated and their interests are aligned with those of the Group. The Company has therefore put in place an Employee Share Plan incentivising the performance of key employees and members of senior management.

The Company has a Whistle Blowing Policy in place in order to discourage unethical business conduct, thus ensuring its employees are protected.

Anexo has no significant environmental or community impact, but will continue to monitor and will take action if this changes in the future.

Corporate Governance continued

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. Principal Risks and Uncertainties are outlined in the Risk Report section of the Strategic Report on pages 12 to 15.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the risk management objectives and policies to the Company's finance function. The Board receives regular reports from the Chief Financial Officer through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Anexo also has a Risk and Regulation Committee to ensure that there is a robust process in place for identifying, managing, and monitoring risks to the Group. The Risk Committee will assess the risk profile of the Group and how the risks arising from the Group's businesses are controlled, monitored and mitigated by management.

Furthermore, the Company's Audit Committee also has delegated responsibility to review the Company's internal financial controls and monitor the integrity of the Financial Statements of the Company (including Annual and Interim Accounts and results announcements).

The Company conducts a full risk assessment matrix and categorises all its key risks, and outlines the mitigating actions that are in place. This matrix is updated as changes arise in the nature of risks or the mitigating actions implemented. The matrix is distributed regularly to all Board members and the Board reviews risks on a frequent basis.

An internal audit function is not yet considered necessary as day-to-day control is sufficiently exercised by the Company's Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises three Executive Directors, Alan Sellers, Mark Bringloe and Samantha Moss, and four Independent Non-Executives, Christopher Houghton, Richard Pratt, Roger Barlow and Elizabeth Sands. Alan Sellers is the Company's Chair. Alan Sellers is not considered Independent due to his Executive position, however the Board considers this to be appropriate in the immediate future as he has driven the strategy of the Group. In light of this, a Senior Independent Non-Executive Director ('SID'), Christopher Houghton, has been appointed to deal with matters including shareholder communication.

Board meetings are open and constructive, with every Director participating fully. Senior management can also be invited to meetings, providing the Board with a thorough overview of the Company. The Board aims to meet at least eight times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board document authors are made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year. Board papers are collated, compiled into a Board Pack, and circulated with sufficient time before meetings, allowing time for full consideration and necessary clarifications before the meetings.

Since admission to AIM in June 2018, the Board has met on four scheduled occasions.

Director	Position	Board meetings / attended in 2018
Alan Sellers	Executive Chairman	4 / 4
Mark Bringloe	Chief Financial Officer	4 / 4
Samantha Moss	Bond Turner Managing Director	4 / 4
Christopher Houghton	Senior Independent Non-Executive Director	4 / 4
Richard Pratt	Non-Executive Director	4 / 4
Roger Barlow	Non-Executive Director	4 / 4
Elizabeth Sands	Non-Executive Director	4 / 4

Dawn O'Brien, Company Secretary, also attended four Board meetings in 2018.

The Company has three Committees, an Audit Committee, a Remuneration Committee and a Risk and Regulation Committee. The Committees have the necessary skills and knowledge to discharge their duties effectively. As with Board papers, Committee papers are drafted and circulated to members of the Committee with sufficient time before the meeting.

All Directors of the Board have sufficient time, availability, skills and expertise to perform their roles and this is regularly reviewed by the Board.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Corporate Governance continued

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Non-Executive Directors have a breadth and depth of skills and experience across many different sectors, from finance to fashion and from private to public companies, enabling them to provide the necessary guidance, oversight and advice for the Board to operate effectively. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills, providing the ability to deliver the Company's strategy for the benefit of shareholders over the medium and long-term. The Board is not dominated by any person or group of people. The Non-Executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between formal Board meetings.

Biographical details of the Directors can be found on page 16.

Dawn O'Brien is Anexo's Company Secretary and Anexo has further engaged the services of ONE Advisory Limited to assist with ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. ONE Advisory also provides additional Company Secretarial support and assistance with MAR compliance and shareholder meetings.

Christopher Houghton has been appointed as the Company's Senior Independent Non-Executive Director to assist the Chair, particularly in relation to dealing with shareholder related matters.

If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal. All the Directors have had recent AIM Rules and Directors Responsibilities training as part of the IPO process.

The Remuneration Committee is responsible for reviewing the composition of the Board, including evaluating the skills, knowledge and experience of Board members. The Committee will seek to take into account any Board imbalances for future nominations.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Remuneration Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

The Chairman annually assesses the individual contributions of each of the members of the team to ensure that:

- their contribution is relevant and effective;
- that they are committed; and
- where relevant, they have maintained their independence.

The Senior Independent Non-Executive Director reviews the performance of the Chairman against the same objectives as above. Towards the end of 2019, the Company intends to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient manner, as well as reviewing the effectiveness of each Committee.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities are centred upon an open and respectful dialogue with employees, consumers and other key stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. An example of this is the Company's Whistle Blowing Policy, aimed to prevent illegal activity and unethical business conduct through encouraging Directors, officers and employees to report any wrongdoing or suspected violations. The Company also has an Anti-Bribery Policy in place to ensure the highest standards of personal and professional ethical behaviour are adhered to.

Moreover, Bond Turner, the Group's legal services division, promotes nine core values which shape the firm's corporate culture, approach to client service and professional standards. The values are entrenched and are considered at every stage of the employee lifecycle, from recruitment to training.

The Company has also adopted a Share Dealing Policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and their persons closely associated) which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during closed periods which will be in line with the Market Abuse Regulation (EU) No 596/2014). The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that Share Dealing Policy.

Corporate Governance continued

9.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. The Board reviews the Company's corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit.

The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The day-to-day management of the Company's two key divisions is carried out by the management board, which reports to the Anexo Board.

The Independent Non-Executives are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

Whilst the Board has not formally adopted appropriate delegations of authority setting out matters reserved to the Board, there is effectively no decision of any consequence made other than by the Directors. All Directors participate in the key areas of decision-making, including the following matters:

- review, formulate and approve the Company's strategy;
- review, formulate and approve the Company's budgets;
- review, formulate and approve the Company's corporate actions; and
- oversee the Company's progress towards its goals.

The Board delegates authority to three Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has three members, Roger Barlow (Chair), Christopher Houghton and Richard Pratt. The Audit Committee is responsible for:

- ensuring that the financial performance of the Company is properly reported on and reviewed;
- monitoring the integrity of the Financial Statements of the Company (including Annual and Interim Accounts and results announcements);
- reviewing internal control and risk management systems;
- reviewing any changes to accounting policies;
- reviewing and monitoring the extent of the non-audit services undertaken by external auditors; and
- advising on the appointment of external auditors.

The Audit Committee is expected to meet formally at least two times a year and otherwise as required.

Risk and Regulation Committee

The Risk and Regulation Committee has four members, Richard Pratt (Chair), Christopher Houghton, Roger Barlow and Elizabeth Sands. The Risk and Regulation Committee is responsible for:

- ensuring that there is a robust process in place for identifying, managing, and monitoring risks to the Group;
- assessing the risk profile of the Group and how the risks arising from the Group's businesses are controlled, monitored and mitigated by management; and
- the business of the Group is regulated by the SRA and it also offers credit hire products which the Risk Committee monitor to ensure regulatory observance.

The Committee will be assisted by Dawn O'Brien, a Director of Bond Turner, in ensuring regulatory compliance. The Risk and Regulation Committee is expected to meet formally at least twice a year and otherwise as required.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Remuneration Committee

The Remuneration Committee has three members, Christopher Houghton (Chair), Richard Pratt and Elizabeth Sands. The Remuneration Committee is responsible for:

- determining, within the agreed Terms of Reference, the Company's policy on the remuneration packages of the Company's Chairman, the Executive Directors, senior managers and such other members of the executive management as it is designated to consider;
- determining (within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer as appropriate) the total individual remuneration package for each Executive Director and other designated senior executives (including bonuses, incentive payments and share options or other share awards). (The remuneration of Non-Executive Directors will be a matter for the Chairman and Executive Directors of the Board. No Director or manager will be allowed to partake in any discussions as to their own remuneration);
- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning; and
- recommending new appointments to the Board.

The Remuneration Committee is expected to meet as required.

The Board has elected not to establish a Nominations Committee, preferring instead that the Board itself should deal with such matters, with the assistance of the Remuneration Committee, including succession planning and the balance of the Board.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders, consumers and other relevant stakeholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations) as well as shareholder analysts, and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The Board already discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to publishing proxy voting results on its website in future. The Board maintains that, if there is a resolution passed at a GM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

Information on the Investor Relations section of the Group's website is kept updated and contains details of relevant developments, press and corporate news and presentations. As noted above, shareholders can also sign up to receive investor alerts to ensure that they receive all press releases, financial results and other key shareholder messages directly from the Company as soon as they become available.

Alan Sellers

Executive Chairman

9 April 2019

Audit Committee Report

As the recently appointed Chairman of Anexo's Audit Committee, I present my first Audit Committee Report for the year ended 31 December 2018.

The Committee is responsible for reviewing and reporting on the Company's financial performance, monitoring the integrity of the Company's Financial Statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management, and reviewing/monitoring the performance, independence and effectiveness of the external auditors.

Since admission to AIM in June 2018, the Committee's primary activities comprised meeting with the external auditors, considering the audit approach, scope and timetable, and reviewing the key audit matters for the 2018 audit.

In addition to the Committee's ongoing duties, in the coming year the Committee plans to:

- regularly review the need for an internal audit function, having regard to the Company's strategy and resources;
- review and record approval of any analyst briefings and investor presentations;
- carry out a self-assessment of the Committee;
- review the effectiveness of the external audit; and
- review with management, and agree with the external auditors, the implementation of IFRS 17.

Audit Committee and Attendance

Anexo's Audit Committee is chaired by Roger Barlow and its other members are Christopher Houghton and Richard Pratt. The Board considers that Roger has sufficient, relevant financial experience to chair the Audit Committee given that he is a chartered accountant with over 30 years' experience and numerous Board positions outside of Anexo (including Chief Financial Officer and Head of Audit Committee).

The Committee is required by its Terms of Reference to meet at least twice in each financial year and otherwise as required by the Committee Chairman to properly fulfil its duties. Since admission, the Committee met twice and both meetings were attended by all members. With the exception of Samantha Moss and Elizabeth Sands, all other Directors attended both meetings, with Samantha and Elizabeth attending one Committee meeting each. The external auditors and Dawn O'Brien also attended both Committee meetings at the invitation of the Committee Chairman.

Objectives and Responsibilities

The Audit Committee's main responsibilities can be summarised as follows:

- to report on and review the Group's financial performance;
- to monitor the integrity of the Group's Financial Statements and any formal announcements relating to the Group's financial performance;
- to review the Group's internal financial controls and risk management systems;
- to review any changes to accounting policies;
- to make recommendations to the Board in relation to the appointment of the external auditors;
- to make recommendations to the Board concerning the approval of the remuneration and terms of engagement of the external auditors;
- to review and monitor the extent of the non-audit services undertaken by external auditors;
- to review and monitor the external auditors' independence and objectivity; and
- to consider any matter specifically referred to the Committee by the Board.

The Terms of Reference are reviewed annually and are available on the Company's website anexo-group.com/index.asp.

Audit Committee Effectiveness

The Committee is due to perform an assessment of its effectiveness in late 2019.

Financial Reporting

During the year, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance.

The Committee considered the budget for 2019 and the debt financing arrangements at year end and concluded that the going concern basis is appropriate. The Committee reviewed the full-year and half-year results announcement, Annual Report and Financial Statements and considered reports from the external auditors identifying accounting or Judgmental issues requiring its attention. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

External Audit

The Committee will assess the external auditor's performance and effectiveness for the current year through a questionnaire to be completed by Audit Committee members and the Group's senior finance team. The output from the process will be reviewed and discussed by the Audit Committee and with the external auditors in FY 2019.

Roger Barlow

Chairman of the Audit Committee

9 April 2019

Remuneration Committee Report

Directors' Remuneration Policy

The Group's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the Group's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards and that it will continue to apply for 2019 and subsequent years, subject to ongoing review as appropriate.

The policy is framed around the following key principles:

- total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high-calibre executives;
- total incentive-based rewards will be earned through the achievement of performance conditions consistent with shareholder interests;
- the design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk;
- in considering the market positioning of reward elements, account will be taken for the performance of the Group and of each individual Executive Director; and
- reward practice will conform to best practice standards as far as reasonably practicable.

When formulating the scale and structure of remuneration, the Remuneration Committee takes account of a number of different factors including market practice and external market data of the level of remuneration offered to Directors of similar type and seniority in other companies whose activities and size are similar.

In addition, the pay and employment conditions of employees are also considered when determining Directors' remuneration. The Remuneration Committee may also seek advice from external consultants where appropriate. No Director was involved in deciding the level and composition of their own remuneration.

The Executive Directors receive an amount of fixed pay made up of a base salary, and in some cases a benefits package and pension contribution.

Short-term performance for senior executives is incentivised using an annual bonus scheme based on the achievement of profitability targets. Long-term performance is incentivised by way of a long-term incentive plan ('LTIP') based on the achievement of performance goals aligned to the Company's business strategy and measured over a three-year period.

These various schemes provide the Board with tools to help it to continue to strengthen the alignment of employee and shareholder interests.

Basic Salary

Executive Directors' salaries were agreed at the time of the listing and are next scheduled for review in June 2019, any movement will be determined by the Remuneration Committee.

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

Annual Bonus Payments

The Executive Directors are entitled to participate in the annual bonus scheme. The bonuses are payable subject to the achievement of challenging targets which, for the current year, were based on achieving the forecast profit before taxation for 2018 set during the listing process. The maximum bonus potential for meeting all of the targets is between 50% and 100% of salary depending on the contractual terms agreed at the time of listing, but the Remuneration Committee has discretion if the target is not met.

Share-based Incentives

On Admission, a number of participants including Mark Bringloe were able to subscribe for C ordinary shares in Edge Vehicles Rentals Group Limited, the intermediate holding company of the Group. Upon the satisfaction of applicable performance targets, which included the achievement of the Group's profit targets for each of 2018, 2019 and 2020, or at the discretion of the Board if failure to achieve such targets was due to unforeseen circumstances, these C shares may be exchanged for cash or shares in Anexo Group Plc.

The Company may, at its discretion, offer to purchase the MIP shares for cash or by issuing ordinary shares in the Company. The number of ordinary shares which would be acquired under such an offer would be based on the MIP share value and the share price of the ordinary shares on the MIP Exercise Date. If the Company chooses to settle the MIP shares by issuing ordinary shares in the Company, the MIP participants will be restricted from selling 50% of the ordinary shares they receive for a period of 12 months from the date they are issued or before the fourth anniversary of the date of the MIP shares being issued, whichever earlier.

The value of the shares on vesting will increase (or decrease) by reference to the value of the ordinary shares in Anexo at such time. The aggregated value of the Share Entitlement on listing was £2,200,000, of which £500,000 related to Mark Bringloe and £Nil to both Alan Sellers and Samantha Moss.

Pension Arrangements

The Executive Directors receive company contributions to personal pension schemes of 2% of their basic salaries.

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 six months. The contracts of Alan Sellers, Mark Bringloe and Samantha Moss were entered into on 12 June 2018.

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:

Director	Date of appointment	Contract end date
Christopher Houghton	22 May 2018	21 May 2021
Roger Barlow	14 June 2018	13 June 2021
Elizabeth Sands	14 June 2018	13 June 2021
Richard Pratt	22 May 2018	21 May 2021

Total Directors' Remuneration for 2018

Director	Salaries and fees £'000s	Annual bonus £'000s	Other benefits £'000s	Long-term incentives £'000s	Total £'000s
Alan Sellers	188	375	16	–	579
Samantha Moss	150	120	16	–	286
Mark Bringloe	100	100	160	–	360
Christopher Houghton	20	–	–	–	20
Roger Barlow	20	–	–	–	20
Elizabeth Sands	18	–	–	–	18
Richard Pratt	20	–	–	–	20
Total	516	595	192	–	1,303

Note: Data presented above relates to the period from listing (20 June 2018) until the year end.

By order of the Board

Christopher Houghton

Chairman of the Remuneration Committee

9 April 2019

Directors' Report

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2018. The Corporate Governance section set out on pages 18 to 25 forms part of this report.

Principal Activities

The Group is a specialist integrated credit hire and legal services group focused on providing replacement vehicles and associated legal services to impecunious customers who have been involved in a non-fault accident.

Corporate Status

Anexo Group Plc (the 'Company') is a public limited company domiciled in the United Kingdom and was incorporated in England and Wales with company number 11278719 on 27 March 2018. The Company has its registered office at 5th Floor, The Plaza, 100 Old Hall Street, Liverpool, Merseyside, United Kingdom, L3 9QJ. The principal places of business of the Group are its offices in Liverpool, Ormskirk, Potters Bar and Bolton.

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 the Remuneration Committee Report on pages 28 to 29 of this Annual Report. The names and biographies of the Directors appear on pages 16 to 17.

Directors Interests

In accordance with the Articles of Association, all Directors will retire by rotation and being eligible offer themselves for re-election at the Company's forthcoming AGM. The beneficial interests of the Directors in the ordinary shares of the Company on 31 December 2018 are set out below:

Director	Shares	%
Alan Sellers	38,675,004	35.16
Samantha Moss	38,675,003	35.16
Mark Bringloe	15,000	0.014
Elizabeth Sands	4,290	0.004

No other changes took place in the interest of Directors between 31 December 2018 and the date of this report.

Details of the Directors' long-term incentive plans are contained in the Remuneration Committee Report on pages 28 to 29.

Directors' Indemnities

The Company has agreed to indemnify its Directors against third party claims which may be brought against them and has put in place a Directors' and officers' insurance policy.

Substantial Shareholdings

At 5 April 2019, the Directors have been notified of the following beneficial interests in excess of 3% of the issued share capital of the Company:

Shareholder	Shares	%
Valentina Slater	7,650,003	6.95
HSBC Global Custody Nominee (UK) Limited	6,625,000	6.02

Risk management Objectives and Policies

The Board has ultimate responsibility for determining the nature and extent of major risks facing the Group as well as establishing a risk management framework and related objectives and policies. It has delegated the authority for designing and operating processes that ensure the framework's effective implementation to the Group's finance function. The Board receives regular reports from the Chief Financial Officer through which it reviews the effectiveness of the processes in place as well as the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Risk and Regulation Committee also helps to ensure there are robust processes in place for identifying, managing and monitoring risks to the Group. The Group's risk register is reviewed at each Risk and Regulation Committee meeting and is updated as changes arise in the nature of risks or the mitigating actions implemented. The Committee will assess the risk profile of the Group and how the risks arising from the Group's businesses are controlled, monitored and mitigated by management. Risk and Regulation Committee meetings are arranged circumstantially if specific events arise that require the Committee's attention. The risk register is distributed regularly to all Board members and the Board reviews risks on a frequent basis.

The Board has delegated responsibility for reviewing the Company's internal financial controls to the Audit Committee. The Audit Committee is also responsible for monitoring the integrity of the Group's Financial Statements, including Annual and Interim Accounts and results announcements. An internal audit function is not yet considered necessary as day-to-day control is sufficiently exercised by the Company's Executive Directors. However, the Board will continue to monitor the need for an internal audit function.

Further details of the Group's financial risk management objectives and policies are set out in note 26 of the consolidated Financial Statements. The key non-financial risks that the Group faces are set out on pages 12 to 15 of the Strategic Report.

Related Party Transactions

Details of the Group's transactions and year end balances with related parties are set out in note 24 of the consolidated Financial Statements.

Disabilities and Diversity

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.

The Group is committed to encouraging diversity, promoting a diverse culture where everyone is treated with respect and valued for their individual contribution and creating a work environment free of bullying, harassment, victimisation and unlawful discrimination. It is a key objective to ensure that all employees are helped and encouraged to fulfil their potential.

Equal Opportunities

It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an equal opportunities and diversity policy in place. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation.

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.

Strategic Report

The Company has chosen in accordance with Companies Act 2006, section 414C (11) to set out in the Company's Strategic Report information required to be contained in the Directors' Report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report.

Principal Risks and Uncertainties

The principal risk and uncertainties facing the Group are included within the Principal Risks and Uncertainties section of the Strategic Report on pages 12 to 15, which also includes details of the mitigating factors employed to minimise the effects to the Group.

Auditors

RSM UK Audit LLP were appointed as auditors for the year ended 31 December 2018 and have indicated their willingness to continue in office. A resolution to reappoint RSM UK Audit LLP as auditors will be put to the forthcoming Annual General Meeting.

Disclosure of Information to Auditors

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 auditors is unaware; and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

Annual General Meeting

The Annual General Meeting will be held on 12 June 2019. The Notice convening the meeting and information about the proposed resolutions accompanies this Annual Report and Accounts.

By order of the Board

Dawn O'Brien
Company Secretary
9 April 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under company law to prepare the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group Financial Statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make Judgments and accounting estimates that are reasonable and prudent;

c. for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the Company Financial Statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company Financial Statements; and

d. prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Anexo Group Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Anexo Group Plc

Opinion

We have audited the financial statements of Anexo Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group Key Audit Matters

Revenue Recognition and Accrued Income

(Refer to accounting policy on pages 42 to 43 regarding revenue and accrued income for credit hire and legal services, the accounting policy on page 46 regarding estimation uncertainty for accrued income and revenue, note 4 regarding revenue and note 15 regarding trade and other receivables)

The Risk

Appropriate and accurate income recognition is required to be applied by the Directors to ensure that revenue is fairly stated in the financial statements. For credit hire there is a risk that revenue is recognised inappropriately and not at a supportable percentage of the hire rate for the vehicle. The settlement rates used rely on estimates and management Judgment. For legal services there is a risk that accrued income does not reflect the stage of the case and the costs to be recovered.

Independent Auditor's Report to the Members of Anexo Group Plc continued

Our Response

Substantive analytical review has been performed on revenue and accrued income. Detailed testing, sensitivity analysis and reasonableness checks have been performed on settlement rates. Management's Judgments were then challenged over the inputs and settlement rates used, including a comparison with historical actual settlement rates. For revenue and accrued income we also verified the appropriateness of the recognition policy applied for a sample of claims.

Trade Debtor Recoverability

(Refer to accounting policy on page 43 regarding trade receivables and disbursements, the accounting policy on page 46 regarding recoverability of receivables, note 15 regarding trade and other receivables and the credit risk and impairment section of note 26 regarding financial risk management and impairment of financial assets)

The Risk

The group has a significant number of aged trade receivables, due to the time required to settle legal claims and recover costs of credit hire and legal services. Management's assessment of the recoverability of debts with their customers is inherently Judgmental. There is a risk that the net trade receivables will be recovered at amounts materiality different to the value recognised.

Our Response

The methodology utilised by management to calculate the provision was reviewed, including the treatment of older claims. The impairment provision was considered through a combination of substantive analytical review and tests of detail. Management's estimates of the impairment provision were recalculated and the key recovery assumptions were compared against historical settlement information.

Merger Accounting

(Refer to the basis of preparation accounting policy on page 41)

The Risk

The directors determined that the transaction to form the group was defined as a business combination under common control. The accounting treatment required under a common control transaction significantly differs from acquisition accounting. This decision will materially impact this recognition henceforth. Further, the use of merger accounting permits the disclosure of comparatives as if the group had always existed, which significantly changes the information presented to the public in this, the first set of Anexo Group Plc financial statements.

Our Response

We reviewed the explanation and rationale presented by management to justify this treatment and performed a detailed review, substantively verifying the information included. We considered the information presented against the relevant accounting standards and supporting guidance. We have reviewed the consolidation of the 2017 and 2018 results to ensure that the principle of merger accounting has been properly applied.

Going Concern Disclosure

(Refer to the basis of preparation accounting policy on pages 41 to 42)

The Risk

The going concern assessment of the Group may not be appropriately disclosed in the financial statements.

Our Response

We have assessed the cash flow forecasts and challenged the assumptions used by management. They show that the Group has the ability to continue in operation within the facilities which are in the process of being secured.

We have understood and considered the terms of the expected facilities. We have also considered whether the disclosure describing the banks' process and conditions are a fair reflection of the situation through review of correspondence and direct discussions with the banks. We are satisfied with the adequacy of the going concern disclosures within the financial statements.

Our Application of Materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £800,000 which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £500,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £40,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

The financial information of the Group's components have been audited using component materiality. These represent 100% of the group's revenue, profit before tax and gross assets/liabilities. We have specified risk-focussed audit procedures covering specific risk areas and including those identified within this report to all components. We did not rely on the work of any component auditors.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on Which we are Required to Report by Exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Anexo Group Plc continued

Auditor's Responsibilities for the Audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

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.

Ian Wall (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP,
Statutory Auditor

Chartered Accountants
3 Hardman Street
Manchester, M3 3HF

9 April 2019

Consolidated Statement of Total Comprehensive Income

for year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Revenue	4	56,505	45,302
Cost of sales	6	(16,168)	(11,349)
Gross profit		40,337	33,953
Depreciation and loss on disposal		(1,574)	(760)
Administrative expenses before exceptional items	6	(21,594)	(18,119)
Operating profit before exceptional items	7	17,169	15,074
Share based payment charge	18	(384)	–
Non-recurring administrative expenses	7	(1,411)	–
Operating profit	7	15,374	15,074
Finance income	8	–	–
Finance costs	8	(1,090)	(492)
Net financing expense		(1,090)	(492)
Profit before tax		14,284	14,582
Taxation	11	(2,879)	(2,095)
Profit and total comprehensive income for the year attributable to the owners of the Company		11,405	12,487
Earnings per share			
Basic earnings per share (pence)	12	10.4	11.4
Diluted earnings per share (pence)	12	10.2	11.1

The above results were derived from continuing operations.

The notes on pages 41 to 60 are an integral part of these consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2018

Assets	Note	2018 £'000s	2017 £'000s
Non-current assets			
Property, plant and equipment	14	3,270	1,520
		3,270	1,520
Current assets			
Trade and other receivables	15	101,445	80,593
Cash and cash equivalents	16	5,532	202
		106,977	80,795
Total assets		110,247	82,315
Equity and liabilities			
Equity			
Share capital	17	55	50
Share premium	17	9,235	40
Share based payments reserve		384	–
Retained earnings		66,127	55,542
Equity attributable to the owners of the Company		75,801	55,632
Non-current liabilities			
Other interest-bearing loans and borrowings	19	870	5,475
Deferred tax liabilities	20	–	–
		870	5,475
Current liabilities			
Bank overdraft	19	12,536	7,688
Other interest-bearing loans and borrowings	19	9,402	2,085
Trade and other payables	23	7,223	5,395
Corporation tax liability		4,415	6,040
		33,576	21,208
Total liabilities		34,446	26,683
Total equity and liabilities		110,247	82,315

The notes on pages 41 to 60 form an integral part of these consolidated Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 8 April 2019. They were signed on its behalf by:

Mark Bringloe
Chief Financial Officer
9 April 2019

Company Number 11278719

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £'000s	Share premium £'000s	Merger reserve £'000s	Share based payment reserve £'000s	Retained earnings £'000s	Total £'000s
At 1 January 2017	50	40	–	–	46,756	46,846
Profit for the year and total comprehensive income	–	–	–	–	12,487	12,487
Dividends	–	–	–	–	(3,701)	(3,701)
At 31 December 2017	50	40	–	–	55,542	55,632
Profit for the year and total comprehensive income	–	–	–	–	11,405	11,405
Issue of share capital	5	–	–	–	–	5
Increase in share premium	–	9,195	–	–	–	9,195
Creation of share based payment reserve	–	–	–	384	–	384
Dividends	–	–	–	–	(820)	(820)
At 31 December 2018	55	9,235	–	384	66,127	75,801

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Cash flows from operating activities			
Profit for the year		11,405	12,487
Adjustments for:			
Depreciation and loss on disposal	14	1,574	730
Financial expense	8	1,090	492
Taxation		2,879	2,095
		16,948	15,804
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(20,871)	(12,360)
(Decrease)/increase in trade and other payables		1,828	(329)
Cash generated from operations		(2,095)	3,115
Interest paid		(1,090)	(492)
Tax paid		(4,738)	(1,475)
Net cash from operating activities		(7,923)	1,148
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		170	183
Acquisition of property, plant and equipment		(3,493)	(1,473)
Net cash from investing activities		(3,323)	(1,290)
Cash flows from financing activities			
Net proceeds from the issue of share capital		9,235	–
Proceeds from new loan		4,016	6,825
Repayment of borrowings		(1,931)	(1,217)
Payment of finance lease liabilities		(1,362)	(425)
New finance lease arrangements		2,590	1,205
Dividends paid		(820)	(3,701)
Net cash from financing activities		11,728	2,687
Net increase/(decrease) in cash and cash equivalents		482	2,545
Cash and cash equivalents at 1 January		(7,486)	(10,031)
Cash and cash equivalents at 31 December	16	(7,004)	(7,486)

Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

1. Basis of Preparation and Principal Activity

These Financial Statements for the year ended 31 December 2018 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union ('Adopted IFRS'), IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Anexo Group Plc was incorporated on 27 March 2018. On 15 June 2018 the Company acquired 100% of the issued share capital of Direct Accident Management Limited, Bond Turner Limited, Professional and Legal Services Limited, IGCA 2013 Limited and AMS Legal Services Limited.

Prior to becoming subsidiaries of the Company, each company in the Group operated under the close control of a common management team and shareholders. Management decisions were taken in consideration of the development of all the companies operating in concert throughout all the preceding periods.

The Directors considered the accounting policies that should be applied in respect of the consolidation of the Group formed in anticipation of Admission to AIM. It was concluded that the transactions described above represented a combination of entities under common control and therefore outside the scope of IFRS 3 Business Combinations, which the Directors believe reflects the economic substance of the transaction. Under common control accounting, assets and liabilities have been recorded at book value, not fair value, intangible assets and contingent liabilities have been recognised only to the extent that they were recognised previously, no goodwill is recognised and comparative amounts have been restated as if the combination had taken place at the beginning of the earliest accounting period presented.

Therefore, although the Group reconstruction did not take place until 15 June 2018, these Financial Statements are presented as if the Group structure had always been in place, using merger accounting principles.

The historical financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Financial Statements are presented in pounds sterling, being the functional currency of the Group, generally rounded to the nearest thousand.

The annual Financial Statements have been prepared on the historical cost basis, except for certain financial assets and liabilities and share based payments which are carried at fair value.

The preparation of Financial Statements in conformity with International Financial Reporting Standards adopted by the European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The principal activity of the Group is the provision of credit hire and associated legal services.

The Company is a public limited company, which is listed on the Alternative Investment Market of the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered address office is 5th Floor, The Plaza, 100 Old Hall Street, Liverpool, L3 9QJ.

Going concern

The Group is in advanced discussions with a specialist asset funder to extend and increase existing facilities and secure additional funding from the Group's current asset base to support growth across all aspects of the business operations. This funding is intended to support the Group's working capital as it continues to expand its legal capacity and increase the rate of cash conversion. Credit backed terms have been provided by the lender which have been approved by the Board. Funds are expected to be available to the Group in April 2019 subject to approval of revised covenants and the satisfaction of routine administrative matters.

In addition, discussions continue with both our existing lender within Bond Turner Limited to renew our current facility which is due to expire on 30 June 2019 as well as a further high street bank to increase the current facility limit.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

1. Basis of Preparation and Principal Activity continued

Going concern continued

While the final agreement of these facilities is not certain, the Board is confident that these conditions will be satisfied and that the likelihood of the funding not being available is remote.

It is considered that while there is sufficient cash headroom in the forecasts, any impact on liquidity in the course of finalising these arrangements or a decrease in expected cashflows could be mitigated through short-term actions the Group could take which are not expected to impact longer-term performance.

The Directors have prepared trading and cash flow forecasts for a period of one year from the date of approval of these Financial Statements. The Directors have a reasonable expectation that the Group will have adequate cash headroom. The Group continues to trade profitably and early indications for growth in the current year are positive. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated Financial Statements.

2. Accounting Policies

Summary of Significant Accounting Policies and Key AccountingEstimates

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Changes in Accounting Policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2018, including IFRS 9 and IFRS 15, which have been applied, have had a material effect on the Financial Statements compared to the previous accounting policies of the individual group entities.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2019 and which have not been adopted early, are expected to have a material effect on the Financial Statements.

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

- IFRS 16 – Leases. This is effective for year ended 31 December 2020. The Group is assessing the impact of IFRS 16. Based upon leases presently held by the Group it is likely to increase Group EBITDA and Group net interest and depreciation charges with an immaterial effect on profit before taxation. The amounts to be included in fixed assets and net debt respectively will be more definitively assessed nearer the time and are dependent upon lease agreements that will be in existence at that point.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. There is only one geographical segment, being the United Kingdom.

The Executive Directors are of the opinion that the Group has two distinct reportable segments which include those of credit hire and legal services.

Revenue

The Group provides the following key services to customers:

- provision of a credit hire vehicle to a client involved in a non-fault accident; and
- provision of associated legal services to support that client's claim.

Revenue derived from the supply of credit hire vehicles is recognised over time from the date a vehicle is placed on hire, exclusive of VAT. Vehicles are only supplied and remain on hire after a strict validation process that assesses to the Group's satisfaction that liability for the accident rests with a third party. Revenue is accrued on a daily basis, after adjustment on a portfolio basis for an estimation of the recovery of those credit hire charges based on historical settlement rates. This adjustment is made to ensure that revenue is only recognised to the extent that it is highly probable that a significant reversal of revenue will not occur upon settlement of a customer's claim. Revenue recognised is updated on settlement once the amount of fees that will be recovered is known.

Revenue from the rendering of legal services to customers is recognised upon delivery of the service to the customer. The legal practice operates on the basis of No Win – No Fee conditional fee arrangements, whereby fees are earned only in the event of a successful outcome of a customer's claim. In some cases, fees may be fixed and determined depending on the stage at which the matter concludes. For the majority of claims, fees are fixed at a specified sum plus a percentage of damages recovered. Any uncertainty around the fees receivable under a No Win – No Fee contract are generally only resolved when a matter is concluded, revenue is constrained to the amount of the minimum fee that the Group is entitled once an admission of liability has been confirmed. Revenue recognised is updated on settlement once the amount of fees that will be recovered is known.

Trade Receivables

Trade receivables are amounts due from clients for services performed in the ordinary course of business. Trade receivables are initially measured at fair value less transaction costs and subsequently carried at amortised cost less any allowance for discounts and impairment.

Accrued Income – Credit Hire

Revenue from credit hire is accrued on a daily basis, after adjustment on a portfolio basis for an estimation of the recovery of those credit hire charges. As a result of credit hire turnover being recognised in the period the hire is provided, accrued income is recognised for credit hire, together with the costs and associated services provided that it has not yet been invoiced or is still on hire at the year-end date. Upon conclusion of an individual hire, the claim is invoiced and accrued income associated with that hire written back to nil.

Accrued Income – Legal Services

Accrued income represents client cases which have not yet reached a conclusion and is carried at a value that includes profit of prescribed fixed fees at the earliest stage post issue of proceedings. The reasoning behind this is that credit hire claims are litigious and require the issue of court proceedings prior to settlement. The value measured only includes the base fixed fee and does not provide for any percentage uplift which will be payable in addition in every case that settles. Value is only attributed to cases which are less than three years old.

Disbursements

Disbursements paid in support of an ongoing claim are reported within trade receivables. A provision for the expected irrecoverability of disbursement balances is made by reference to the duration since the last transaction posted to the individual ledgers, plus any other necessary provision for balances considering post period end information. Provisions for disbursements written off is charged to administration expenses in the income statement.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information and on unused tax losses or tax credits available to the Group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

2. Accounting Policies continued

Property, Plant and Equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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).

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Motor vehicles	50% straight line
Property improvements	10% straight line
Computer equipment	20% to 33% straight line
Fixtures and fittings	20% straight line or reducing balance

Financial Instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when the Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial instruments cease to be recognised at the date when the Group ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the Statement of financial position as trade and other receivables or cash and cash equivalents.

Cash and Cash Equivalents

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

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least 12 months after the reporting date. If there is an unconditional right to defer settlement for at least 12 months after the reporting date, they are presented as non-current liabilities. Trade payables are initially recognised at fair value including transaction costs and subsequently carried at amortised cost.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term.

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Share Capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Share-based Payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual Financial Statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated Financial Statements with the corresponding credit being recognised directly in equity.

Dividends

Dividends are recognised as a liability and deducted from equity at the time they were declared. Otherwise dividends are disclosed if they have been proposed or declared after the year end and before the relevant Financial Statements are approved.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

2. Accounting Policies continued

Defined Contribution Pension Obligation

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, management is 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 underlying 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 revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the historical financial information are described below.

Trade Receivables (Accrued Income and Revenue)

Credit Hire

Due to the nature of the business, there are high levels of trade receivables at the year end, and therefore a risk that some of these balances may be irrecoverable. A review of the Company's policy for accounting for impairment of these trade receivables is carried out where debts are assessed and provided against when the recoverability of these balances is considered to be uncertain.

Revenue is accrued on a daily basis, after adjustment on a portfolio basis for an estimation of the recovery of those credit hire charges based on historical settlement rates and the age of the debt. This adjustment is made to ensure that revenue is only recognised to the extent that it is highly probable that a significant reversal of revenue will not occur upon settlement of a customer's claim. Revenue recognised is updated on settlement once the amount of fees that will be recovered is known.

Legal Services

The Group carries an element of accrued income, the valuation of which reflects the estimated level of recovery on successful settlement by reference to historical recovery rates or the lowest level of fees payable by reference to the stage of completion of those cases. Where we have not had an admission of liability no value is attributed to those case files.

For both credit hire and legal services, the historical settlement rates used in determining the carrying value may differ from the rates at which claims ultimately settle. This represents an area of key estimation uncertainty for the Group.

4. Revenue

The Group's principal activities, separated by reportable segments, are described below. For more detail about reportable segments see Note 5.

Credit Hire

The Group provides vehicle hire for individuals who have had a non-fault accident. Revenue is recognised over time based on the days of hire provided to the customer. Revenue recognition is limited under the variable consideration guidance using an estimate of the recovery of credit hire charges based on historical settlement rates.

Legal Services

Legal services revenue comprises of a number of obligations including; legal services in relation to accident claims (personal injury, clinical negligence etc.), medical and engineer consultations and arrangement of after the event insurance contracts. Revenue from the rendering of legal services to customers is recognised upon delivery of the service to the customer. Due to the No Win – No Fee nature of these legal contracts, revenue recognition is constrained to the minimum fee until the amount of settlement is known.

The Group's revenue for the year from continuing operations is disaggregated into the following segments:

	2018 £'000s	2017 £'000s
Credit Hire	34,042	24,814
Legal Services	22,463	20,488
	56,505	45,302

In accordance with IFRS 8, no single customer, whether that be a client or insurer, represented more than 10% of revenue for any of the years ended 31 December 2017 or 2018. The whole of the revenue is attributable to activities carried out in the United Kingdom.

The collection of cash for performance of the Group's obligations does not occur until after settlement of the related claim. This causes a timing difference between the performance and receipt of cash resulting in the Group recognising the following contract related balances:

	2018 £'000s	2017 £'000s
Net Trade Receivables (see note 15)	75,990	55,890
Accrued Income	22,457	16,176
	98,447	72,066

The contract assets primarily relate to the Group's consideration for on-hire vehicles and legal services for work completed where the case is still outstanding. These balances are transferred to receivables once a vehicle becomes off-hire or a legal claim settlement is agreed.

5. Segmental Reporting

The Group's reportable segments are as follows:

- the provision of credit hire vehicles to individuals who have had a non-fault accident, and
- associated legal services in the support of the individual provided with a vehicle by the Group and other legal service activities

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

	The year ended 31 December 2018		
	Credit hire £'000s	Legal services and central costs £'000s	Consolidated £'000s
Revenues			
Third Party	34,042	22,463	56,505
Total revenues	34,042	22,463	56,505
Profit before taxation	10,889	3,395	14,284
Depreciation and loss on disposal	1,489	85	1,574
Segment assets	73,896	36,453	110,349
Capital expenditure	3,005	487	3,492
Segment liabilities	27,791	6,757	34,548

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

5. Segmental Reporting continued

	The year ended 31 December 2017		
	Credit hire £'000s	Legal services and central costs £'000s	Consolidated £'000s
Revenues			
Third Party	24,814	20,488	45,302
Total revenues	24,814	20,488	45,302
Profit before taxation	7,690	6,891	14,581
Depreciation and loss on disposal	692	68	760
Segment assets	52,613	29,702	82,315
Capital expenditure	1,416	57	1,473
Segment liabilities	15,306	11,377	26,683

Interest income/expense and income tax are not measured on a segment basis.

6. Expenses by Nature

Cost of sales are comprised of:

	2018 £'000s	2017 £'000s
Staff costs	1,831	1,385
Operating lease expense	3,794	3,137
Other cost of sales	10,543	6,827
	16,168	11,349

Administrative expenses are comprised of:

	2018 £'000s	2017 £'000s
Staff costs	13,326	8,636
Operating lease expense	427	663
Other administrative expenses	7,841	8,820
	21,594	18,119

7. Operating Profit

Operating profit is arrived at after charging:

	2018 £'000s	2017 £'000s
Depreciation expense	1,563	760
Operating lease expense	4,221	3,800
Non-recurring administrative costs	1,411	–
Share based payments	384	–
(Gain)/loss on disposal of property, plant and equipment	11	(41)

Non-recurring administrative costs in the year ended 31 December 2018 of £1.4 million related to Placing and Admission to AIM by the Company and the Group reorganisation undertaken in preparation of this process.

There were no non-recurring costs in the year ended 31 December 2017.

Included in the above are the costs associated with the following services provided by the Company's auditors:

	2018 £'000s	2017 £'000s
Audit services		
Audit of the Company and the consolidated Financial Statements	29	–
Audit of the Company's subsidiaries	62	50
Total audit fees	91	50
Fees relating to the Admission to AIM	180	–
All other services	20	–
Total fees payable to the Company's auditors	291	50

8. Finance Costs

All financing income arises from financial assets and liabilities measured at amortised cost.

	2018 £'000s	2017 £'000s
Finance costs		
Interest on bank overdrafts and borrowings	605	324
Interest on obligations under finance leases	161	95
Interest expense on other financing liabilities	253	14
Other interest payable	71	59
Total finance costs	1,090	492

9. Staff Costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2018 £'000s	2017 £'000s
Wages and salaries	13,698	9,058
Social security costs	1,324	904
Pension costs, defined contribution scheme	135	59
	15,157	10,021

Split as follows:

Cost of sales	1,831	1,385
Administrative costs	13,326	8,636
	15,157	10,021

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

9. Staff Costs continued

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Distribution staff	66	68
Administrative staff	345	283
	411	351

10. Directors' and Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Group. The Directors' and key management remuneration for the year was as follows:

	2018 £'000s	2017 £'000s
Wages and salaries	1,791	742
Social security costs	176	96
Pension costs, defined contribution scheme	9	1
Total short-term employee benefits	1,976	839

Wages and salaries above included a total bonus of £300,000 paid to certain members of key management on the successfully listing of the Group in June 2018.

In respect of the highest paid Director:

	2018 £'000s	2017 £'000s
Remuneration	579	290

11. Corporation Tax

Tax charged in the income statement is as follows:

	2018 £'000s	2017 £'000s
Current taxation		
UK corporation tax	2,934	2,139
UK corporation tax adjustment to prior periods	19	(16)
	2,953	2,123
Deferred taxation		
Arising from the origination and reversal of temporary differences	(74)	(28)
Tax expense in the income statement	2,879	2,095

The actual tax charge is higher than the standard rate of corporation tax in the UK applied to the profit before tax (2018: 19%, 2017: 19%).

The differences are reconciled below:

	2018 £'000s	2017 £'000s
Profit before tax	14,284	14,581
Corporation tax at standard rate	2,714	2,771
Effect of expenses not deductible for tax purposes	116	12
Effect of capital allowances and depreciation	2	2
Rounding of tax charge	–	30
Over / (under) provision of tax charge	19	(28)
Over / (under) provision of tax charge in prior year	28	(75)
Effect of different UK tax rates on some earnings	–	(617)
Total tax charge	2,879	2,095

12. Earnings Per Share

Number of shares:	2018 No.	2017 No.
Weighted number of ordinary shares outstanding	110,000,000	110,000,000
Effect of dilutive options	2,200,000	2,200,000
Weighted number of ordinary shares outstanding – diluted	112,200,000	112,200,000
Earnings:	**£'000s**	**£'000s**
Profit basic and diluted	11,405	12,487
Profit adjusted and diluted	13,200	12,487
Earnings per share:	**Pence**	**Pence**
Basic earnings per share	10.4	11.4
Adjusted earnings per share	12.0	11.4
Diluted earnings per share	10.2	11.1
Adjusted diluted earnings per share	11.8	11.1

The adjusted profit after tax for 2018 and adjusted earnings per share are shown before non-recurring costs (net of tax) of £1.4 million (FY 2017: £Nil) and share-based payment charges of £0.4 million (FY 2017: £Nil). The Directors believe that the adjusted profit after tax and the adjusted earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The adjusted profit after tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

13. Dividends

Dividends reported in FY 2018 totalled £820,000 and in FY 2017 totalled £3.7 million, which included drawings from Alan Sellers' barristers' business prior to its incorporation in June 2018 and dividends paid by Bond Turner Limited, before the Group restructure was completed and Anexo Group Plc incorporated.

A final dividend in respect of 2018 of 1.5 pence per share, amounting to a dividend payable of £1,650,000, is to be proposed at the annual general meeting on 12 June 2019.

14. Property, Plant and Equipment

	Property improvements £'000s	Fixtures, fittings & equipment £'000s	Motor vehicles £'000s	Office equipment £'000s	Total £'000s
Cost or valuation					
At 1 January 2017	276	253	1,705	645	2,879
Additions	65	55	1,329	24	1,473
Disposals	–	–	(800)	–	(800)
At 31 December 2017	341	308	2,234	669	3,552
Additions	–	486	2,944	62	3,492
Disposals	–	–	(721)	–	(721)
At 31 December 2018	341	794	4,457	731	6,323
Depreciation					
At 1 January 2017	239	134	991	555	1,919
Charge for year	9	46	664	41	760
Eliminated on disposal	–	–	(647)	–	(647)
At 31 December 2017	248	180	1,008	596	2,032
Charge for the year	10	66	1,441	46	1,563
Eliminated on disposal	–	–	(542)	–	(542)
At 31 December 2018	258	246	1,907	642	3,053
Carrying amount					
At 31 December 2018	83	548	2,550	89	3,270
At 31 December 2017	93	128	1,226	73	1,520

Finance leases and hire purchase contracts

Included within the carrying value of property, plant and equipment are the following amounts relating to assets held under finance leases or hire purchase agreements (primarily motorbikes):

	Motor vehicles £'000s
At 31 December 2018	2,550
At 31 December 2017	979

15. Trade and Other Receivables

	2018 £'000s	2017 £'000s
Trade receivables	165,195	151,518
Provision for impairment of trade receivables	(89,205)	(95,628)
Net trade receivables	75,990	55,890
Accrued income	22,457	16,176
Prepayments	532	165
Directors loan account	463	4,644
Other debtors	1,922	3,711
Deferred taxation	81	7
	101,445	80,593

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment of financial assets note.

Trade receivables stated above include amounts due at the end of the reporting period for which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has been no significant change in credit quality. Average gross debtor days calculated on a count back basis were 418 at 31 December 2018 and 421 at 31 December 2017.

Age of Trade Receivables that are not Impaired

	2018 £'000s	2017 £'000s
Within one year	45,727	33,682
One to two years	17,285	12,371
Two to three years	7,977	5,917
Three to four years	4,293	3,481
Over four years	708	439
	75,990	55,890
Average age (days)	418	421

The provision for impairment of trade receivable is the difference between the carrying value and the present value of the expected proceeds. The Directors consider that the fair value of trade and other receivables is not materially different from the carrying value.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

16. Cash and Cash Equivalents

	2018 £'000s	2017 £'000s
Cash	5,532	202
Invoice discounting facility	(12,536)	(7,688)
	(7,004)	(7,486)

17. Share Capital and Reserves

	2018 £'000s	2017 £'000s
Share capital – allotted, called up and fully paid 110 million ordinary shares of 0.05 pence each (FY 2017: 50,000 ordinary shares of £1.00 each)	55	50
Share premium	9,235	40

Share Capital

On 20 June 2018 the Company was admitted to trading on AIM. On this date the Company issued 10 million ordinary shares of 0.05 pence each with a nominal value of £5,000. Prior to this date the Company had issued 100 million ordinary shares of 0.05 pence each with a nominal value of £50,000 in relation to the incorporation of the Company and the purchase of its subsidiaries, Edge Vehicles Rentals Group Limited, Bond Turner Limited, Direct Accident Management Limited, IGCA 2013 Limited, Professional and Legal Services Limited and AMS Legal Services Limited. As a result of these transactions the issued share capital at 31 December 2018 comprised 110 million ordinary shares of 0.05 pence each with a nominal value of £55,000.

Share Premium

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the Company. The 10 million ordinary shares of 0.05 pence each with a nominal value of £5,000 were issued at a price of 100 pence per share on 20 June 2018 giving rise to share premium of £10.0 million against which expenses of £765,000 have been netted to get a balance of £9,235,000 (net of expenses).

Share-based Payment Reserve

Share-based payment reserve represents the cumulative share-based payment expense for the Group's share option schemes.

Retained Earnings

The movement on retained earnings is as set out in the statement of changes in equity. Retained earnings represent cumulative profits or losses, net of dividends and other adjustments.

18. Share-Based Payments

The movement in awards during the year was:

	2018 £'000s	2017 £'000s
Opening balance	–	–
Granted during the year	384	–
Closing balance	384	–

Executive Growth Share Plan ('MIP')

The Group granted MIP awards on 20 June 2018 to key employees, via its subsidiary, Edge Vehicles Rentals Group Limited (EVRGL). Under this scheme, these employees have been granted C ordinary shares in EVRGL which can be converted to Anexo Group Plc shares or converted to cash if the Group achieves set profit after tax targets as follows: £9.9 million for 31 December 2018, £11.9 million for 31 December 2019 and £13.9 million for 31 December 2020. Assuming the profit targets are met 50% of the awards will vest on 31 December 2021 and the remaining 50% vest on 31 December 2022. Management intend to settle the scheme in Anexo Group Plc shares.

As at 31 December 2018 there were 2.2 million MIP awards outstanding (FY 2017: Nil).

The MIP awards were valued using the Black-Scholes model. Expected volatility was determined by management, using comparator volatility as a basis. The expected life of the award was determined based on management's best estimate. The expected dividend yield was based on the anticipated dividend policy of the Company over the expected life of the awards. The risk-free rate of return input into the model was a zero-coupon government bond with a life in line with the expected life of the options.

The inputs to the model based on the awards being equity settled were as follows:

Award	MIP-vest 1	MIP-Vest 2
Settlement	Equity-settled	Equity-settled
Valuation date	20 June 2018	20 June 2018
Award date	20 June 2018	20 June 2018
Vesting date	1 March 2021	1 January 2022
Expected settlement date	1 March 2021	1 January 2022
Expected term	2.7	3.5
Model used for valuation	Black-Scholes	Black-Scholes
Share price at valuation date	1.00	1.00
Exercise price	N/A	N/A
Risk-free rate	0.82%	0.89%
Dividend yield	1.59%	1.59%
Expected volatility	24.75%	23.48%
Fair value of one share (£)	0.96	0.95

The Group recognised a total expense of £384,000 during the year (FY 2017: £Nil) relating to equity-settled share-based payments.

19. Borrowings

	2018 £'000s	2017 £'000s
Non-current loans and borrowings		
Revolving credit facility	–	4,900
Obligations under finance lease and hire purchase contracts	851	438
Other borrowings	19	137
	870	5,475
Current loans and borrowings		
Bank loans and overdrafts	12,536	7,688
Revolving credit facility	5,000	–
Obligations under finance lease and hire purchase contracts	1,640	825
Other borrowings	2,762	1,260
	21,938	9,773

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

19. Borrowings continued

Direct Accident Management Limited uses an invoice discounting facility which is secured on the trade receivables of that company, the balance outstanding being reported within bank loans and overdrafts. Security held in relation to the facility includes a debenture over all assets of Direct Accident dated 11 October 2016, extended to cover the assets of Anexo Group Plc and Edge Vehicles Rentals Group Limited from 20 June 2018 and 28 June 2018 respectively. Agreed during the year were a Company guarantee and indemnity from Anexo Group Plc dated 20 June 2018 and Edge Vehicle Rentals Group Limited dated 28 June 2018, as well as a cross corporate guarantee with Professional and Legal Services Limited dated 21 February 2018.

Direct Accident Management Limited is also party to the number of finance leases which are secured over the respective assets funded.

The revolving credit facility is secured by way of a fixed charge dated 25 January 2017, over all present and future property, assets and rights (including uncalled capital) of Bond Turner Limited. The loan is structured as a revolving credit facility which is committed for a two-year period, until 30 June 2019, with no associated repayments due before that date. Interest is charged at 3.75% over LIBOR.

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment of financial assets note.

Finance Lease Liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2018 £'000s	Interest 2018 £'000s	Principal 2018 £'000s	Minimum lease payments 2017 £'000s	Interest 2017 £'000s	Principal 2017 £'000s
Less than one year	1,857	217	1,640	934	109	825
Between one and five years	947	96	851	487	49	438
More than five years	–	–	–	–	–	–
	2,804	313	2,491	1,421	158	1,263

20. Deferred Tax

The following is an analysis of the deferred tax liabilities, net of deferred tax assets:

	2018 £'000s	2017 £'000s
Accelerated capital allowances		
Balance brought forward	7	(21)
Credit / (charge) to the income statement	70	28
Balance at end of period	77	7
Other short-term timing differences		
Balance brought forward	–	–
Credit / (charge) to the income statement	4	–
Total deferred tax asset / (liability) at end of period	81	7

There is no unrecognised deferred tax in the current period for the Group (FY 2017: £Nil).

21. Obligations Under Leases and Hire Purchase Contracts

Finance Leases

The finance leases of the Group primarily relate to the hire purchase of motorbikes. The total future value of minimum lease payments under finance leases and hire purchase contracts are as follows:

	2018 £'000s	2017 £'000s
Not later than one year	1,544	825
Later than one and not later than five years	947	438
	2,491	1,263

Operating Leases

The Group lease a number of office and other premises as well as a proportion of the motor vehicle fleet under non-cancellable operating lease agreements. The total future value of minimum lease payments is as follows:

	2018 £'000s	2017 £'000s
Operating leases		
Not later than one year	3,821	1,901
Later than one and not later than five years	3,107	2,116
Later than five years	803	–
	7,731	4,017

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4.2 million (FY 2017: £3.8 million).

22. Pension and Other Schemes

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £135,000 (FY 2017: £59,000).

23. Trade and Other Payables

	2018 £'000s	2017 £'000s
Trade payables	3,293	2,495
Accruals and deferred income	2,323	807
Social security and other taxes	1,025	1,424
Other creditors	582	669
	7,223	5,395

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note. The Directors consider that the fair value of trade and other payables is not materially different from the carrying value. The Group's exposure to market and liquidity risks related to trade and other payables is disclosed in the financial risk management and impairment of financial assets note. The Group pays its trade payables on terms and as such trade payables are not yet due at the balance sheet dates.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

24. Related Party Disclosures

During the year the following Directors entered into the following advances and credits with the Company:

	Balance brought forward £'000s	Advances/ (credits) to the Director £'000s	Amounts repaid £'000s	Balance outstanding £'000s
S Moss – 2018	1,434	657	2,056	35
S Moss – 2017	1,116	775	(458)	1,434
A Sellers – 2018	3,210	211	(2,993)	428
A Sellers – 2017	2,175	1,040	(5)	3,210

The following related party transactions were undertaken during the period:

The Group has entered into formal leases and occupies premises owned by a Director. Rent and service charges of £172,500 (FY 2017: £172,500) were charged under these arrangements. At the balance sheet date the amounts due under these lease arrangements to the shareholder were £95,000 (FY 2017: £Nil).

A company related by common control, paid £Nil and recharged expenses of £Nil (FY 2017: paid £Nil and recharged expenses of £Nil). The balance payable at the year-end was £37,318 (FY 2017: £37,318).

A Director, charged for services and recharged expenses totalling £307,229 and received payments totalling £319,726 (FY 2017: charged for services and recharged expenses totalling £189,692 and received payments totalling £182,358). The balance payable at the year-end was £Nil (FY 2017: £12,497). All amounts are exclusive of VAT.

During the year the Group made a loan of £348,710 (FY 2017: £541,820) to a company related by common control. The Group also paid expenses of £222,450 (FY 2017: £70,172) on behalf of that company and was invoiced £215,000 (FY 2017: £326,000) for services provided. As at the year end the Group was owed £1,115,300 (FY 2017: £759,140).

25. Financial Instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements.

The significant accounting policies regarding financial instruments are disclosed in note 2.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Loans and Receivables

	Held at amortised cost	
	2018 £'000s	2017 £'000s
Cash and cash equivalents	5,532	202
Trade and other receivables	78,374	64,244
Accrued income	22,457	16,176
Accrued income	106,363	80,622

Financial Liabilities

	Held at amortised cost	
	2018 £'000s	2017 £'000s
Trade and other payables	6,198	3,971
Borrowings	22,808	15,248
	29,006	19,219

There is no significant difference between the fair value and carrying value of financial instruments.

26. Financial Risk Management and Impairment of Financial Assets

General Objectives, Policies and Processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives regular reports from the Finance Director through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit Risk and Impairment

Credit risk arises principally from the Group's trade and other receivables. It is the risk that the counter party fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the Financial Statements. Credit risk with cash and cash equivalents is reduced by placing funds with banks with high credit ratings. A financial asset is in default when the counterparty fails to pay its contractual obligations.

The Group is not significantly exposed to credit risk due to the nature of the counterparties from which it collects it trade receivables and contract assets; cash is primarily collected from insurance providers after settlement of a customer's accident claim. The Group monitors its exposure to credit risk by reviewing outstanding debtors by insurance provider. The majority of the collection risk for trade receivables and contracts assets arises from the uncertainty of settlement for each claim, which is considered as part of the revenue accounting, rather than in the expected credit loss assessment. Based on past history management does not have a significant history of writing off receivables due to default.

For Director and shareholder loans the Group has no history of writing-off these balances due to default of the borrower. The Group has no evidence to suggest that these loans will not be collected in full and considers that there is no significant credit risk. Any expected credit loss provision is expected to be immaterial and therefore no expected credit loss provision has been recognised against these financial assets.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2018

26. Financial Risk Management and Impairment of Financial Assets continued

Liquidity Risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Board receives cash flow projections on a regular basis which are monitored regularly. The Board will not commit to material expenditure in respect of its ongoing development programme prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2018	Up to 12 months £'000s	Between one and two years £'000s	Between two and five years £'000s	Total £'000s
Trade and other payables	4,900	–	–	4,900
Loans and borrowings	21,938	870	–	22,808
Total	26,838	870	–	27,708

At 31 December 2017	Up to 12 months £'000s	Between one and two years £'000s	Between two and five years £'000s	Total £'000s
Trade and other payables	4,588	–	–	4,588
Loans and borrowings	9,773	5,475	–	15,248
Total	14,361	5,475	–	19,836

Interest Rate Risk and Fair Value Risk

There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the Group are not dependent on the finance income received.

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital and retained profits as its equity capital. In managing its capital, the Group's primary objective is to provide return for its equity shareholders through capital growth and future dividend income. The Group's policy is to seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

Details of the Group's capital are disclosed in the Statement of Changes in Equity.

There have been no other significant changes to the Group's management objectives, policies and procedures in the year nor has there been any change in what the Group considers to be capital.

Currency Risk

The Group is not exposed to any significant currency risk. The Group also manages its currency exposure by retaining its cash balances in sterling.

Company Statement of Financial Position

as at 31 December 2018

	Note	2018 £'000s
Assets		
Non-current assets		
Investments in subsidiaries	5	100,384
		100,384
Current assets		
Trade and other receivables	6	7,187
Cash and cash equivalents		952
		8,139
Total assets		108,523
Equity and liabilities		
Equity		
Share capital	8	55
Share premium	8	9,270
Merger reserve	8	99,924
Share based payment reserve	8	384
Retained earnings		(1,209)
Equity attributable to the owners of the Company		108,424
Current liabilities		
Borrowings		–
Trade and other payables	7	99
Corporation tax liability		–
		99
Total liabilities		99
Total equity and liabilities		108,523

The Company's profit and total comprehensive income for the period from incorporation on 27 March 2018 to 31 December 2018 was a loss after taxation of £1,209,000.

The notes on pages 63 to 67 form an integral part of these Financial Statements.

The Financial Statements were approved by the Board of Directors and authorised for issue on 8 April 2019. They were signed on its behalf by:

Mark Bringloe
Chief Financial Officer
9 April 2019

Company Number 11278719

Company Statement of Changes in Equity

for the period ended 31 December 2018

	Share capital £'000s	Share premium £'000s	Merger reserve £'000s	Share based payment reserve £'000s	Retained earnings £'000s	Total £'000s
At 27 March 2018	50	–	–	–	–	50
Arising on Group reorganisation	–	–	100,000	–	–	100,000
Loss for the year and total comprehensive income	–	–	–	–	(1,209)	(1,209)
Stamp duty paid in Group reorganisation	–	–	(76)	–	–	(76)
Issue of share capital	5	–	–	–	–	5
Creation of share premium	–	9,270	–	–	–	9,270
Creation of share based payment reserve	–	–	–	384	–	384
At 31 December 2018	55	9,270	99,924	384	(1,209)	108,424

Notes to the Company Financial Statements

for the year ended 31 December 2018

1. 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 FRS 101. 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.

Reduced Disclosures

The figures presented in relation to the Company's Financial Statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework ('FRS 101').

In accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied in the preparation of the Company Financial Statements and, where relevant, equivalent disclosures have been made in the consolidated Financial Statements of the Company:

- presentation of a Company Cash Flow Statement and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- inclusion of an explicit and unreserved statement of compliance with IFRS;
- disclosure of Company key management compensation;
- disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- related party disclosures in respect of two or more wholly owned members of the Group; and
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

The Financial Statements of the Company are consolidated within these Financial Statements which will be publicly available from Companies House, Crown Way, Cardiff, CF14 3UZ following their approval by shareholders.

As permitted by s408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit and total comprehensive income for the period from incorporation on 27 March 2018 to 31 December 2018 was a loss after taxation of £1,209,000.

2. Operating Profits

The auditor's remuneration for audit services to the Company was £29,000.

Notes to the Company Financial Statements continued

for the year ended 31 December 2018

3. Staff Costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2018 £'000s
Wages and salaries	308
Social security costs	20
Pension costs, defined contribution scheme	–
	328

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2018 No.
Administrative staff	5
	5

4. Directors' and Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company. The Directors' and key management remuneration for the year was as follows:

	2018 £'000s
Wages and salaries	178
Social security costs	20
Pension costs, defined contribution scheme	–
Total short-terms employee benefits	198

In respect of the highest paid Director:

	2018 £'000s
Remuneration	100

5. Details of Related Undertakings

All of the subsidiaries have been included in the consolidated Financial Statements. The subsidiaries held during the year are set out below:

Subsidiary	Principal activity	Registered office	Country of incorporation	% shares
Edge Vehicles Rentals Group Limited	Intermediate holding company	Mauran Governance Services (Jersey) Limited, 22 Grenville Street, St. Helier, Jersey, JE4 8PX	Jersey	100%
Bond Turner Limited	Legal practice	The Plaza, 100 Old Hall Street, Liverpool, Merseyside, L3 9QJ	UK	100%
Direct Accident Management Limited	Credit hire business	139 New Court Way, Ormskirk, Lancashire, L39 2YT	UK	100%
Professional and Legal Services Limited	Medico legal business	20 New Court Way, Ormskirk, Lancashire, L39 2YT	UK	100%
IGCA 2013 Limited	Administrators for ATE insurers	Rosemary Farm Rosemary Lane, Downholland, Ormskirk, Lancs, England, L39 7JP	UK	100%
AMS Legal Services Limited	Dormant	Halton Green House Green Lane, Halton, Lancaster, Lancashire, United Kingdom, LA2 6PB	UK	100%

All shares held by the Company are ordinary equity shares, the percentage holding representing voting rights.

Investments in subsidiaries during the year was as follows:

	£'000s
Cost	
At 27 March 2018	–
Additions	100,384
At 31 December 2018	100,384
Impairment	
At 27 March 2018	–
Impairment in the year	–
At 31 December 2018	–
Net Book Value	
At 31 December 2018	100,384

6. Trade and Other Receivables

	2018 £'000s
Amounts due from subsidiary undertakings	7,074
Other debtors	50
VAT recoverable	63
	7,187

Notes to the Company Financial Statements continued

for the year ended 31 December 2018

7. Trade and Other Payables

	2018 £'000s
Other tax and social security	18
Accruals	81
	99

8. Share Capital and Reserves

	2018 £'000s
Share capital – allotted, called up and fully paid 110 million ordinary shares of 0.05 pence each (FY 2017: 50,000 ordinary shares of £1.00 each)	55
Share premium	9,270

Share Capital

On 20 June 2018 the Company was admitted to trading on AIM. On this date the Company issued 10 million ordinary shares of 0.05 pence each with a nominal value of £5,000. Prior to this date the Company had issued 100 million ordinary shares of 0.05 pence each with a nominal value of £50,000 in relation to the incorporation of the Company and the purchase of its subsidiaries, Edge Vehicles Rentals Group Limited, Bond Turner Limited, Direct Accident Management Limited, IGCA 2013 Limited, Professional and Legal Services Limited and AMS Legal Services Limited. As a result of these transactions the issued share capital at 31 December 2018 comprised 110 million ordinary shares of 0.05 pence each with a nominal value of £55,000.

Share Premium

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the Company. The 10 million ordinary shares of 0.05 pence each with a nominal value of £5,000 were issued at a price of 100 pence per share on 20 June 2018 giving rise to share premium of £9,270,000 (net of expenses).

Merger Reserve

The merger reserve arose on the purchase of the subsidiaries, Edge Vehicles Rentals Group Limited, Bond Turner Limited, Direct Accident Management Limited, IGCA 2013 Limited, Professional and Legal Services Limited and AMS Legal Services Limited. The merger reserve represents the difference between the cost value of the shares acquired less the cost value of the shares issued for the purchase of each company and the stamp duty payable in respect of these transactions.

Share-based Payment Reserve

Share-based payment reserve represents the cumulative share-based payment expense for the Group's share option schemes.

Retained Earnings

The movement on retained earnings is as set out in the statement of changes in equity. Retained earnings represent cumulative profits or losses, net of dividends and other adjustments.

9. 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 25 in the Group accounts for further details.

Loans and receivables	Held at amortised cost 2018 £'000s
Cash and cash equivalents	952
Trade and other receivables	7,187
	8,139

Financial liabilities	Held at amortised cost 2018 £'000s
Trade and other payables	81
Borrowings	–
	81

There is no significant difference between the fair value and carrying value of financial instruments.

10. Related Party Transactions

Details of the Company's interests in subsidiaries, who are regarded as related parties, are provided in note 5. Transactions during the year with subsidiaries are summarised below:

	Management charges £'000s	Interest charges £'000s	Charges to the Company from subsidiaries £'000s
2018	600	–	–

Amounts due from subsidiaries at 31 December 2018 is included in note 6.

11. Ultimate Controlling Party

The ultimate controlling party is A Sellers by virtue of his shareholding, which is held in consort with his wife.

12. Contingent Liability

The company has guaranteed a new loan drawn by Bond Turner Limited, a subsidiary. The value of the loan at the year end was £750,000.

Company Information

Directors

Alan Sellers (appointed 27 March 2018)
Mark Bringloe (appointed 21 May 2018)
Samantha Moss (appointed 27 March 2018)
Christopher Houghton (appointed 22 May 2018)
Roger Barlow (appointed 14 June 2018)
Richard Pratt (appointed 22 May 2018)
Elizabeth Sands (appointed 14 June 2018)

Secretary

Dawn O'Brien (appointed 27 March 2018)

Assistant Company Secretary

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3–7 Temple Avenue, London, EC4Y 0DT

Company Number

11278719

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Nominated Advisor and Broker

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Bankers

Royal Bank of Scotland plc, 38 Mosley Street, Manchester, M61 0HW

Solicitors

King & Spalding International LLP,125 Old Broad Street, London, EC2N 1AR

Independent Auditor

RSM UK Audit LLP, Chartered Accountants, 9th Floor,
3 Hardman Street, Manchester, M3 3HF

Registrars

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