The specialist integrated credit hire and legal services provider

Anexo

Annual Report 2020

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.

Our purpose

We look after motorists involved in non-fault accidents, providing replacement vehicles and associated legal services.

For further investor information:
www.anexo.com/investor-relations

Operational and financial highlights

Revenue +39%

Operating profit £24.6m

Profit margin 32.3%

Net assets £91.7m

Dividend 1.5p

Basic EPS 17p

Overview

2019 has been a year of transition for the Group. Following the successful listing on AIM in June 2018, raising £10.0 million of expansion capital (pre expenses), the Group initially deployed this capital to allow management to take advantage of the significant opportunities which 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 who would ordinarily not have access to a replacement vehicle. Thereafter, focus has very much been on the legal services business, with efforts and investment driving settlement capacity and cash collections from the recruitment of a significant number of senior litigators across both the Liverpool and Bolton offices.

As our results indicate, this investment has driven value from within our 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.

Significant steps forward were made during 2019 and the level of cash absorption reduced from £7.0 million in the first half of the year to £1.5 million in the second half of the year, as cash collections increased from £36.6 million to £47.5 million, an increase of 30% between the first and second half of 2019.

We have provided certain data and statistics below and on the following pages to give further detail around the trading and operational performance of the Group. The measures presented are those which management consider provide the best reflection of performance.

- **Revenue increased by 39% to £78.5 million (2018: £56.5 million)**
- **Operating profit reported at £24.6 million (2018: £15.4 million) – an increase of 60%**
- **Adjusted[1] operating profit before exceptional items in line with market expectations, rising by 47% to £25.2 million (2018: £17.2 million)**
- **Adjusted[1] operating profit margin increased to 32.2% (2018: 30.4%)**
- **Profit before tax of £22.4 million (2018: £14.3 million) – an increase of 57%**
- **Adjusted[1] profit before tax and exceptional items increased to £23.1 million, (2018: £16.1 million) – an increase of 43%**
- **Adjusted[2] basic EPS at 17.0 pence (2018: 12.0 pence)**
- **Proposed final dividend of 0.5p per share giving a total dividend for the year of 1.5 pence per share (2018: 1.5 pence)**
- **Net assets reported at £91.7 million (2018: £75.8 million) representing an increase of 21%**
- **Significant reduction in net cash outflows from operating activities which reached £0.8 million in 2019 (2018: net cash outflow: £7.9 million)**
- **Net debt balance at 31 December 2019 was £27.7 million (31 December 2018: £17.3 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 page 18.

1. Adjusted operating profit and profit before tax: excludes the costs of Admission to AIM in 2018 and share-based payment charges in 2018 and 2019. A reconciliation to reported (IFRS) results is included in the Financial Review on page 18.
2. 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.

Our strategy

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

The focus during 2019 has been on the legal services business, with efforts and investment driving settlement capacity and increased cash collections, whilst holding the fleet number steady. Our three strategic pillars are:

1 Maintaining fleet at current levels

Growth in the credit hire fleet has been restrained and consequently the number of vehicles on hire reduced during 2019, reaching 1,308 at the end of 2019, a reduction of 223 or 14.6% on the prior year. Credit Hire revenue increased by 40.9% and profit before tax in the Credit Hire division rose by 72%. The Group continues to monitor its fleet size and retains the capacity to respond quickly and deploy additional vehicles according to the Group's strategic priorities.

2 Increasing number of litigators

The focus has been on growth in the new Bolton office, which opened in December 2018. The level and calibre of recruitment have been outstanding and we have now taken a further 10,000 sq.ft. of office space in Bolton to expand the headcount further. The number of senior fee earners grew 43% during the course of the year and we continue to recruit high quality staff.

3 Targeting net cash generation

The cap on investment in fleet expansion has had the effect of reducing the level of cash settlements required to reach an inflexion point and result in net cash generation. The number of cases settled increased during 2019 as our investment in legal staff started to bear fruit. Cases settled rose by 39% from H1 2019 to H2 2019, reaching a total for the year of 4,938. We anticipate further growth in 2020 as the case portfolio of the new recruits matures.

Strategic outlook

Anexo invested heavily in the legal services business in 2019 and we are now extremely well positioned to grow our market share and take advantage of the opportunities available to us during 2020 to ensure that this growth is significantly cash generative. The Board is confident that the Group strategy will result in increasing claims generation and an expanding market share for our Credit Hire division.

Financial and operational KPIs

During 2019 we have seen significant improvements in a number of key performance measures (detailed below). These have resulted in a significant reduction in the level of cash absorbed by the Group in the second half versus the first half of the year. Despite this reduction in cash consumption, the number of claims instigated during the period increased from 3,392 in H1 2019 to 3,567 in H2 2019. Our investment in the number of senior fee earners also increased, rising from 89 at the end of 2018 to 109 at the end of H1 2019 and reaching 127 at the end of 2019.

Most notably the number of cases settled increased during 2019 as our investment in legal staff started to bear fruit. Cases settled rose from 2,066 in H1 2019 to 2,872 in H2 2019 (an increase of 39.0%). We anticipate further growth in 2020 as the case portfolio of the new recruits matures.

£

Financial (£'000s unless otherwise stated)

Total revenues

£78.5m +38.9%

(2018: £56.5m)

2019
2018

Gross profit

£62.8m +55.7%

(2018: £40.3m)

2019
2018

Adjusted operating profit*

£25.2m +47%

(2018: £17.2m)

2019
2018

Adjusted operating profit margin* (%)

32.2% +5.9%

(2018: 30.4%)

2019
2018

Cash collections from settled cases

£84.1m +44.8%

(2018: £58.1m)

2019
2018

Operational

Vehicles on hire at the year-end (number)

1,308 -14.6%

(2018: 1,531)

2019
2018

Average vehicles on hire for the year (number)

1,454 +25.9%

(2018: 1,155)

2019
2018

Number of hire cases settled

4,938 +33.1%

(2018: 3,710)

2019
2018

New cases funded (number)

6,959 +17.4%

(2018: 5,930)

2019
2018

People

Senior fee earners at period end (number)

127 +42.7%

(2018: 89)

2019
2018

Average number of senior fee earners (number)

111 +46.1%

(2018: 76m)

2019
2018

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

At a glance

Anexo is a specialist integrated credit hire and legal services group focused on providing replacement vehicles to consumers who have been involved in a non-fault accident.

Our clients typically do not have options to access a replacement vehicle which 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 our client.

Our two divisions:

Credit Hire (EDGE)

Our Credit Services division operates under the brands DAMS (cars and commercial vehicles), McAMS (motorcycles) and CAMS (bicycles). We have a network of around 1,150 introducer garages across England and Wales which are typically small independent operators. Following a recommendation from one of our garage partners, a customer claim is vetted by our experienced team and, if approved, a replacement vehicle is provided on the same or the following day from one of our four depots strategically located across England.

The garage is visited by an independent court-appointed engineer who assesses the damage to the vehicle and either authorises the repair or declares it a write-off. The client retains the hire vehicle until the repaired vehicle is returned or a cheque for the value of the write-off is received. Returned vehicles are valeted and checked for roadworthiness before being reallocated to a new customer.

4
depots

22
in our sales force

1,454
average vehicles on hire

1,150
introducer garages in our network

3
brands

600+
employees

7
locations

20,000+
cases in progress

Legal Services (Bond Turner)

Bond Turner is our wholly-owned firm of solicitors. We employ both qualified solicitors and paralegals to facilitate our claim work. In addition to our original office in Liverpool we opened an office in Bolton in December 2018. This has subsequently doubled in size and we have recently announced plans to open a third office in Leeds.

Advocacy

In addition to the claims work which forms the majority of our caseload we are also involved in general advocacy, including professional and clinical negligence cases, complex medical claims, defamation and wills and estates disputes. We are acting for a number of clients in relation to the ongoing class action around the VW emissions case.

PALS

PALS is a medical legal agency and arranges expert third-party reports to support the customer's claim from either a credit hire and/or personal injury perspective.

IGCA

IGCA administers ATE insurance policies for independent third-party insurers which have been obtained by customers to ensure that the customer's risk of any adverse costs associated with the claim are reduced or eliminated.

Been Let Down

Been Let Down are professional negligence specialists.

111
average senior fee earners

442
legal staff employed

172
senior fee earners

At a glance continued

The lifecycle of a claim

Once a customer has been introduced to us, we provide an end-to-end service, handling their replacement vehicle hire and subsequent recovery of all costs from the other side.

EDGE

provides replacement vehicles at commercial credit hire rates

RTA happens to no fault motorist

Individual put in touch with EDGE

Direct capture sources:

- Body shops
- Vehicle workshops
- Recovery agents + Anexo sales representatives

Vetting of claim
Three validation steps:

1. Establishment of Liability
2. Customer Statement
3. Witnesses

~50% of claims result in a vehicle being issued

Bond Turner

collects cash from the at fault insurer

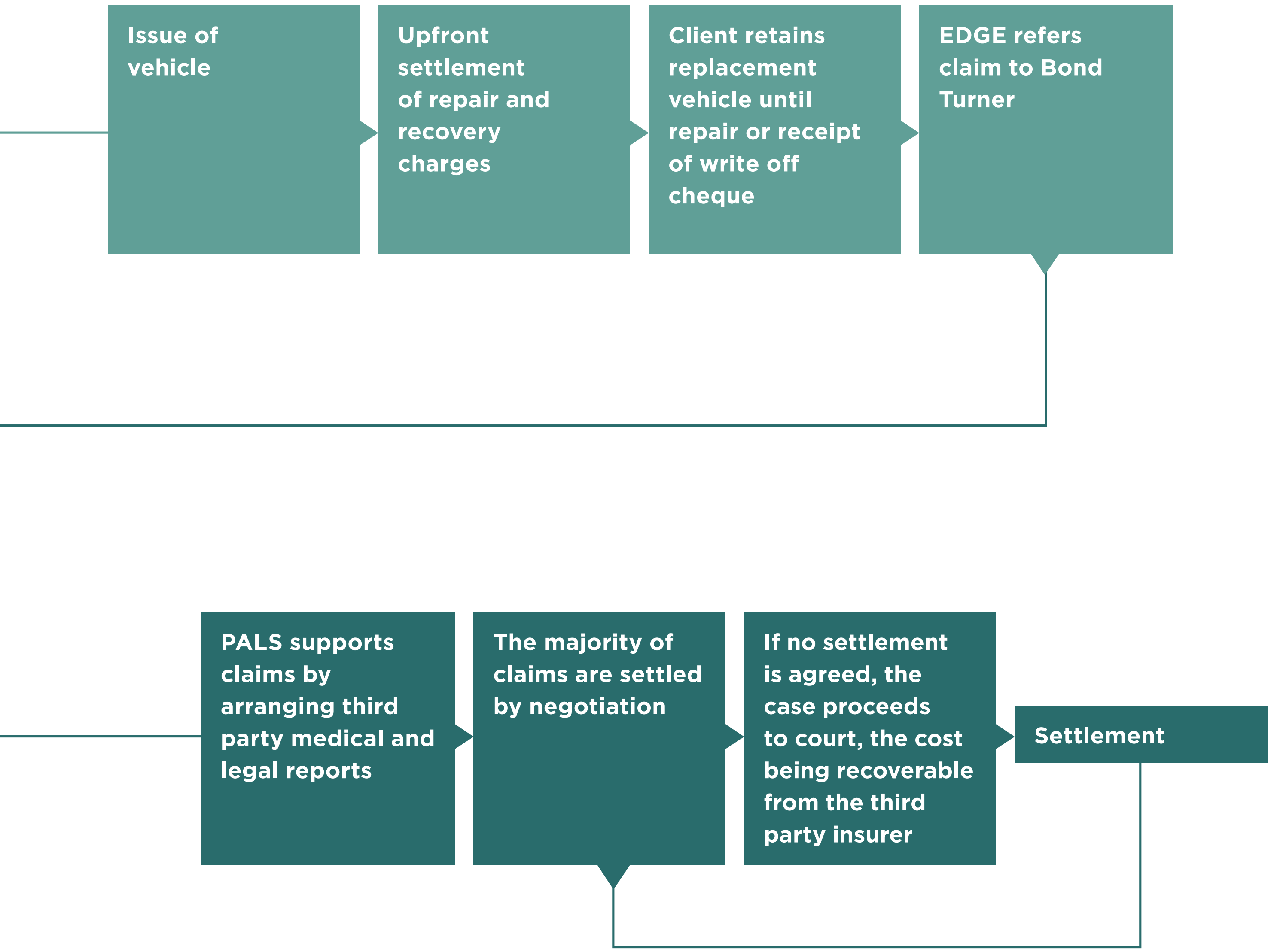
Bond Turner contacts the at-fault insurer with credit hire and repairs claim

Most introduced RTA cases also include a personal injury claim

Should the at-fault insurer refuse to settle at an acceptable rate, Bond Turner issues court proceedings

4,938
hire cases settled

7,182
completed vehicle hires



Investment case

The Board is pleased to confirm that cash collections have continued to grow. We believe that our expanded platform provides the Group with excellent prospects for 2020 and beyond.

Unique Customer Proposition

Anexo provides a complete litigated claims process focused on the recovery of credit hire and repair costs. Much of our business is generated from the significant proportion of the population in England and Wales which is unable to access emergency liquidity in the event of unexpected financial demands. Our direct capture model enables us to deal with our customers directly without recourse to their insurance provider.

4,938
hire cases settled in 2019

Synergistic Integrated Divisions

We offer a complete service to our customers from the provision of a replacement vehicle following a non-fault accident, through the process of repair or write-off, to the recovery of the cost of repair or the value of the written-off vehicle. We maintain a close relationship with the customer throughout the process. By monitoring the repair process and progress of the litigation we are able to manage our fleet requirements in a timely and efficient manner.

95%
of Bond Turner cases referred from EDGE

Established Geographic Presence and Fleet

We maintain four depots which cover the whole of England and Wales. Our Northern and original depot is based in Ormskirk. We have two smaller depots in Solihull and Frome, covering the Midlands and the West Country. During 2019 we moved into our largest depot, a purpose-built facility in Potters Bar which handles our South, East and London based customers. Our fleet managers constantly monitor location and demand statistics to ensure that our customers can take delivery of the vehicle they need as quickly as possible.

Four
vehicle depots across England

Active Network of Sales People and Introducers

Our team of 22 sales people are responsible for defined areas within England and Wales. They initiate and build relationships with our network of c.1,150 introducer garages, which are typically sole traders or small partnerships unaffiliated with main dealerships or specific car manufacturers. This independence allows us to approach each potential repair opportunity on an equal footing, without restrictions or obligations to large organisations. The large number of introducer garages allows us to minimise risk exposure to any one counterparty.

Experienced Senior Management Team

Our Executive Chairman, Alan Sellers, started the credit hire business in 1995. Several members of our staff who joined at inception continue to use their experience in senior roles within EDGE. The merger with Bond Turner, formerly known as Armstrongs Solicitors, in 1996 gave us access to a pool of experienced litigators. All our Executive Directors have many years' experience within the consolidated group and our Non-Executive Directors bring with them a wide range of specialised skills which offer tangible benefits to the Board.

Robust Financial Backing

Anexo maintains excellent relations with its bankers and finance providers. We have established distinct long-term financing arrangements covering EDGE and Bond Turner. Our revenue recognition policies are recognised as extremely conservative and our constant monitoring of the capacity and needs of both the credit hire and legal divisions means that we can apply financial leverage swiftly and effectively when required.

1,150
introducer garages in our network

22
in our sales force

Positive growth in all key financial metrics in 2019

Executive Chairman's statement

On behalf of the Board, I am pleased to report another year of strong financial and operational performance from the Group.

These results reflect our emphasis on driving cash generation through increased case settlements and more efficient use of working capital. We believe that our expanded platform provides the Group with excellent prospects for 2020 and beyond.

Group Performance

Anexo delivered a record performance across all key Group financial metrics and KPIs in 2019. Trading continued strongly throughout the year and has exceeded initial expectations. Both the Credit Hire and Legal Services divisions performed robustly, generating high levels of revenue growth. As a result, Group revenues in 2019 increased by 38.9% to £78.5 million (2018: £56.5 million) and adjusted profit before tax for the period increased by 43% to £23.1 million (2018: £16.1 million). This adjusted profit before tax figure is in line with current market expectations following a series of upgraded forecasts during the course of the year.

2019 was always intended to be a year in which we invested in the Legal Services division, whilst restraining growth within the Credit Hire division. Implementation of this strategy has contributed to a significant reduction in the level of cash absorption during 2019. This reduced from £7.0 million in the first half of the year to £1.5 million in the second half. We were particularly pleased with our performance in the second half as during that period we invested c£1.0 million in engaging with prospective claimants in the VW emissions case, part of a global class action which is likely to develop further during the course of this year.

When this investment is excluded, the Group has reached the landmark inflexion point from cash absorption to cash generation within our core business, an achievement of which the Board is very proud.

Credit Hire division

Following the Group's listing in June 2018, a portion of the funds raised at IPO was used to expand the fleet. Since then, focus has been primarily on expanding the legal services business with the aim of driving the Group towards increased cash generation. As part of this strategy, growth in the credit hire fleet has been restrained and consequently the number of vehicles on hire reduced during 2019, reaching 1,308 at the end of 2019, a reduction of 223 or 14.6% on the prior year. The cap on investment in fleet expansion has had the effect of reducing the level of cash settlements required to reach an inflexion point and result in net cash generation.

Given the fleet increase during 2018 and therefore an increase in the average fleet over the year compared to 2018, Credit Hire revenue increased by 40.9%, rising from £34.0 million in 2018 to £48.0 million in 2019. Profit before tax in the Credit Hire division rose by 64% to £17.9 million (2018: £10.9 million). The Group continues to monitor its fleet size and retains the capacity to respond quickly and deploy additional vehicles according to the Group's strategic priorities.

Legal Services division

As previously noted, 2019 was largely focused on developing capacity within Bond Turner, our legal services business.

The expanded capacity at Bond Turner has been supported by the opening of the Bolton office in December 2018. Recruitment in Bolton has progressed better than expected, both in terms of the number and quality of the highly skilled and experienced litigators we have been able to recruit. In fact, the level of quality recruitment exceeded initial expectations and we have now taken a second floor in Bolton to allow the Group to continue the investment in staff. As a result, we have increased the number of senior fee earners within the Group from 89 at the end of 2018 to 127 at 31 December 2019, an increase of almost 43% during the year.

As announced post-period end in January 2020, following the extremely successful opening of the Bolton office, the Group intends to open a new office in Leeds. Significant additional investment is planned during 2020, further enhancing the settlement capacity of the Group and ultimately the level of cash recovered from our significant portfolio of cases. In addition to increasing legal capacity to further settlement rates, the Group has invested in other cases where we have identified opportunities to utilise Bond Turner's expertise. One of these opportunities has resulted in an investment of c£935,000 in 2019 into the VW emissions claims case. This is a developing class action being heard globally with significant progress towards resolution expected in late 2020 or early 2021. We note that whilst we have invested significant value into the generation and management of those claims, all costs have been written off as incurred in line with our conservative income recognition policies.

Revenues for the Legal Services division, which strongly converts to cash, showed an increase of 35.9%, reaching £30.5 million in 2019 (2018: £22.5 million). Notwithstanding the significant investment made during 2019 in staff, property and IT infrastructure, profit before tax increased slightly to £5.9 million in 2019 (2018: £5.9 million). The Board considers this an excellent achievement, given these circumstances.

The Board is pleased to report that during 2019 the Group secured a comprehensive protocol agreement with a major insurer, which establishes parameters around specific settlement terms and timelines.

VW Emissions Case

A specialist team within the Group's Legal Services division is acting on behalf of a number of individuals who have registered their intention to pursue a claim against Volkswagen AG ("VW") and its subsidiaries (the "VW Emissions case"). The Group is currently actively engaged on approximately 8,000 cases following a limited marketing campaign in late 2019 which was predominantly conducted through social media channels, the costs of which have been written off as incurred.

The Board believes that, in the event of a settlement, the percentage of potential damages and associated costs accruing to the Group would have a significant positive impact on the Group's expectations for profits and cash flow for the relevant accounting period. Any revenue from a settlement would be unlikely to accrue until FY2021 at the earliest. There is no certainty that a settlement in favour of the Group's clients will be reached, nor is there any guarantee that such a settlement would include financial compensation.

The Board believes that there is an opportunity to increase significantly the number of claims handled through investment in a further targeted marketing campaign, as well as additional staff to process these leads, which would lead to a significantly larger return in the event of a successful settlement. Further investment is planned in 2020 to enhance the number of clients for whom the Group is engaged.

Dividends

The Board is pleased to propose a final dividend of 0.5p per share which, if approved at the Annual General Meeting to be held on 22 July 2020, will be paid on 21 August 2020 to those shareholders on the register at the close of business on 31 July 2020. The shares will become ex-dividend on 30 July 2020. An interim dividend of 1.0 penny per share was paid on 23 October 2019 and that combined with the final dividend takes the total dividend for the year to 1.5 pence per share (2018: 1.5 pence per share).

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 safeguarding 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.

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.

0.5p
final dividend making 1.5p for 2019

38.9%
Group revenues up

Executive Chairman's statement continued

S172 Statement

A Director of a company must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006.

Engagement with our shareholders and wider stakeholder groups plays an essential role throughout Anexo's business. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

In addition, effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling Anexo's purpose. While the importance of giving due consideration to our stakeholders is not new, we are taking the opportunity this year to explain in more detail how the Board engages with our stakeholders.

We keep in close contact with investors, employees, customers, suppliers and local communities so we are aware of their views. This ensures we can appropriately consider their interests in decision making. We also engage with a number of different regulatory bodies in the course of our operations, such as the FCA (Financial Conduct Authority) and the SRA (Solicitors Regulation Authority).

Throughout this Annual Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions;
- Foster relationships with stakeholders;
- Understand the importance of engaging with our employees;
- Understand our impact on our local community and the environment; and
- Demonstrate the importance of behaving responsibly.

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

The table below acts as our s172(1) statement by setting out the key stakeholder groups, their interests and how Anexo has engaged with them over the reporting period. However, given the importance of stakeholder focus, long-term strategy and reputation, these themes are also discussed throughout this Annual Report.

Stakeholder	Their interests	How we engage
Our employees	• Training, development and career prospects • Health and Safety • Working conditions • Diversity and Inclusion • Human Rights and modern slavery • Fair pay, employee benefits	• Workforce posters and communications • Ongoing training and development opportunities • Whistleblowing procedures • Publication of Modern Slavery Statement • Employee benefits packages • Staff intranet
Our suppliers	• Workers' rights • Supplier engagement and management to prevent modern slavery • Fair trading and payment terms • Sustainability and environmental impact • Collaboration • Long-term partnerships	• Initial meetings and negotiations • KPIs and Feedback • Board approval on significant changes to suppliers • Direct engagement between suppliers and specified company contact
Our investors	• Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Awareness of long-term strategy and direction	• Regular reports and analysis on investors and shareholders • Investor roadshows • Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Press releases
Our clients	• Timely and informative end to end service • Ease of access to information • Legal expertise • Timeliness • Safety • Data security	• Customer support service • Company reports • Press engagement • Marketing and communications • Customer feedback • Annual Report • AGM • Company Website
Regulatory bodies	• Compliance with regulations • Worker pay and conditions • Gender Pay • Health and Safety • Treatment of Suppliers • Brand reputation • Waste and environment • Insurance	• Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board Meetings • Consistent risk
Community and environment	• Sustainability • Road Safety • Human Rights • Energy usage • Recycling • Waste Management • Community outreach and CSR	• Philanthropy • Employee matched fundraising for charity policy • Oversight of corporate responsibility plans • Introduction of CSR initiatives • Workplace recycling policies and processes

Executive Chairman's statement continued

S172 Statement continued

COVID-19 Update

The health and wellbeing of our people and clients is paramount, and steps have been taken to allow our staff to be able to work on an agile basis in order to follow social distancing, lockdown and self-isolation measures and to mitigate the impact on client service.

Bond Turner, the Group's Legal Services division, has moved most of its staff to remote working and continues to be fully operational. The progression and settlement of cases is being aided by moves from the Ministry of Justice (MoJ), supported by the Judiciary, to allow the remote operation of courts through online and telephone hearings.

Within EDGE, the Group's Credit Hire division, vehicles continue to be delivered and collected by staff who are protected in line with government guidelines. All returned vehicles are valeted as a matter of course before being allocated to a new customer and comprehensive cleaning procedures are being rigorously enforced.

The Group's operations are categorised as essential businesses and as such are exempted from current government restrictions. Its businesses supply and service a broad range of customers who are involved in a non-fault accident and who would otherwise be unable to access the mobility they need. Among these, the Group provides replacement vehicles to many key workers, including couriers (who are increasingly active during the current circumstances) and other customers such as doctors, nurses, schoolteachers, nursery staff, emergency workers and supermarket personnel.

Current Trading and Outlook

Following the decision to drive an increase in case settlements relative to new cases and thus achieve an increase in cash collections, the Board is pleased to confirm that cash collections have continued to grow and that the credit hire operation has been net cash generative for the first four months of 2020. This milestone has been achieved as a direct consequence of the Board's strategy in 2019 to focus on investment in the Legal Services division and to hold back growth in credit hire numbers to support the transition to cash generation. As announced on 28 January 2020, monthly cash collections during H2-2019 consistently exceeded the levels achieved in H1-2019, and the Board is pleased to announce that monthly cash collections for the first four months of 2020 have continued this pattern.

Group trading for FY-2020 to date has been impacted to some extent by the effects of COVID-19 as the number of vehicles on the road declined immediately post lockdown and we saw a reduction in cash collections as our legal staff transitioned to working from home. However, the results for the first four months of FY-2020 have been in line with revised management expectations. As the lockdown has been gradually lifted and our legal staff have become more used to working from home activity levels within the Credit Hire division and cash collections have been increasing. Nonetheless, there must remain uncertainty as to the eventual impact over an extended period of time. Whilst there will inevitably be fewer vehicles on the road whilst government restrictions remain in place, key workers (who form a significant proportion of the Group's customers) and other road users will continue to require the services of the Group. The Group's policy of driving cash generation remains a key focus and the progression of its significant caseload portfolio by litigators within Bond Turner is being fully maintained following the successful transition to remote working.

The current situation is unprecedented and the overall economic impact is currently unknown. While the Board is encouraged by the resilience shown by the Group and its employees to date, the impact on FY-2020 cannot as yet be fully assessed. Accordingly, the Board believes it would be inappropriate to provide forward looking financial guidance to investors and analysts at this time.

The Group has a strong balance sheet with a conservative gearing level and good liquidity which has been recently improved following the successful placing of 6.0 million new Ordinary Shares raising £7.5 million for the Company before expenses. The Group has headroom within its funding facilities, which include a revolving credit facility of £8.0 million with HSBC Bank plc and an invoice discounting facility of £18.5 million with Secure Trust Bank plc. The Group has recently secured a £2.1 million lending facility from a litigation funder to support the proposed investment in the VW emissions case as well as a term loan from Secure Trust Bank plc of £5.0 million under the government backed CBILS scheme to further enhance headroom.

With the lockdown being gradually relaxed, vehicles on the road rising and efficiencies improving as the legal teams become more accustomed to home working practices the Board remains confident that the Group is in a strong financial position and is well placed to weather the current worldwide uncertainty and to take advantage of further opportunities in a more stable future environment.

Annual General Meeting

The Group's Annual General Meeting will be held on 22 July 2020. The notice of the Meeting accompanies this Annual Report and Accounts.

Alan Sellers

Executive Chairman

29 June 2020

Market overview

We operate in the Road Traffic Accident credit hire and claims market and differentiate ourselves with our integrated offering and focus on impecunious customers

Anexo is established as a provider of an end-to-end litigated claims service to predominantly impecunious non-fault motorists. These customers typically do not have the means to provide themselves with a replacement means of transport when they are deprived of their existing vehicle through the action of another party. These replacement vehicle hires are charged at commercial credit hire rates.

Our business model is underpinned by UK case law which has affirmed the legal right of an impecunious claimant to recover credit hire costs.

Credit hire and the law

Our business model is based on legal precedents in common law and is validated by a number of Supreme Court decisions. Case law from 1994 to 2015 has specifically established, among other things, that we can charge and seek to recover commercial credit hire rates; that such rates are reasonable and not excessive; and that there is no time limit on the provision of a hire vehicle for the duration of a claim.

Judgments upheld include the principle that an impecunious motorist with no choice but to hire a replacement vehicle on a credit hire basis is entitled to the full cost of such a hire; and that claimants are entitled to a like-for-like vehicle.

The Competition and Markets Authority (CMA) carried out a review in 2014 which included the credit hire market. They found that the provision of credit hire vehicles was not detrimental to the consumer.

Advocacy

Bond Turner operates a separate in-house advocacy division. The division deals with complex professional and clinical negligence claims, including high value and high-profile cases, some of which have been ongoing for many years. It also handles data protection and defamation actions, as well as large or catastrophic loss cases arising from road traffic accidents and employers' liability cases. Some of these actions involve potential claims for damages in excess of ten million pounds.

Our business model

The Group has created a unique business model by combining a direct capture credit hire business with a wholly owned legal services firm.

What we do

We provide replacement vehicles and associated legal assistance to consumers who have been involved in non-fault motor accidents. The Group comprises two synergistic business divisions: Credit Hire and Legal Services.

Credit Hire (EDGE)

The business provides vehicles to individuals who have been involved in a non-fault accident, allowing the recovery of costs from the at-fault insurer at no upfront cost to the customer. Sales activities are focused mainly on the impecunious market, allowing the Group to charge commercial credit hire rates which are typically higher than the spot rate or the rates agreed by the ABI under the GTA.

Features

- 24/7 roadside recovery and storage
- Like-for-like replacement vehicle
- Garage of your choice
- >80% delivered within 24 hours

Legal Services (Bond Turner)

Bond Turner specialises in road traffic accident claims that typically involve an element of credit hire. Bond Turner has been able to achieve improved recovery rates and periods compared to external law firms. This impact has been particularly marked in respect of credit hire recovery. As a result, Bond Turner has been responsible for acting on all new Edge cases since late 2011 and currently processes all claims generated by EDGE.

Key areas

- Credit hire – 95% of work
- Personal injury
- Other professional disciplines including professional/clinical negligence and commercial litigation

95%
of Bond Turner work comes from EDGE

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

Key differentiators

We are different from other businesses in the wider RTA credit hire and claims market.

Complementary divisions providing end-to-end service

Convenient geographic reach

No upfront cost for hire and repair charges

Quality and capacity of fleet ensuring like-for-like vehicle replacement

Processing of any associated personal injury claim

Value creation

We were established to meet a clear market need, and our unique model creates value for all of our key stakeholder groups.

For Customers

Our customers receive swift and efficient service. We provide them with a replacement vehicle in a timely manner, allowing them to return to their normal routine without delay. The customer retains the vehicle throughout the repair and/or litigation process. We also take care of any associated personal injury or equipment claims which may arise as the result of a non-fault accident.

For Partners

Our introducer garages know that they will receive payment in full and on time, which is especially important for the smaller independent operator. The use of a court-appointed engineer to assess vehicle damage means that the estimate or valuation process is accepted by both sides and the garage is not put at any risk. We have excellent relationships with our fleet providers and are well-respected within the legal community.

For Employees

We offer our employees rewarding careers with multiple opportunities for personal development, including specialist training where required. We value the opportunity to nurture and incentivise talent and consequently our staff retention rates are very high. Our geographic spread of office locations allows our staff to maximise work/life balance.

For Investors

We have consistently outperformed analyst forecasts, with five earnings upgrades since listing. We operate a progressive dividend policy to provide a regular return to our shareholders. Our management team has proven its ability to deliver on its promises and we maintain excellent relationships within the investment community.

Financial review

On behalf of the Board, I am pleased to announce that the Group has successfully increased revenues across both its divisions, Credit Hire and Legal Services, resulting in a strong trading performance for 2019.

Basis of Preparation

As previously reported, Anexo Group plc was incorporated on 27 March 2018 and acquired its subsidiaries on 15 June 2018, then being admitted to AIM on 20 June 2018 (the 'IPO'). 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 fully incorporated throughout 2018 and 2019. Further details are included within the accounting policies.

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 the IPO transaction, the £0.4 million charge recorded for share-based payments in 2018 and the £0.7m charge for share-based payments in 2019.

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.

New Accounting Standards

A new accounting standard has been issued, IFRS 16 Leases, which replaced IAS 17 Leases, effective from 1 January 2019. The new standard has fundamentally altered the classification and measurement of operating leases for lessees, removing the distinction between operating and finance leases. The standard has been adopted in the consolidated financial statements for the first time.

A reconciliation between the reported results for the year ended 31 December 2019, having been adjusted for IFRS 16, and before the adjustment is provided at note 28 of the Annual Report. As the Group has applied the modified retrospective approach there are no adjustments to the results reported for the year ended 31 December 2018, which continue to be reported under IAS 17.

Revenue

In 2019 Anexo successfully increased revenues across both its divisions, Credit Hire and Legal Services, resulting in Group revenues of £78.5 million, representing a 38.9% increase over the prior year (2018: £56.5 million).

During 2019 EDGE, the Credit Hire division, provided vehicles to 7,182 individuals (2018: 5,215) an increase of 37.7%. Much of this growth has arisen within the motorcycle division of our business, which operates under the McAMS brand name. Following the strategic decision to expand this division, the number of motorcycle claims increased from 2,923 in 2018 to 4,475 in 2019, an increase of 1,552 (53.0%). As part of our continued investment in the motorcycle community, our sponsorship of the McAMS Yamaha team in the British Superbike Championship continued into 2019. The McAMS strategy reflects the fact that, on average, a motorcycle claim has a take-on cost significantly less than that of a car, allowing the Group to deploy its resources into the most valuable claims, growing revenues whilst preserving working capital.

This strategy resulted in revenues for the Credit Hire division increasing to £48.0 million in 2019, an increase of 40.9% over 2018 (£34.0 million).

Having invested heavily in fleet and infrastructure in 2018, the focus for 2019 has been primarily on cash collection. Investment within the Legal Services division in senior staff and property has had a significant impact on the financial performance of the division. Revenue growth within the Legal Services division in 2019 reached 35.9%, with revenues rising from £22.5 million in 2018 to £30.5 million.

Expansion of headcount in Bond Turner has been critical to increasing both revenues and cash settlements within the Group and the opening of the Bolton Office in December 2018 provided a crucial platform for growth in both factors. By the end of December 2018, we employed 267 staff in Bond Turner, of which 89 were senior fee earners. This figure rose to 442 staff at the end of December 2019, including 127 senior fee earners (an increase of 42.7%), significantly improving cash collections. We expect this trend to continue into 2020 reflecting our business model and collection timeline.

> the Group now has a significant increase in the availability of capital to deploy and drive growth across both the core business and other niche opportunities that may arise."

Gross Profits

Gross profits are reported at £62.8 million (at a margin of 80.0%) in 2019, increasing from £40.3 million in 2018 (at a margin of 71.4%). Of the reported year on year increase (£22.5 million or 55.7%), some £3.5 million is the result of IFRS 16, where the costs associated with the vehicle fleet are included within cost of sales in 2018 but replaced with a depreciation charge and interest cost in 2019. Excluding this adjustment, the gross profit for 2019 would have been £59.3m (at a margin of 75.5%), a level above that of 2018.

It should be noted, furthermore, that staffing costs within Bond Turner are reported within Administrative Expenses. Consequently, gross profit within Bond Turner is in effect being reported at 100%.

Gross profits for the Credit Hire division reached £34.3 million in 2019 (at a margin of 71.4%) rising from £19.9 million in 2018 (at a margin of 58.5%). The increase reflects the impact of IFRS 16 (margin would have been 64.0% pre IFRS 16), reflecting both our strategy for claims acceptance which seeks to maximise value from our available working capital facilities, as well as savings achieved within our fleet insurance premiums.

Operating Costs

Administrative expenses before exceptional items increased year-on-year, reaching £31.0 million in 2019 (2018: £21.6 million), an increase of £9.3 million (43.2%). This reflects the continued investment in staffing costs within Bond Turner to drive settlement of cases and cash collections. Staffing costs increased to £13.5 million (2018: £8.7 million), an increase of £4.8 million. The balance of the increase reflects investment in marketing, staff and infrastructure to allow the Group to meet its growth aspirations, as well as its requirements and responsibilities as a plc.

32.2%
operating profit margin

£62.8m
Gross profits in 2019

Financial review continued

EBITDA

Adjusted EBITDA reached £31.9 million in 2019, increasing from £18.7 million in 2018 (70.6%). The result, as previously announced, was ahead of initial management expectations and in line with recent market forecasts. EBITDA, as with gross profit, is also impacted by IFRS 16 and in order to provide a direct comparison between 2018 and 2019 we have provided a complete reconciliation of the primary statements on pages 77 to 79 of the Annual Report, which highlights the impact of IFRS 16 on the reported results. Excluding the adjustments for IFRS 16 adjusted EBITDA for 2019 would be £27.6 million.

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 along with depreciation, interest and tax from the measure of profit.

The GAAP measure of the profit before interest and tax was £24.6 million (2018: £15.4 million) reflecting the non-cash share-based payment charge of £0.7 million (2018: £0.4 million) as well as the professional and other fees arising from the listing in 2018 (£1.4 million). Where we have provided adjusted figures, they are after the add-back of these two items and a reconciliation of the underlying and reported results is included on page 22 of the Annual Report.

EPS and Dividend

Statutory basic EPS is 16.4 pence (2018: 10.4 pence). Statutory diluted EPS is 16.0 pence (2018: 10.2 pence). The adjusted EPS is 17.0 pence (2018: 12.0 pence). The adjusted diluted EPS is 16.6 pence (2018: 11.8 pence). The adjusted figures exclude the effect of share-based payments and the fees associated with the listing in 2018. The detailed calculation in support of the EPS data provided above is included within Note 12 of the financial statements of the Annual Report.

A final dividend of 0.5p per share has been recommended by the Board (2018: 1.5 pence) giving a total dividend for 2019 of 1.5 pence, having paid a dividend of 1.0 penny on 23 October 2019. This dividend, if approved at the Annual General Meeting to be held on 22 July 2020, will be paid on 21 August 2020 to those shareholders on the Register at the close of business on 31 July 2020.

Group Statement of Financial Position

The Group's net assets position is dominated by the balances held within trade and other receivables. These balances include credit hire and credit repair debtors and disbursements paid in advance, and support of ongoing claims. The value of the receivables totalled £220.5 million in 2019, rising from £165.2 million in 2018. In accordance with our income recognition policies, provision is made to reduce the carrying value to recoverable amounts, being £101.0 million and £76.0 million respectively, an increase of 33.2%. This increase reflects the recent trading activity and strategy of the Group and is in line with management expectations. The increase has been primarily funded from the significant increase in cash collections seen year on year.

In addition, the Group has a total of £24.4 million reported as accrued income (2018: £22.5 million) which represents the value attributed to those ongoing hires and claims.

Further investment has been made in 2019 into the motorcycle fleet as well as the fit out of the two floors at the new Bolton office, with total fixed asset additions totalling £3.1 million in 2019 (2018: £3.5 million). The fleet continues to be partly financed with hire purchase. The application of IFRS 16 has impacted the Group's Statement of Financial Position, resulting in the recognition of right of use assets of £7.8 million at the end of 2019 along with associated lease liabilities of £8.2 million, the net impact on net assets being £0.3 million.

Trade and other payables, including tax and social security increased to £7.9 million compared to £7.2 million at 31 December 2018, an increase of 9.0% as additional cash receipts have been utilised to reduce short term payables.

Net assets at 31 December 2019 reached £91.7 million (2018: £75.8 million).

Cash Flow

During 2018, the Group utilised the funds raised from the AIM listing, alongside increases in debt facilities, to take advantage of the opportunities in the market and increase the number of vehicles on the road. 2019 has seen a shift in focus to cash generation, as the Group has held back on growth within the Credit Hire division and focused investment on the Legal Services division where we have seen a significant investment in the number of senior staff engaged to settle cases and recover cash for the Group. The number of senior fee earners increased from 89 to 127 during 2019 (an increase of 42.7%) and continues to rise. The Group's success in recruiting high quality staff, which significantly exceeded management expectations, led to the leasing of a further floor (approximately 10,000 square feet) within the Bolton office in October 2019.

Cash collections for the Group (and excluding settlements for our clients), a key metric for the Group, increased from £58.1 million in 2018 to £84.1 million in 2019, an increase of 44.8%. This is a significant improvement, given the fact that many of the new recruits will not reach settlement maturity until 2020, at which point it is anticipated that the real financial benefits to the Group will come through.

The number of vehicles on the road was strategically managed during 2019 so as to preserve working capital, the focus being on securing the most attractive and profitable claims for the

Group whilst minimising take-on costs. Consequently, the number of vehicles on the road fell during 2019 from 1,531 to 1,308. Average overall vehicle numbers were, however, higher in 2019, reaching 1,454 (2018: 1,155), contributing to the strong performance of the Credit Hire division.

With the focus firmly on cash collections in 2019, the Group reported a significant reduction in the level of net cash outflow from operating activities, reducing to only £0.8 million (2018: Cash outflow £7.9 million). The investment made into new cases across both the Credit Hire and Legal Services divisions absorbed a net £26.3 million of funds in 2019 (2018: £20.9 million), this year on year increase being countered by the increased level of cash collections.

With a net cash outflow of £4.8 million resulting from financing activities (2018: new cash inflow of £11.7 million following the listing in that year), the Group has reported a net cash outflow in 2019 of £8.5 million (2018: net cash inflow of £0.5 million).

The improvement not only improved year on year but during 2019, we have reported a significant reduction in the level of cash absorbed by the Group in the second half versus the first half of the year. This improvement is after an increase in the number of hire claims invested in during the period, (HY1 2019: 3,392, HY2 2019: 3,567) and further investment in the number of senior fee earners which rose from 89 at the end of 2018 to 109 at the end of HY1 2019 and to 127 at the end of 2019.

Most notably the number of hire cases settled increased during 2019 as our investment in legal staff started to pay dividends (we anticipate further growth in 2020 as the case portfolio of the new recruits matures), rising from 2,066 in the HY1 2019 to 2,872 in HY2 2019 (an increase of 39.0%).

These movements have contributed to the significant steps we have made during 2019 and as a result the level of cash absorption reduced from £7.0 million in the first half of the year to £1.5 million in the second half of the year. Cash collections increased from £36.6 million to £47.5 million, an increase of 30% between the first and second half of 2019. This performance in the second half was even more pleasing as we invested c£935,000 into the VW emissions case. Excluding this investment the Group has reached the inflexion point from cash absorption to cash generation, the target we set ourselves for the year.

Net Debt, Cash and Financing

Cash balances reduced during 2019 and at 31 December 2019 reached £2.3 million (2018: £5.5 million), reflecting the continued investment into the Group case portfolio and settlement capacity.

Borrowings increased during the year to fund the additional working capital investment in the Group's portfolio of claims, with the balance rising from £22.8 million in 2018 to £29.9 million at the end of 2019. The two principal facilities include an invoice discounting facility within Direct Accident Management Limited (secured on the credit hire and repair receivables), and a revolving credit facility within Bond Turner Limited. An increase in the facilities for both businesses was secured during 2019.

As a result of the current economic climate and in particular the effects of COVID-19 on the sector in which the Group operates, the Board considered it an opportune time to look to increase investment so as to accelerate growth and take advantage of opportunities to gain market share from smaller competitors. As such the Group concluded on the placing of 6.0 million new Ordinary Shares raising £7.5 million for the Group before expenses on 29 May 2020.

In addition, the Group has secured £2.1 million of additional funding from a litigation funder to support the Group's own investment into the VW emissions litigation and has received confirmation of an additional £5.0 million of funding from Secure Trust Bank Plc under the government backed CBILS scheme to further enhance headroom.

Having weathered what we hope to be the worst of the COVID-19 pandemic, the Group now has a significant increase in the availability of capital to deploy and drive growth across both the core business and other niche opportunities that may arise.

Further details are included on page 53 of the financial statements.

Financial review continued

Reconciliation of Underlying and Reported IFRS Results

In establishing the underlying operating profit, the costs adjusted include £Nil (2018: £1.4 million) related to the cost of the Company's Admission to AIM that was completed in June 2018 (the "IPO costs") and £0.7 million of costs related to share-based payments (2018: £0.4 million).

A reconciliation between underlying and reported results is provided below:

	Year to December 2019			
	Underlying £'000s	IPO Costs £'000s	Share-based payment £'000s	Reported £'000s
Revenue	78,510	–	–	78,510
Gross profit	62,807	–	–	62,807
Other operating costs (net)	(37,557)	–	(657)	(38,214)
Operating profit	25,250	–	(657)	24,593
Finance costs (net)	(2,202)	–	–	(2,202)
Profit before tax	23,048	–	(657)	22,391
Depreciation	6,547	–	–	6,547
EBITDA	31,832	–	(657)	31,175

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

By order of the Board

Mark Bringloe
Chief Financial Officer
29 June 2020

Risk management

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.

The Board

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, retains ultimate responsibility for them.

CFO

The Board receives regular reports from the CFO through which it reviews the effectiveness of processes put in place and the appropriateness of the objectives and policies it sets.

Finance Team

The Board 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.

Risk and Regulation Committee

The Risk and Regulation Committee ensures 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.

Audit Committee

The 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).

Principal risks and uncertainties

Anexo conducts a full risk assessment matrix, categorising all its key risks and outlining the mitigating actions that are in place.

Statutory Risks

Principal Risk	Risk Description	Mitigation
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.
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 Risks

Principal Risk	Risk Description	Mitigation
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.
Retention of lawyer.	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.
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.

Operational Risks continued

Principal Risk	Risk Description	Mitigation
Losing case.	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.
Weaknesses in IT Systems & Cyber Security.	Disruption to operations impeding work and risking damage to reputation and customer relationships.	Ongoing, regular extensive reviews and testing.
Health & Safety Issues.	The activities of certain parts of the Group involve a range of Health & Safety risks.	All Group subsidiaries operate Health & Safety management systems appropriate to the nature and scale of their risks.

Market Risks

Principal Risk	Risk Description	Mitigation
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.
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.

Principal risks and uncertainties continued

Regulatory Risks

Principal Risk	Risk Description	Mitigation
Regulatory compliance.	Compliance with Code of Conduct, Solicitors Accounts Rules, any applicable FCA rules, GDPR, Statute (LASPO) etc.	Ensuring 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

Principal Risk	Risk Description	Mitigation
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 practices. 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 practices. Regular review of processes. Risk assessment on implementation of new processes. Ongoing reviews of systems relating to any complaints.

Litigation Risk

Principal Risk	Risk Description	Mitigation
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.

Financial Risks

Principal Risk	Risk Description	Mitigation
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.
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.
Cash spend.	The Group must ensure that cash spend is within facilities and that expenditure is monitored, eg. 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.
Potential for a significant impact on both new credit hire business and cash collections from the legal services team.	As with many businesses, the Group has faced uncertainty in trading as a result of the impact of the COVID-19 pandemic from both a credit hire and legal services perspective, the latter of which may well impact cash collections and headroom.	In the ordinary course of business, the Group monitors the level of new business taken on and the quantum of cash receipts from at-fault insurers on a daily basis and as such the Board has been able to manage the financial impact on the Group from both a credit hire and legal services perspective. Whilst the Group saw a sharp fall in new business activity within the credit hire initially post lockdown, levels have subsequently increased such that recent introductions are not significantly less than those seen pre-lockdown. Within the legal services team, the Group has seen a general reduction in cash receipts, as we and the defendant law firms and at-fault insurers transition from wholly office based working to home working. This transition inevitably impacts efficiencies from all sides. More recently, as we have taken appropriate steps to keep our staff safe in an office environment, more of the senior fee earners have and will be returning to office working and that, alongside staff becoming more used to working from home, has resulted in a continual improvement in case settlements and cash collections, albeit we do not anticipate this returning to normal levels for some time.

Operational Risk

Principal Risk	Risk Description	Mitigation
COVID-19 – health and safety of clients, employees and third parties.	The health and safety of our staff and clients is paramount. The business has made operational adjustments to comply with government guidelines, which are constantly updating.	Regular risk assessments are undertaken to ensure that the business is operating within government guidelines and to ensure that staff, clients and third parties with whom the business engages, are protected.

Board of Directors

The current Board members of Anexo Group plc, all of whom served throughout the year, are presented below.

			
	Alan Sellers **Executive Chairman**	**Mark Bringloe** **Chief Financial Officer**	**Samantha Moss** **Director**
Committee membership			
Experience & qualifications	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. 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. Alan is an expert in civil litigation, personal injury and credit hire claims and clinical and professional negligence, and he is recognised as a leading figure in these fields.	Mark is a qualified Chartered Accountant and was appointed as Chief Financial Officer in May 2018, originally joining the Group as Finance Director in 2009. 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.	Samantha was appointed as a Director of Anexo Group plc in March 2018 and graduated from the University of Manchester with a degree in law and accountancy in 2003 and was subsequently admitted as a solicitor in 2008. Samantha has worked at Bond Turner since 2004 and is currently Managing Director. 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.

Committee membership key:

Audit Committee ▲
Remuneration Committee ▲
Risk and Regulation Committee ▲

Christopher Houghton

Senior Non-Executive Director

▲▲▲

Christopher joined the Group in May 2018 on listing and is a fellow of the Chartered Institute of Management Accountants. He 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.

Roger Barlow

Non-Executive Director

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Roger is a Chartered Accountant and was a partner with KPMG until 2000. Since then he 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 joined the Anexo Group plc Board in June 2018.

Richard Pratt

Non-Executive Director

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Richard was called to the Bar in 1980 and has practised in Liverpool, specialising in criminal law. He was appointed a QC in 2006 and 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.

Elizabeth Sands

Non-Executive Director

▲▲

Elizabeth joined the Group in June 2018 and 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

Chairman's Statement on Corporate Governance

Dear shareholder,

I am pleased to present the Corporate Governance Statement of the Board of Directors of Anexo Group plc for the financial year ended 31 December 2019. As Chairman, it is my responsibility to ensure that Anexo practices 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.

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 explanation of its 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. In addition, the Group is also actively seeking to expand the geographic reach of the Group's legal operations. 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 2019, Anexo's strategy achievements included the rapid growth and success of the new regional office for Bond Turner, which became operational on 3 December 2018. Located in Bolton, as of 31 December 2019 the office houses a team of thirty fee earners including qualified solicitors, qualified legal executives and litigation specialists. Bolton continues to be an abundant recruitment location for high calibre, experienced legal professionals.

In 2020, the Group intends to continue its strategy through maintaining staffing levels and continuing to recruit as necessary in Bolton. The Group, post recent fundraise, is to open an office in Leeds during 2020 and is considering further potential regional expansion, and will seek to take advantage of opportunities which may arise following the anticipated introduction of the Civil Liability Bill.

Challenges to delivering the Company's strategy include changes to legislation that the credit-hire aspect of the Group relies upon, 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 Risk Report section of the Strategic Report on pages 23 to 27.

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 the development and maintenance of constructive relationships with current and potential investors to develop an understanding of their views. The Company is open to receiving feedback from key stakeholders and will take action where appropriate, recognising its wider stakeholder and social responsibilities and their implications for long-term success.

The key contact for shareholder liaison is Nick Dashwood Brown, the Company's Head of Investor Relations.

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 Annual General Meeting provides an opportunity for the Board to meet shareholders. The Chairman of the Board, each of the Committee Chairmen and Directors (both Executive and Non-Executive) will be available to respond to any shareholder questions regarding Board or Committee activities.

The Company also engages the services of an independent Research Analyst, Progressive Equity Research, who publish regular research on the Company. This research is made available to shareholders free of charge on the Company's website.

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 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

QCA Principles 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 23 to 27.

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 the processes and policies put in place and the appropriateness of the objectives it sets. The overall objective of the Board is to set policies that 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 continually assesses 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 maintains 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 are implemented or amended. 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 as the Company grows and evolves.

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 Alan's role to be appropriate as he has driven, and continues to drive 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 six 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.

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

During the financial year ended in 31 December 2019, the Board met on seven occasions.

Director	Position	Board Meetings / Attended in 2019
Alan Sellers	Executive Chairman	7 / 7
Mark Bringloe	Chief Financial Officer	7 /7
Samantha Moss	Bond Turner Managing Director	7 / 7
Christopher Houghton	Senior Independent Non-Executive Director	7 / 7
Richard Pratt	Non-Executive Director	6 /7
Roger Barlow	Non-Executive Director	7 / 7
Elizabeth Sands	Non-Executive Director	6 / 7

Dawn O'Brien, Company Secretary, also attended seven Board meetings. Nick Dashwood Brown, the Company's Head of Investor Relations, attended three meetings.

The Company has three Committees, an Audit Committee, a Remuneration Committee and a Risk and Regulation Committee. The Board believes that 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.

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 pages 28 and 29.

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 is the Company's Senior Independent Non-Executive Director and assists 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.

Corporate Governance continued

QCA Principles continued

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

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.
- They are committed.
- 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. At the end of 2019, the Company conducted an in-depth review and evaluation of 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. The areas covered were structure and skills, operating effectiveness and efficiency, quality of information and ongoing development. The Board evaluation exercise identified several positive areas including content of meetings, Board constitution and the progress within the first full year of operations.

Although the Board and Committees are working well, areas highlighted for improvement include the need to spend more time on developing a long-term business strategy with specific targets, and more formal updates from the senior management of the two arms of Anexo. These matters will be addressed during the 2020 financial year.

Succession planning is designed to consider the planned process of transition to new leadership over time and also the potential for unforeseen change over a shorter timeframe. Board and Senior Management succession planning is discussed at Board meetings and will be a focus of attention for the Company in 2020. The Board is committed to ensuring effective succession and will continue to proactively engage with senior management to assess the executive talent pool. These discussions will ensure that the Non-Executive Directors can develop a deeper understanding of the strength of the management team.

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.

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 expects 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, creates the right Board dynamic and ensures that all important matters, particularly 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.

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.

Corporate Governance continued

QCA Principles continued

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

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
- ensuring that 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 two times a year and otherwise as required.

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.

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

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 published proxy voting results from its inaugural Annual General Meeting on its website and will continue to do so 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.

Resolutions 1–12 and Resolution 14 at the Company's 2019 AGM were passed with 100% of votes in favour of each resolution. Resolution 13 was passed with 97% in favour and 3% against. The proxy votes received in respect of all resolutions were released via RNS and are available on the Company's website.

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

29 June 2020.

Chairman's Statement on the Prevention of Modern Slavery

Remuneration Committee

At Anexo Group plc, we do not tolerate any form of modern slavery or human trafficking in any part of our business.

Anexo Group plc and any of its subsidiary or associated companies (Anexo Group) acknowledges global responsibility and is committed to driving out acts of modern-day slavery and human trafficking from within its own business and supply chains. The Anexo Group acknowledges its responsibility under relevant modern slavery legislation and will ensure transparency is achieved within the organisation to ensure that awareness of modern slavery legislation is achieved on a consistent basis.

Anexo Group will make reasonable endeavours to ensure all employees and agents within our supply chains are not subject to any form of forced, compulsory/bonded labour or human trafficking by implementing Group's modern slavery policy.

Adequate resources will be made available to ensure slavery and human trafficking are not taking place within our organization or to the best of our knowledge within our supply chains.

The Board of Directors of Anexo Group plc is responsible for the ongoing review of the Group's modern slavery policy. This will be carried out annually or as and when organisational changes impact the way the Company works.

Approved by the Board of Directors of Anexo Group plc on 29 June 2020.

Alan Sellers

Executive Chairman

29 June 2020

Audit Committee report

As Chairman of Anexo's Audit Committee, I present my Audit Committee Report for the year ended 31 December 2019.

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 the date of my last report, 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 2019 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

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 extensive experience and numerous Board positions outside of Anexo (including Chief Financial Officer and Chair 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 www.anexo-group.com/index.asp.

Audit Committee Effectiveness

The Committee performed an assessment of its effectiveness in late 2019, the conclusions of which were that the Committee is competent and carries out its function effectively.

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 2020 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 auditors' 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 2020.

Roger Barlow

Chairman of the Audit Committee

29 June 2020

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 2020 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 are reviewed annually, 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 2019. 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.

Remuneration Committee report continued

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 per cent. 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 3% 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 2019

Director	Salaries and fees £'000s	Annual bonus £'000s	Other benefits £'000s	Long term incentives £'000s	Total £'000s
Alan Sellers	375	375	24	–	774
Samantha Moss	324	120	29	–	473
Mark Bringloe	200	100	24	–	324
Christopher Houghton	40	–	–	–	40
Roger Barlow	40	–	–	–	40
Elizabeth Sands	36	–	–	–	36
Richard Pratt	40	–	–	–	40
Total	**1,055**	**595**	**77**	**–**	**1,727**

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 for 2018 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
29 June 2020

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2019. The Corporate Governance section set out on pages 30 to 45 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 & 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 40 and 41 of this Annual Report. The names and biographies of the Directors appear on pages 28 and 29.

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 2019 are set out below:

Director	Shares	%
Alan Sellers	37,675,004	34.30
Samantha Moss	38,675,003	35.16
Mark Bringloe	15,000	0.014
Elizabeth Sands	4,290	0.004

There were a number of changes in the interest of Directors between 31 December 2019 and the date of this report. The beneficial interests of the Directors in the Ordinary Shares of the Company on 22 June 2020 are set out below:

Director	Shares	%
Alan Sellers	35,114,320	30.27
Samantha Moss	36,079,793	31.10
Mark Bringloe	15,000	0.0134
Elizabeth Sands	4,290	0.004

Details of the Directors' long term incentive plans are contained in the Directors' Remuneration Report on pages 40 and 41.

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 22 June 2020, 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	7,105,897	6.13
AXA	5,290,000	4.56
Gresham House	4,333,333	3.74
Charles Stanley	4,200,000	3.62
Premier Miton	4,000,000	3.45
Legal and General	3,989,930	3.44

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 27 of the consolidated financial statements. The key non-financial risks that the Group faces are set out on pages 23 to 27 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 Risk and Regulation Committee report on pages 23 to 27, which also includes details of the mitigating factors employed to minimise the effects to the Group.

Directors' report continued

Auditor

RSM UK Audit LLP were appointed as auditor for the year ended 31 December 2019 and have indicated their willingness to continue in office. A resolution to reappoint RSM UK Audit LLP as auditor will be put to the forthcoming Annual General Meeting.

Disclosure of Information to Auditor

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

Annual General Meeting

The Annual General Meeting will be held on 22 July 2020. 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

29 June 2020

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;

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 2019 which comprise the consolidated statement of total comprehensive income, consolidated and company statements of financial position, consolidated and company statements 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 2019 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 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 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 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:

Going concern disclosure

(Refer to the basis of preparation – going concern on pages 54 and 55)

The risk

The going concern assessment of the Group, which considers the impact of the current Covid-19 pandemic on the expected performance of the business, may not be appropriately disclosed in the financial statements.

Our response

We have assessed the cash flow forecasts, committed funding, together with the resulting expected headroom. We have challenged the assumptions used by management.

We have considered management's sensitivities against current trading performance and the resulting potential impact on headroom.

In considering the disclosures within the financial statements in respect of the impact of Covid-19, we have reviewed the recent trading performance and the financial resources available to the group including the recent fund raise and the agreed debt facilities.

We are satisfied with the adequacy of the going concern disclosures within the financial statements.

Revenue recognition and accrued income

(Refer to accounting policy on page 57 regarding revenue and accrued income for credit hire and legal services, the accounting policy on pages 60 and 61 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 applied 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

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 verified the appropriateness of the recognition policy applied for a sample of claims.

Trade debtor recoverability

(Refer to accounting policy on page 57 regarding trade receivables and disbursements, the accounting policy on page 57 regarding recoverability of receivables, note 15 regarding trade and other receivables and the credit risk and impairment section of note 27 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 estimate of the impairment provision was recalculated and the key recovery assumptions were compared against historical settlement information.

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 £1,520,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £1,150,000, 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 £57,500, 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 Direct Accident Management Limited and Bond Turner Limited have been audited using component materiality. The financial information of IGCA 2013 Limited and Professional and Legal Services Limited have been audited using group 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.

Independent auditor's report to the members of Anexo Group plc continued

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 45, 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.

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

29 June 2020

Consolidated statement of total comprehensive income

for year ended 31 December 2019

	Note	2019 £'000s	2018 £'000s
Revenue	4	78,510	56,505
Cost of sales	6	(15,703)	(16,168)
Gross profit		62,807	40,337
Depreciation & loss on disposal		(2,327)	(1,574)
Depreciation on right of use assets		(4,220)	–
Amortisation		(35)	–
Administrative expenses before exceptional items	6	(30,975)	(21,594)
Operating profit before exceptional items	7	25,250	17,169
Share based payment charge	18	(657)	(384)
Non-recurring administrative expenses	7	–	(1,411)
Operating profit	7	24,593	15,374
Lease finance costs	8	(401)	–
Finance costs	8	(1,801)	(1,090)
Net financing expense		(2,202)	(1,090)
Profit before tax		22,391	14,284
Taxation	11	(4,403)	(2,879)
Profit and total comprehensive income for the year attributable to the owners of the Company		17,988	11,405
Earnings per share			
Basic earnings per share (pence)	12	16.4	10.4
Diluted earnings per share (pence)	12	16.0	10.2

The above results were derived from continuing operations.

The notes on pages 54 to 86 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2019

Assets	Note	2019 £'000s	2018 £'000s
Non-current assets			
Property, plant and equipment	14	3,673	3,270
Right of use assets	14	7,821	–
Intangible assets	14	175	–
		11,669	3,270
Current assets			
Trade and other receivables	15	127,768	101,445
Cash and cash equivalents	16	2,270	5,532
		130,038	106,977
Total assets		141,707	110,247
Equity and liabilities			
Equity			
Share capital	17	55	55
Share premium	17	9,235	9,235
Share based payments reserve	18	1,041	384
Retained earnings		81,365	66,127
Equity attributable to the owners of the Company		91,696	75,801
Non-current liabilities			
Other interest-bearing loans and borrowings	19	393	870
Lease liabilities	19	5,029	–
Deferred tax liabilities	20	32	–
		5,454	870
Current liabilities			
Bank overdraft	19	17,784	12,536
Other interest-bearing loans and borrowings	19	12,144	9,402
Lease liabilities	19	3,124	–
Trade and other payables	23	7,915	7,223
Corporation tax liability		3,590	4,415
		44,557	33,576
Total liabilities		50,011	34,446
Total equity and liabilities		141,707	110,247

The notes on pages 54 to 86 form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2020. They were signed on its behalf by:

Mark Bringloe

Chief Financial Officer

29 June 2020

Company Number 11278719

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000s	Share premium £'000s	Merger reserve £'000s	Share based payment reserve £'000s	Retained earnings £'000s	Total £'000s
At 1 January 2018	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
Profit for the year and total comprehensive income	–	–	–	–	17,988	17,988
Issue of share capital	–	–	–	–	–	–
Increase in share premium	–	–	–	–	–	–
Creation of share based payment reserve	–	–	–	657	–	657
Dividends	–	–	–	–	(2,750)	(2,750)
At 31 December 2019	55	9,235	–	1,041	81,365	91,696

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	2019 £'000s	2018 £'000s
Cash flows from operating activities			
Profit for the year		17,988	11,405
Adjustments for:			
Depreciation and loss on disposal	14	6,547	1,574
Amortisation	14	35	–
Financial expense	8	2,202	1,090
Taxation		4,403	2,879
		31,175	16,948
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(26,294)	(20,871)
(Decrease)/increase in trade and other payables		1,351	1,828
Cash generated from operations		6,232	(2,095)
Interest paid		(1,797)	(1,090)
Tax paid		(5,230)	(4,738)
Net cash from operating activities		(795)	(7,923)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		374	170
Acquisition of property, plant and equipment		(3,104)	(3,493)
Investment in intangible fixed assets		(210)	–
Net cash from investing activities		(2,940)	(3,323)
Cash flows from financing activities			
Net proceeds from the issue of share capital		–	9,235
Proceeds from new loan		13,107	4,016
Repayment of borrowings		(10,920)	(1,931)
Payment of finance lease liabilities		(2,225)	(1,362)
Lease payments		(4,289)	–
New finance lease arrangements		2,302	2,590
Dividends paid		(2,750)	(820)
Net cash from financing activities		(4,775)	11,728
Net increase/(decrease) in cash and cash equivalents		(8,510)	482
Cash and cash equivalents at 1 January		(7,004)	(7,486)
Cash and cash equivalents at 31 December	16	(15,514)	(7,004)

Notes to the consolidated financial statements

for the year ended 31 December 2019

1. Basis of Preparation and Principal Activity

These financial statements for the year ended 31 December 2019 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 per cent 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 health and wellbeing of our people and clients is paramount, and steps have been taken to allow our staff to be able to work on an agile basis in order to follow social distancing, lockdown and self-isolation measures and to mitigate the impact on client service.

Bond Turner, the Group's legal services division, has moved most of its staff to remote working and continues to be fully operational. The progression and settlement of cases is being aided by moves from the Ministry of Justice (MoJ), supported by the Judiciary, to allow the remote operation of courts through online and telephone hearings, albeit we have seen reductions in cash collections against our original forecasts pre COVID, however, these reductions have not been as significant first envisaged and remain significantly ahead of the same period last year.

Within EDGE, the Group's credit hire division, vehicles continue to be delivered and collected by staff who are protected in line with government guidelines, and whilst the Group saw a sharp fall in new business activity within the credit hire immediately post lockdown, levels have subsequently increased, as the number of vehicles on the road has risen, to the extent that recent introductions are not significantly less than those see pre-lockdown.

Group trading for FY-2020 to date has been impacted to some extent by the effects of COVID-19 as the number of vehicles on the road declined immediately post lockdown and we saw a reduction in cash collections as our legal staff transitioned to working from home. However, the results for the first four months of FY-2020 have been in line with revised management expectations. As the lockdown has been gradually relaxed and our legal staff have become more used to working from home activity levels within the Credit Hire division and cash collections have been increasing. Nonetheless, there must remain uncertainty as to the eventual impact over an extended period of time. Whilst there will inevitably be fewer vehicles on the road whilst government restrictions remain in place, key workers (who form a significant proportion of the Group's customers) and other road users will continue to require the services of the Group. The Group's policy of driving cash generation remains a key focus and the progression of its significant caseload portfolio by litigators within Bond Turner is being fully maintained following the successful transition to remote working.

The current situation is unprecedented and the overall economic impact is currently unknown. While the Board is encouraged by the resilience shown by the Group and its employees to date, the impact on 2020 cannot as yet be fully assessed. However, these uncertain times are resulting in opportunities for the Group to both grow market share within the core business and take advantage of opportunities as they arise in other areas within the legal services arena.

The Group has a strong balance sheet with a conservative gearing level and good liquidity having on 29 May 2020 completed a placing of 6.0 million Ordinary Shares, raising approximately £7.0 million of funds for the Group after expenses.

With headroom within its funding facilities, which include a revolving credit facility of £8.0 million with HSBC Bank plc (due for repayment in September 2022) and an invoice discounting facility of £18.5 million with Secure Trust Bank plc (due for renewal in September 2021), the Group has sought additional capital to support growth and on 16 June 2020 secured a loan facility of £2.1 million from a litigation funder to support the development of the VW emissions class action. Further, the Group has received confirmation from Secure Trust Bank Plc of approval for a loan of £5.0 million, backed by the governments CBILS scheme, for which the Board expects to be available to draw in July 2020.

These recent matters, alongside the core business being cash generative, means that the Board remains confident that the Group is in a strong financial position and is well placed to weather the current worldwide uncertainty and to take advantage of further opportunities in a more stable future environment.

The Directors have prepared trading and cash flow forecasts for a period of one year from the date of approval of these financial statements. These have been subject to sensitivity analysis and consequent adjustment where appropriate to allow for such possible effects of COVID-19 on Group performance as may be considered reasonable. 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 accounting estimates

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied, unless otherwise stated.

Changes in accounting policy

The following standards have been applied in preparing the Financial Statements:

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. Accounting Policies continued

IFRS 16 Leases

A new accounting standard has become effective, IFRS 16 Leases, which replaced IAS 17 Leases, from 1 January 2019. The new standard fundamentally altered the classification and measurement of operating leases for lessees, removing the distinction between operating and finance leases.

This new standard has had the following impact on the Group's accounts:

- The Group currently holds two contractual arrangements deemed to satisfy the conditions of a lease, and which do not fall into the exceptions of the standard. These are the contractual arrangements in relation to rental of the vehicle fleet and the rental of various office and other buildings.
- Previously these leases were accounted for in the income statement on an accruals basis under IAS 17. Under the new standard, these two assets are now held on the balance sheet as "right of use" assets measured at cost (deemed to be the initial measurement of the lease liability plus any set up costs). The lease has initially been measured as the total payments required under the terms of the lease, discounted by the incremental borrowing rate (as per the contract) to account for time value of money.
- This cost includes the lease element only, excluding any maintenance costs. Maintenance costs remain in the income statement, as under the previous treatment.
- The payments made under the lease contracts are no longer charged to the income statement; instead they are offset against the liabilities on the balance sheet.
- Monthly depreciation of the assets is charged to the income statement.
- Interest on the liabilities, calculated at the incremental borrowing rates (vehicle fleet: 7.00%, office and other properties: 3.50%), is charged to the income statement monthly. Upon transition to IFRS 16, the Group applied the modified retrospective approach and will therefore not restate comparative information in the 2019 financial statements.

A reconciliation between the reported results for the year ended 31 December 2019, having been adjusted for IFRS 16, and before the adjustment is provided at note 27. As the Group has applied the modified retrospective approach there are no adjustments to the results reported for the year ended 31 December 2018 and continues to be reported under IAS 17.

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

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRSs – 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits

After initial consideration, we would not expect any of these standards to have a material effect on the Financial Statements compared to the previous accounting policies of the individual group entities and at a consolidated level.

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. The Group has material trade receivables. Judgment is required in determining the extent of any provision for expected credit losses. The specific circumstances of individual balances and historical trends are used in the calculation of this provision.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. Accounting Policies continued

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.

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
Right of use assets	Over the life of the associated lease, straight line

Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their estimate useful lives on the following bases:

Asset class	Depreciation method and rate
Software licenses	33% straight line

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 twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

2. Accounting Policies continued

Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract is a lease, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate (vehicle fleet: 7.00%, office and other properties: 3.50%). Lease payments included in the measurement of the lease liability comprise the contracted fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to £nil.

Short term leases and leases of low-value assets

The Group has elected to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets that have a lease term of 12 months or less where that lease is associated with an element of the vehicle fleet. Where the lease does not relate to the vehicle fleet the Group has elected to not recognise leases of low-value assets which the Group considers to be any lease with an annual cost of less than £5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

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.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty continued

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:

	2019 £'000s	2018 £'000s
Credit Hire	47,981	34,042
Legal Services	30,529	22,463
	78,510	56,505

In accordance with IFRS 8, no single customer, whether that be a client or insurer, represented more than 10 per cent of revenue for any of the years ended 31 December 2018 or 2019. 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:

	2019 £'000s	2018 £'000s
Net Trade Receivables (see note 15)	100,984	75,990
Accrued Income	18,396	22,457
	119,380	98,447

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 2019			
	Credit Hire £'000s	Legal Services £'000s	Group and Central Costs £'000s	Consolidated £'000s
Revenues				
Third Party	47,981	30,529	–	78,510
Total revenues	47,981	30,529	–	78,510
Profit before taxation	17,915	5,922	(1,446)	22,391
Depreciation and loss on disposal	5,767	780	–	6,547
Segment assets	97,177	44,351	179	141,707
Capital expenditure	2,131	973	–	3,104
Segment liabilities	30,765	18,935	311	50,011

	The year ended 31 December 2018			
	Credit Hire £'000s	Legal Service £'000s	Group 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	5,875	(2,480)	14,284
Depreciation and loss on disposal	1,489	85	–	1,574
Segment assets	73,896	35,348	1,105	110,349
Capital expenditure	3,005	487	–	3,492
Segment liabilities	27,791	6,658	99	34,548

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

6. Expenses by Nature

Cost of sales are comprised of:

	2019 £'000s	2018 £'000s
Staff costs	2,158	1,831
Operating lease expense	690	3,794
Other cost of sales	12,855	10,543
	15,703	16,168

Administrative expenses are comprised of:

	2019 £'000s	2018 £'000s
Staff costs	19,155	13,326
Operating lease expense	90	427
Other administrative expenses	11,730	7,841
	30,975	21,594

7. Operating Profit

Operating profit is arrived at after charging:

	2019 £'000s	2018 £'000s
Depreciation expense	2,435	1,563
Depreciation on right of use assets	4,220	–
Amortisation	35	–
Operating lease expense	780	4,221
Non-recurring administrative costs	–	1,411
Share based payments	657	384
(Gain)/loss on disposal of property, plant and equipment	(108)	11

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 2019.

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

	2019 £'000s	2018 £'000s
Audit services		
Audit of the Company and the consolidated financial statements	30	29
Audit of the Company's subsidiaries	78	62
Total audit fees	108	91
Fees relating to the Admission to AIM	–	180
All other services	16	20
Total fees payable to the Company's auditors	124	291

8. Finance Costs

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

	2019 £'000s	2018 £'000s
Finance costs		
Interest on bank overdrafts and borrowings	1,014	605
Interest on obligations under finance leases	295	161
Interest expense on other financing liabilities	478	253
Interest on lease liabilities	401	–
Other interest payable	14	71
Total finance costs	2,202	1,090

9. Staff Costs

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

	2019 £'000s	2018 £'000s
Wages and salaries	19,104	13,698
Social security costs	1,900	1,324
Pension costs, defined contribution scheme	309	135
	21,313	15,157
Split as follows:		
Cost of sales	2,158	1,831
Administrative costs	19,155	13,326
	21,313	15,157

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

	2019 No	2018 No
Distribution staff	72	66
Administrative staff	507	345
	579	411

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

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:

	2019 £'000s	2018 £'000s
Wages and salaries	2,634	1,791
Social security costs	339	176
Pension costs, defined contribution scheme	17	9
Total short terms employee benefits	2,990	1,976

Wages and salaries in 2018 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 (2019: £Nil).

In respect of the highest paid Director:

	2019 £'000s	2018 £'000s
Remuneration	852	579

Further details are included within the Remuneration Committee Report on pages 39 to 41.

11. Corporation Tax

Tax charged in the income statement is as follows:

	2019 £'000s	2018 £'000s
Current taxation		
UK corporation tax	4,497	2,934
UK corporation tax adjustment to prior periods	(96)	19
	4,401	2,953
Deferred taxation		
Arising from the origination and reversal of temporary differences	2	(74)
Tax expense in the income statement	4,403	2,879

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

The differences are reconciled below:

	2019 £'000s	2018 £'000s
Profit before tax	22,391	14,284
Corporation tax at standard rate	4,253	2,714
Effect of expenses not deductible for tax purposes	206	116
Effect of capital allowances and depreciation	40	2
Over / (under) provision of tax charge	–	19
Over / (under) provision of tax charge in prior year	(96)	28
Total tax charge	4,403	2,879

12. Earnings Per Share

Number of shares:	2019 No.	2018 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	17,988	11,405
Profit adjusted and diluted	18,645	13,200
Earnings per share:	**Pence**	**Pence**
Basic earnings per share	16.4	10.4
Adjusted earnings per share	17.0	12.0
Diluted earnings per share	16.0	10.2
Adjusted diluted earnings per share	16.6	11.8

The adjusted profit after tax for 2019 and adjusted earnings per share are shown before non-recurring costs (net of tax) of £Nil (2018: £1.4 million) and share-based payment charges of £0.7 million (2018: £0.4 million). 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.

13. Dividends

Dividends reported in 2019 totalled £2.75 million and in 2018 totalled £0.8 million. The figure reported for 2018 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.

The Board is pleased to propose a final dividend of 0.5 penny per share which, if approved at the Annual General Meeting to be held on 22 July 2020, will be paid on 21 August 2020 to those shareholders on the register at the close of business at 31 July 2020. The shares will become ex-dividend on 30 July 2020. An interim dividend of 1.0 penny per share was paid on 23 October 2019 (2018: total dividend 1.5p per share).

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

14. Property, Plant and Equipment, Intangibles

	Right of use assets £'000s	Property improvement £'000s	Fixtures, fittings & equipment £'000s	Motor vehicles £'000s	Office equipment £'000s	Total £'000s
Cost or valuation						
At 1 January 2018	–	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
Additions	12,041	112	987	1,921	85	15,146
Disposals	–	–	–	(1,243)	(29)	(1,272)
At 31 December 2019	12,041	453	1,781	5,135	787	20,197
Depreciation						
At 1 January 2018	–	248	180	1,008	596	2,032
Charge for year	–	10	66	1,441	46	1,563
Eliminated on disposal	–	–	–	(542)	–	(542)
At 31 December 2018	–	258	246	1,907	642	3,053
Charge for the year	4,220	15	214	2,168	38	6,655
Eliminated on disposal	–	–	–	(976)	(29)	(1,005)
At 31 December 2019	4,220	273	460	3,099	651	8,703
Carrying amount						
At 31 December 2019	7,821	180	1,321	2,036	136	11,494
At 31 December 2018	–	83	548	2,550	89	3,270

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 2019	2,036
At 31 December 2018	2,550

Intangible Assets

	Software licenses £'000s
Cost or valuation	
At 1 January 2018	–
Additions	–
At 31 December 2018	–
Additions	210
At 31 December 2019	210
Amortisation	
At 1 January 2018	–
Charge for year	–
At 31 December 2018	–
Charge for the year	35
At 31 December 2019	35
Carrying amount	
At 31 December 2019	175
At 31 December 2018	–

15. Trade and Other Receivables

	2019 £'000s	2018 £'000s
Trade receivables	220,463	165,195
Provision for impairment of trade receivables	(119,479)	(89,205)
Net trade receivables	100,984	75,990
Accrued income	24,416	22,457
Prepayments	842	532
Directors loan account	415	463
Other debtors	999	1,922
Deferred taxation	112	81
	127,768	101,445

Any expected credit losses under IFRS 9 are considered immaterial. 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 408 at 31 December 2019 and 418 at 31 December 2018.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

15. Trade and Other Receivables continued

Age of trade receivables that are not impaired

	2019 £'000s	2018 £'000s
Within 1 year	62,508	45,727
1 to 2 years	22,422	17,285
2 to 3 years	9,564	7,977
3 to 4 years	5,972	4,293
Over 4 years	518	708
	100,984	75,990
Average age (days)	408	418

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.

16. Cash and Cash Equivalents

	2019 £'000s	2018 £'000s
Cash	2,270	5,532
Invoice discounting facility	(17,784)	(12,536)
Net debt balance	(15,514)	(7,004)

17. Share Capital and Reserves

	2019 £'000s	2018 £'000s
Share capital – allotted, called up and fully paid 110 million Ordinary Shares of 0.05 pence each	55	55
Share premium	9,235	9,235

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 and 2019 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 were written off giving rise to 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:

	2019 £'000s	2018 £'000s
Opening balance	384	–
Charge arising during the year	657	384
Closing balance	1,041	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 2019 there were 2.2 million MIP awards outstanding (2018: 2.2 million).

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 £657,000 during the year (2018: £384,000) relating to equity-settled share-based payments.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

19. Borrowings

	2019 £'000s	2018 £'000s
Non-current loans and borrowings		
Bank loans and overdrafts	–	–
Obligations under finance lease and hire purchase contracts	393	851
Lease liabilities	5,029	–
Other borrowings	–	19
	5,422	870
Current loans and borrowings		
Bank loans and overdrafts	17,784	12,536
Revolving credit facility	8,000	5,000
Obligations under finance lease and hire purchase contracts	1,761	1,640
Lease liabilities	3,124	–
Other borrowings	2,383	2,762
	33,052	21,938

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 Management Limited 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, 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 26 September 2019, 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 three-year period, until 27 September 2022, with no associated repayments due before that date. Interest is charged at 3.25% 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.

20. Deferred Tax

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

	2019 £'000s	2018 £'000s
Total		
Balance brought forward	81	7
Credit / (charge) to the income statement	(1)	74
Total deferred tax asset / (liability) at end of period	80	81

The deferred tax included in the statement of financial position is as follows:

	2019 £'000s	2018 £'000s
Included in debtors	112	81
Credit / (charge) to the income statement	(1)	74

There is no unrecognised deferred tax in the current period for the Group (2018: £Nil).

21. Leases

Lease liabilities

As noted within our accounting policies, the Group has adopted the modified retrospective approach with respect to leases for the year ended 31 December 2019 which has resulted in certain leases being reported as right of use assets on the balance sheet as well as the associated lease liability within borrowings. Interest on the liabilities, calculated at the incremental borrowing rates (vehicle fleet: 7.00%, office and other properties: 3.50%), is charged to the income statement monthly. This approach does not result in any adjustments to the results reported for the year ended 31 December 2018 which continues to be reported under IAS 17.

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

	2019 £'000s	2018 £'000s
Operating leases		
Not later than 1 year	–	3,821
Later than 1 and not later than 5 years	–	3,107
Over 5 years	–	803
	–	7,731
Finance leases		
Not later than 1 year	1,761	1,544
Later than 1 and not later than 5 years	393	947
	2,154	2,491

	2019 £'000s	2018 £'000s
Lease liabilities – right of use assets		
Not later than 1 year	3,124	–
Later than 1 and not later than 5 years	2,651	–
Over 5 years	2,378	–
	8,153	–
Total lease liabilities		
Not later than 1 year	4,885	5,365
Later than 1 and not later than 5 years	3,044	4,054
Over 5 years	2,378	803
	10,307	10,222

The carrying value of those assets reported as right of use and finance leases are reported in note 14.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

21. Leases continued

The following expenses relating to lease liabilities were recognised in the year ended 31 December 2019 as a result of IFRS 16.

	Finance leases £'000s	Lease liabilities £'000s	Total £'000s
Depreciation charge	2,168	4,220	6,388
Interest expense	295	401	696
Total cash outflows	2,225	4,289	6,514

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 £309,000 (2018: £135,000).

23. Trade and Other Payables

	2019 £'000s	2018 £'000s
Trade payables	4,090	3,293
Accruals and deferred income	2,142	2,323
Social security and other taxes	1,339	1,025
Other creditors	344	582
	7,915	7,223

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.

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 – 2019	35	–	(35)	–
S Moss – 2018	1,434	657	2,056	35
A Sellers – 2019	428	–	(13)	415
A Sellers – 2018	3,210	211	(2,993)	428

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 (2018: £172,500) were charged under these arrangements. At the balance sheet date the amounts due under these lease arrangements to the shareholder were £125,000 (2018: £95,000).

During the year the Group received funds of £260,000 as way of repayment of a loan (2018: loaned £348,710) from a company related by common control. The Group paid expenses of £29,558.16 (2018: £222,450) on behalf of that company and was invoiced £160,000 (2017: £215,000) for services provided. As at the year end the Group was owed £724,858 (2018: £1,115,300).

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	
	2019 £'000s	**2018 £'000s**
Cash and cash equivalents	2,270	5,532
Trade and other receivables	102,510	78,374
Accrued income	24,416	22,457
	129,196	106,363

Financial liabilities

	Held at amortised cost	
	2019 £'000s	**2018 £'000s**
Trade and other payables	5,773	6,198
Borrowings	38,474	22,808
	44,247	29,006

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

26. Subsequent Events

On 29 May 2020 the Group completed a placing of 6.0 million Ordinary Shares, raising approximately £7.0 of funds for the Group after expenses.

In addition, on 16 June 2020 the Group secured a loan facility of £2.1 million from a litigation funder to support the development of the VW emissions class action. Further, on 25 June 2020 the Group received confirmation from Secure Trust Bank Plc of approval for a loan of £5.0 million, backed by the governments CBILS scheme, for which the Board expects to be available to draw in July 2020.

27. 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

27. Financial Risk Management and Impairment of Financial Assets continued

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.

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 or from headroom within its existing facilities. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2019	Up to 12 months £'000s	Between 1 and 2 years £'000s	Between 2 and 5 years £'000s	Total £'000s
Trade and other payables	5,773	–	–	5,773
Loans and borrowings	25,052	393	13,029	38,474
Total	30,825	393	13,029	44,247

At 31 December 2018	Up to 12 months £'000s	Between 1 and 2 years £'000s	Between 2 and 5 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

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.

28. Effect of Changes in Accounting Policies

Impact of IFRS 16 on the Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year ended			
	Reported Dec-19 £'000s	IFRS 16 Dec-19 £'000s	Pre IFRS 16 Dec-19 £'000s	Year ended Dec-18 £'000s
Revenue	78,510	–	78,510	56,505
Cost of sales	(15,703)	(3,539)	(19,242)	(16,168)
Gross profit	62,807	(3,539)	59,268	40,337
Depreciation	(2,327)	–	(2,327)	(1,574)
Depreciation on right of use assets	(4,220)	4,220	–	–
Amortisation	(35)	–	(35)	
Administrative expenses	(30,975)	(750)	(31,725)	(21,594)
Operating profit before exceptional items	25,250	(69)	25,181	17,169
Share based payment charges	(657)	–	(657)	(384)
Non-recurring administrative expenses	–	–	–	(1,411)
Operating profit	24,593	–	24,524	15,374
Finance costs	(401)	401	–	(1,090)
Lease finance costs	(1,801)	–	(1,801)	–
Total finance costs	(2,202)	401	(1,801)	(1,090)
Profit before tax	22,391	332	22,723	14,284
Taxation	(4,403)	–	(4,403)	(2,879)
Profit after tax	17,988	332	18,320	11,405
Earnings per share (pence)				
Basic earnings per share	16.4		16.7	10.4
Diluted earnings per share	16.0		16.3	10.2

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

28. Effect of Changes in Accounting Policies continued

Impact of IFRS 16 on the Consolidated Statement of Financial Position

At 31 December 2019

	As Reported £'000s	IFRS 16 Adjustments £'000s	Pre IFRS 16 Adoption £'000s
Assets			
Non-current assets			
Property, plant and equipment	3,673	–	3,673
Right-of-use assets	7,821	(7,821)	–
Intangible fixed assets	175	–	175
	11,669	(7,821)	3,848
Current assets			
Trade and other receivables	127,768	–	127,768
Cash and cash equivalents	2,270	–	2,270
	130,038	–	130,038
Total assets	141,707	(7,821)	133,886
Equity and liabilities			
Equity			
Share capital	55	–	55
Share premium	9,235	–	9,235
Share based payment reserve	1,041	–	1,041
Retained earnings	81,365	332	81,697
Equity attributable to the owners of the Group	91,696	332	92,028
Non-current liabilities			
Other interest-bearing loans and borrowings	393	–	393
Lease liabilities	5,029	(5,029)	–
Deferred tax liabilities	32	–	32
	5,454	(5,029)	425
Current liabilities			
Bank overdraft	17,784	–	17,784
Other interest-bearing loans and borrowings	12,144	–	12,144
Lease liabilities	3,124	(3,124)	–
Trade and other payables	7,915	–	7,915
Corporation tax liability	3,590	–	3,590
	44,557	(3,124)	41,433
Total liabilities	50,011	(8,153)	41,858
Total equity and liabilities	141,707	(7,821)	133,886

Impact of IFRS 16 on the Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	As Reported £'000s	IFRS 16 Adjustments £'000s	Pre IFRS 16 Adoption £'000s
Cash flows from operating activities				
Profit for the year		17,988	332	18,320
Adjustments for:				
Depreciation and amortisation		6,582	(4,220)	2,362
Financial expense		2,202	(401)	1,801
Taxation		4,403	–	4,403
		31,175	(4,289)	26,886
Working capital adjustments				
Increase in trade and other receivables		(26,294)	–	(26,294)
Increase in trade and other payables		1,351	–	1,351
Cash generated from operations		6,232	(4,289)	1,943
Interest paid		(1,797)	–	(1,797)
Tax paid		(5,230)	–	(5,230)
Net cash from operating activities		(795)	(4,289)	(5,084)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		374	–	374
Acquisition of property, plant and equipment		(3,104)	–	(3,104)
Investment in intangibles		(210)	–	(210)
Net cash from investing activities		(2,940)	–	(2,940)
Cash flows from financing activities				
Net proceeds from the issue of share capital		–	–	–
Proceeds from new loan		13,107	–	13,107
Repayment of borrowings		(10,920)	–	(10,920)
Payment of finance lease liabilities		(2,225)	–	(2,225)
Lease payments		(4,289)	4,289	–
New finance lease arrangements		2,302	–	2,302
Dividends paid		(2,750)	–	(2,750)
Net cash from financing activities		(4,775)	4,289	(486)
Net increase / (decrease) in cash and cash equivalents		(8,510)	–	(8,510)
Cash and cash equivalents at 1 January		(7,004)	–	(7,004)
Cash and cash equivalents at year end		(15,514)	–	(15,514)

Company statement of financial position

as at 31 December 2019

	Note	2019 £'000s	2018 £'000s
Assets			
Non-current assets			
Investments in subsidiaries	5	91,041	100,384
		91,041	100,384
Current assets			
Trade and other receivables	6	17,592	7,187
Cash and cash equivalents		48	952
		17,640	8,139
Total assets		108,681	108,523
Equity and liabilities			
Equity			
Share capital	8	55	55
Share premium	8	9,270	9,270
Merger reserve	8	89,924	99,924
Share based payment reserve	8	1,041	384
Retained earnings		8,080	(1,209)
Equity attributable to the owners of the Company		108,370	108,424
Current liabilities			
Borrowings		–	–
Trade and other payables	7	290	99
Corporation tax liability		21	–
		311	99
Total liabilities		311	99
Total equity and liabilities		108,681	108,523

The Company's profit and total comprehensive income for the year ended 31 December 2019 was £9.3 million (Period from incorporation on 27 March 2018 to 31 December 2018 was a loss after taxation of £1.2 million).

The notes on pages 82 to 86 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2020. They were signed on its behalf by:

Mark Bringloe
Chief Financial Officer
29 June 2020

Company Number 11278719

Company statement of changes in equity

for the period ended 31 December 2019

	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
Arising on Group reorganisation	–	–	–	–	–	–
Profit for the year and total comprehensive income	–	–	–	–	9,289	9,289
Stamp duty paid in Group reorganisation	–	–	–	–	–	–
Payment of dividend	–	–	–	–	(2,750)	–
Creation of share based payment reserve	–	–	–	657	–	657
Impairment in investments	–	–	(10,000)	–	–	(10,000)
At 31 December 2019	55	9,270	89,924	1,041	8,080	108,370

Notes to the Company financial statements

for the year ended 31 December 2019

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.

2. Operating Profits

The auditor's remuneration for audit services to the Company was £30,000 (2018: £29,000).

3. Staff Costs

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

	2019 £'000s	2018 £'000s
Wages and salaries	576	308
Social security costs	63	20
Pension costs, defined contribution scheme	8	–
	647	328

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

	2019 No	2018 No
Administrative staff	6	5
	6	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:

	2019 £'000s	2018 £'000s
Wages and salaries	578	178
Social security costs	63	20
Pension costs, defined contribution scheme	8	–
Total short terms employee benefits	649	198

In respect of the highest paid Director:

	2019 £'000s	2018 £'000s
Remuneration	340	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.

Notes to the Company financial statements continued

for the year ended 31 December 2019

5. Details of Related Undertakings continued

Investments in subsidiaries during the year was as follows:

	£'000s
Cost	
At 27 March 2018	–
Additions	100,384
At 31 December 2018	100,384
Additions	657
At 31 December 2019	101,041
Impairment	
At 27 March 2018	–
Impairment in the year	–
At 31 December 2018	–
Impairment in the year	10,000
At 31 December 2019	10,000
Net Book Value	
At 31 December 2019	91,041
At 31 December 2018	100,384

6. Trade and Other Receivables

	2019 £'000s	2018 £'000s
Amounts due from subsidiary undertakings	17,501	7,074
Other debtors	91	50
VAT recoverable	–	63
	17,592	7,187

7. Trade and Other Payables

	2019 £'000s	2018 £'000s
Trade payables	65	–
Other tax and social security	81	18
Accruals	144	81
	290	99

8. Share Capital and Reserves

	2019 £'000s	2018 £'000s
Share capital – allotted, called up and fully paid		
110 million Ordinary Shares of 0.05 pence each	55	55
Share premium	9,270	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 and 2019 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.

Notes to the Company financial statements continued

for the year ended 31 December 2019

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.

	Held at amortised cost	
Loans and receivables	**2019 £'000s**	**2018 £'000s**
Cash and cash equivalents	48	952
Trade and other receivables	17,592	7,187
	17,640	8,139

	Held at amortised cost	
Financial liabilities	**2019 £'000s**	**2018 £'000s**
Trade and other payables	290	81
Borrowings	–	–
	290	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
2019	1,200	–	–
2018	600	–	–

Amounts due from subsidiaries at 31 December 2019 and 31 December 2018 are 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 loan drawn by Bond Turner Limited, a subsidiary. The value of the loan at the year-end was £8,000,000.

Company information

Directors
Alan Sellers
Mark Bringloe
Samantha Moss
Christopher Houghton
Roger Barlow
Richard Pratt
Elizabeth Sands

Secretary
Dawn O'Brien

Assistant Company Secretary
ONE Advisory Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT

Company Number
11278719

Registered Office
5th Floor, The Plaza, 100 Old Hall Street, Liverpool, Merseyside, United Kingdom, L3 9QJ

Nominated Advisor
Arden Partners plc, 5 George Road, Edgbaston, Birmingham, B15 1NP

Joint Brokers
Arden Partners plc, 5 George Road, Edgbaston, Birmingham, B15 1NP
Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street, London EC2R 8HP
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
Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Website
www.anexo-group.com

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Anexo

Anexo Group plc
5th Floor, The Plaza,
100 Old Hall Street,
Liverpool, Merseyside,
United Kingdom, L3 9QJ

www.anexo-group.com