# Creating value in consumer legal services




**NAHL Group plc**
Annual Report and Accounts 2015

## Welcome to NAHL Group plc

# NAHL Group plc is a leading consumer marketing business focused on the UK legal services market.

### Strategic Report



### Governance



### Financial Statements

# Successful diversification through acquisition and delivery of a strong financial performance.

## Financial

- Revenue from continuing operations[1] up 15.7% to £50.7m (2014: £43.8m)
- Underlying operating profit[2] up 22.9% to £15.6m (2014: £12.7m)
- Underlying operating profit margin increased by 1.8 percentage points to 30.8% (2014: 29.0%)
- Excellent cash conversion at 97.4% (2014: 97.6%)
- Adjusted net debt[3] of £8.3m at period end (net cash of £1.2m at 31 December 2014)
- Basic earnings per share of 25.6p (2014: 20.6p)
- Recommended final dividend of 12.5p, increasing the total dividend for the year by 19.4% to 18.75p (2014: 15.70p)

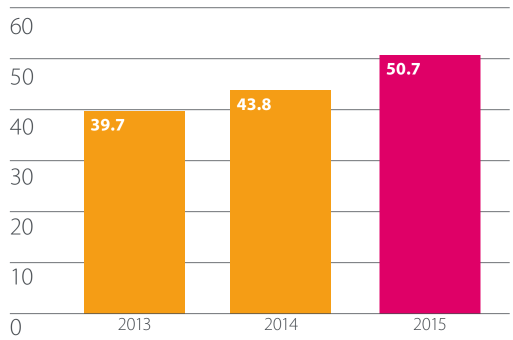
## Operational

- The Group has invested in and successfully diversified its service offerings in the wider consumer legal services (CLS) market through a number of acquisitions during the year:
  - Fitzalan Partners (Fitzalan) broadens the Group's operations into the UK Conveyancing services market
  - Bush & Company (Bush) extends the Group's core marketing and panel management expertise into the Critical Care segment of the fragmented CLS sector
- Focus within National Accident Helpline (NAH) on higher quality, lower volume enquiries for the Group's Panel Law Firms (PLFs), driving an increase in gross profit margins
- Post period-end acquisition of Searches UK further extends our conveyancing offering to customers

1. Continuing operations excludes the demerged PPI Claimline division and a legacy ATE insurance product used prior to enactment of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) on 1 April 2013
2. Underlying operating profit excludes share based payments, amortisation of intangible assets acquired on business combination and one-off items
3. Net adjusted debt comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre-LASPO product

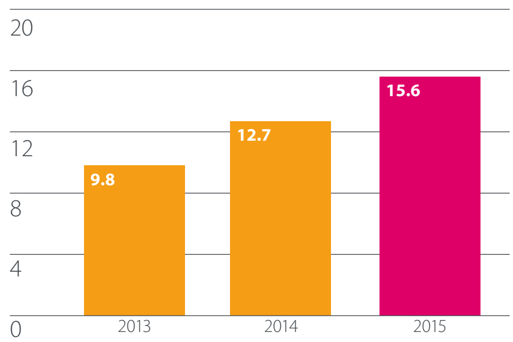
### Revenue from continuing operations £m

**£50.7m** +15.7%



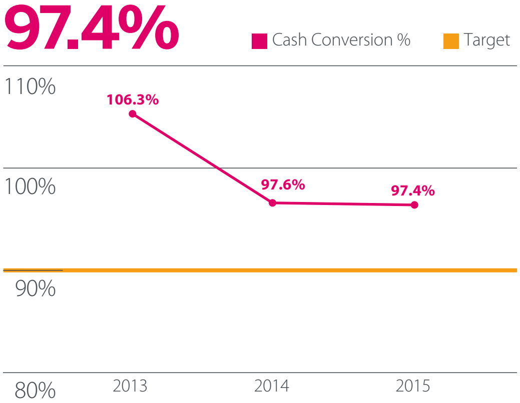

### Underlying operating profit £m

**£15.6m** +22.9%




### Cash conversion %

**97.4%**



# NAHL Group plc is a dynamic group, operating across three divisions in the UK consumer legal services market.

## NAHL Group 2016

## Our values

**We are curious**
We question the status quo, seek to understand our customers and resolve how we could do things better for them.

**We are driven**
We value achieving results, we strive to make them happen, we want to build something meaningful and have fun while we do it.

**We are passionate**
We care about what we do and how we do it, we empathise with our customers and keep our promises.

**We are unified**
We are one team committed to acting with integrity, taking individual responsibility for our actions whilst trusting and respecting each other.



## Our Vision

To be the UK's leading marketing and services provider to our chosen legal markets.

## Our Mission

To be partner of choice for law firms wanting to:

- attract and retain customers;
- utilise best-in-class products and services;
- optimise business performance.

**198**
Employees

**4**
Acquisitions: Fitzalan, Best Value Conveyancing, Bush and Searches UK

## NAHL Group plc Timeline

NAHL Group plc floated on AIM
**May 2014**

Fitzalan acquired (founded in 2011)
**February 2015**

Best Value Conveyancing brand (founded by Bird & Co in 2011) acquired by Fitzalan
**July 2015**

Bush acquired (founded in 1986)
**October 2015**

Searches UK (founded in 2008) acquired by Fitzalan
**January 2016**

# The Group operates in the large and highly fragmented CLS market and has been focused on Personal Injury (PI) – the largest of the CLS segments – Conveyancing and Critical Care.

### Consumer Legal Services

All of the main CLS markets have similar characteristics in that they are highly fragmented and consumers, as recent research by the Law Society highlighted, are somewhat confused about who to approach.

We believe that making the best in legal services and support accessible to everyone is important, and that doing so in an ethical way, with the consumer at the heart of what we do, is paramount to providing an excellent service and helping consumers to navigate through a complex process.

Our three divisions focus on the two largest CLS markets, PI and Conveyancing, which are valued at over £3.5bn and have thousands of potential customers actively involved. In the immediate future we are looking to grow what are relatively small market shares in both sectors.

We believe that, over time, there may be opportunities to gain a foothold in other segments of CLS, but this is not our prime focus in 2016.

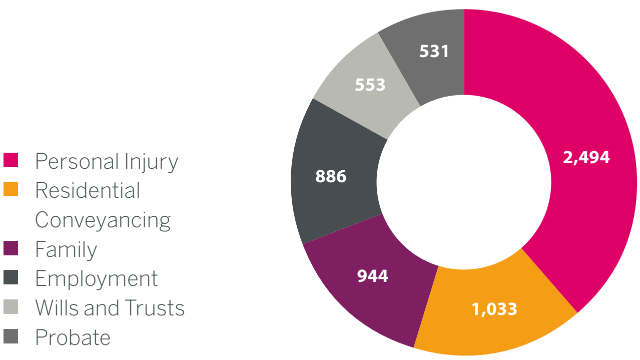
### Personal Injury

The PI market remains relatively static with just under one million claims registered in 2014/15[2], a slight reduction compared to 2013/14. Many of the 2,700 firms carrying out PI work are multi-disciplinary, and only 63 firms were ABSs, indicating that the market remains largely in the hands of traditional partnership law firms.

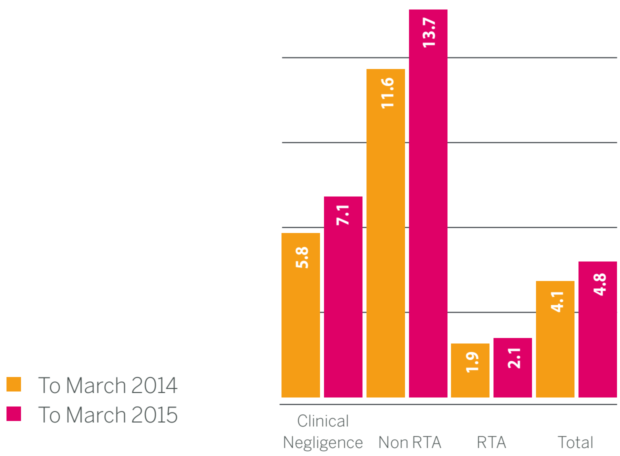
Of the total PI claims per annum, the largest proportion remains in the area of Road Traffic Accidents (RTA). NAH has continued its strategy of growing share across all claim types and, in particular, strengthening market shares in the higher value non-RTA areas. RTA has always been a smaller part of the division and is the area where we have the smallest share.

The Chancellor's Autumn Statement contained a number of proposed changes impacting PI claims which will be subject to a period of consultation and review. This will undoubtedly lead to a period of market uncertainty and may mean some law firms reviewing investment in the PI sector, possibly resulting in some demand instability. However, none of these changes are aimed at reducing the rights of a genuine claimant and undoubtedly the market will adapt, which will create opportunities for the stronger ethical players.

### Area of consumer law £m[1]




### NAH market share %[3]



*"There remains a great deal of uncertainty amongst consumers about different types of lawyer and legal businesses. It is currently very difficult, even for knowledgeable consumers, to work out which provider is the most appropriate for their particular issue.[1]"*

### Critical Care

The serious and catastrophic injury market is a subset of PI and also highly fragmented with many small providers. For claims above £500,000 the market is worth £85m[4] growing at 1.4% p.a, in which Bush holds a 10% share.

The market for claims above £250,000 is significantly larger and presents opportunities for Bush in the future, so a combined market share growth and market development strategy will serve us well.

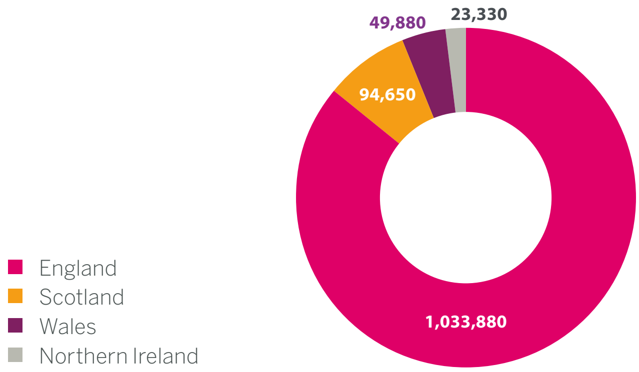
### Conveyancing

There are over 4,750 law firms working in residential conveyancing and in 2014/15 UK residential property transactions reached 1.2m[5] (before seasonal adjustments).

The housing market continues to improve and demand is still strong in most areas of conveyancing with mortgage lending at its highest since 2008[6].

We anticipate that in 2016 we will see a push to make the conveyancing process more consumer friendly with conveyancing firms looking to change their processes and developing a greater online presence and customer-focused approach. Fitzalan is well positioned to benefit from these developments.

**Number of residential property transactions (above £40,000) 2014/2015**




1 The Future of Legal Services, The Law Society of England and Wales – January 2016
2 Cases registered to CRU, Department for Work and Pensions – April 2015
3 CRU analysis 2015 and management estimates
4 NAHL Group plc commissioned research – December 2015
5 Office of National Statistics – January 2016
6 Modern Law Magazine, The Future of Conveyancing – February 2016

# The business has seen considerable change during 2015 and delivered excellent results.


**Summary of financial performance**
NAHL Group plc has performed well during 2015, with revenue up 15.7% to £50.7m (2014: £43.8m), delivering an increase in profit before tax of 15.6% to £14.0m (2014: £12.1m), after share based payments, amortisation of intangible assets acquired on business combination and one-off items of £1.5m (2014: £0.9m). Earnings per share increased 24.3% to 25.6p (2014: 20.6p).

During the year, the Group acquired Fitzalan and Best Value Conveyancing (BVC), which provide marketing services in the residential conveyancing sector, and Bush which provides specialist critical care services in the catastrophic and serious injury market. Aggregate consideration for these acquisitions was £28.1m, net of cash acquired, financed by the issue of new shares for £14.3m, net of expenses, and the balance in cash from the Group's cash resources and bank facilities.

These acquisitions contributed £5.6m of revenue in the year and profit before tax of £1.5m.

**Balance sheet and final dividend**
NAH, which provides marketing services to the PI sector, and Fitzalan are both highly cash generative. The cash flow for Bush, which is at a slightly lower cash conversion, did not materially impact our cash generation ratios in the year, with operating cash generation of £15.2m, which represents a 97.4% conversion of operating profit into cash (2014: 97.6%).

Our balance sheet remains strong and at the year-end, we had adjusted net debt[1] of £8.3m (2014: net cash £1.2m).

The Board proposes, subject to approval of shareholders at the Annual General Meeting to be held on 25 May 2016, a final dividend of 12.5p per share payable on 31 May 2016 to ordinary shareholders registered on 22 April 2016. Together with our interim dividend already paid of 6.25p per share, this increases the total proposed distributions for the year by 19.4% to 18.75p per share (2014: 15.7p).

1 Net adjusted debt comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre-LASPO product

**Division review: Personal Injury**
NAH has performed well in 2015, delivering profit before tax of £15.6m from revenue of £45.1m, representing increases of 8.8% and 2.8% respectively. These results reflect a forecast reduction in revenue in the second half, offset by an increase in gross margins. A combination of market factors in the second half led us to tightly manage our volumes to ensure we were able to deliver cost effective, high quality enquiries for our PLFs, a strategy which we continue to pursue, as we work with our key, larger PLFs to develop more significant but fewer PLF relationships.

In November 2015, the Chancellor, in his Autumn Statement, announced, inter alia, proposals to restrict consumers' eligibility for compensation for low value whiplash injury, along with plans to consult on transferring PI claims of up to £5,000 to the small claims court. The proposals will be subject to a detailed period of consultation and we anticipate there will be some short-term market volatility whilst the regulatory position is clarified. We have seen a number of law firms decide to withdraw from the PI market as a consequence.

We do not expect the consumer's requirement to be able to access justice to alter significantly, although we do anticipate that marketing expenditure, both TV and digital, will reduce in the sector, which is likely to result in some reduction in overall case volumes in 2016.

The division's results in 2015 reflect a strong trading performance, with enquiry quality rather than volume taking precedence, with a consequential reduction in product income. This in turn has helped to drive an increase in gross profit margins and we continue to deliver a rich mix of enquiries focused on higher value categories to our PLFs.

**Division review: Conveyancing**
Since the acquisition of Fitzalan in February 2015, our conveyancing lead generation division has performed well. It has achieved our profit expectations, contributing profit before tax of £0.8m from revenue of £3.5m in the year. During the year we added a small bolt on acquisition, BVC, and in January 2016 completed the acquisition of Searches UK for a cash consideration of up to £2.1m.

The establishment of our residential conveyancing division fits well with our existing strategy of applying marketing, digital and call handling expertise to complementary markets within the broader CLS sector.

**Division review: Critical Care**
Acquired in October 2015, Bush is one of the UK's leading providers of expert witness, immediate needs assessment and case management services, providing services to injured people, solicitors and insurance companies. Bush specialises in catastrophic and serious injury cases and provides the Group with access to another aligned CLS market.

Since the acquisition, Bush has continued to perform well and in 2015 delivered £0.6m profit before tax on revenue of £2.1m.

**Looking ahead**
PI continues to account for the largest part of our business, by revenue and profit, and is well placed to respond to changing market conditions. Our strong brand recognition and digital expertise help reinforce our position as market leader.

The forthcoming consultation on small claims following the Chancellor's Autumn Statement of November 2015 is leading to some market uncertainty, which will manifest itself in reduced demand levels from PLFs for PI cases in the short term. We are cautious about the short-term prospects at NAH and plan to generate reduced volumes of enquiries in 2016 compared with 2015. We expect this will lead to a contraction in NAH profits in 2016.

Looking to 2017, we believe that some regulatory change in PI is inevitable and we expect to see a restructuring of how smaller claims are handled. This will create new business opportunities for NAH.

During 2015, we have invested in and successfully diversified our service offerings in the wider CLS market, and our Conveyancing and Critical Care divisions have performed well and provide exciting growth opportunities.

The anticipated continued strong performance of Fitzalan and Bush combined with the expected performance in our core NAH business should deliver earnings growth in the current financial year for the Group overall, albeit marginally below market expectations.

The business has seen considerable change during 2015 and delivered excellent results. I would like to thank our employees for their continued support and contribution to our success.

We look forward to the challenges and opportunities ahead.

**Steve Halbert**
Chairman

21 March 2016

# NAHL Group plc generates its revenues from services provided primarily to the legal profession. These services can be divided into three main categories:

### Marketing services
Both NAH and Fitzalan act on behalf of solicitors and surveyors by attracting consumers, discussing and assessing their needs and forwarding them to a suitably qualified firm based on geography, capability or a combination of both. The law firms pay for these services either via a proportional share of the overall costs (PI) or a fee per finalised instruction (Conveyancing).

### Product provision
Due to their scale and reputation, our divisions are able to negotiate competitive deals and service levels for a range of products that are needed to support the claim or transaction. These include medicals and ATE insurance. We then receive a commission from the supplier for each of the products used.

### Services provision
Some services are provided directly to the consumer on behalf of our legal customers. These include expert witness, immediate needs assessment and case management services provided by Bush and recently the addition of searches through Searches UK. In these instances revenue is earned once the service has been provided and we are instructed by the solicitor.

This broadening of our business model in the last year is a direct result of our strategic focus and enables us to build a broader offering to a large customer population. The combination of some of these services will also enable us to target new markets and B2B relationships with a comprehensive range of solutions.

### Our ethics
Following on from the Stop Nuisance Calls campaign, launched by NAH in 2014, in 2015 we launched an Ethical Marketing Charter to promote marketing best practice. The Charter now has close to 60 signatories, including leading law firms and claims management companies (CMCs) and backing from the Legal Ombudsman, the Association of Personal Injury Lawyers and the Head of Claims Management Regulation within the Ministry of Justice.

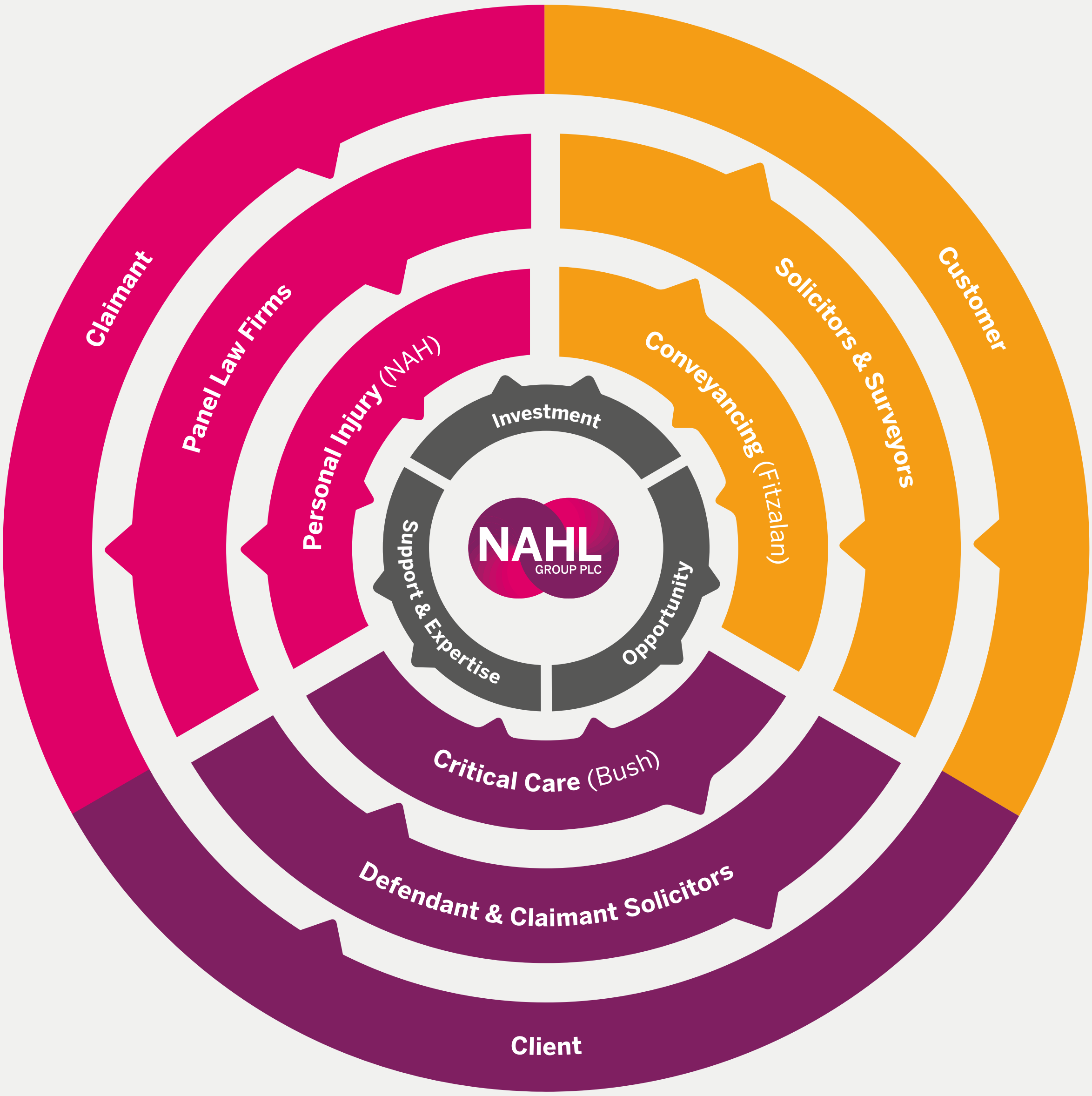
The Charter has one simple aim, to align the industry to the same ethical marketing ethos. None of our divisions cold call or cold email/text. Despite this, at NAH alone we received over 2,000 complaints from consumers who had received unsolicited calls emails/texts from companies. We capture relevant information from the complainant and pass this on to the Information Commissioner's Officer to investigate further.

At Bush, our ethics are centred on clinical independence and objectivity in supporting both claimant and defendant solicitors. It is this independence that ensures we act ethically on behalf of those who require our services. The Company is a registered Domiciliary Care service accredited with the Care Quality Commission, adhering to stringent quality measures.

**Leads Generated**
# 220,000+

**Solicitor Relationships**
# 850+

**Consumers Supported**
# 100,000+



# 2015 saw continued growth and we are pleased to report a strong set of results.

**Overview**

The Group's performance has been achieved through both organic growth within our core PI division and the positive contributions from our earnings-enhancing acquisitions.

The period under review saw the Group develop into a broader, more diversified business through the acquisitions of Fitzalan, a specialist in Conveyancing services, and Bush, one of the UK's leading Critical Care businesses providing specialist services to the catastrophic and serious injury market. These acquisitions are in line with our strategic vision of being the UK's leading marketing and services provider in our chosen legal markets.

Our continued commitment to providing consumers with access to the very best in legal and support services remains at the heart of our business, and our continuous focus on highly ethical marketing practices supports our market leadership position.

**Russell Atkinson**
Chief Executive Officer

## Results

The Group traded well during 2015 and we are pleased to have delivered continuing underlying operating profit[1] growth of 22.9% from turnover of £50.7m, up 15.7%.

NAH, the Group's marketing services provider to the PI market, adapted to market conditions by focusing on higher quality, lower volume enquiries during the second half of the year. Whilst, as expected, this reduced the division's second half revenue, this was offset by an increase in gross profit margins.

Fitzalan, the Group's Conveyancing division, has integrated well since its acquisition in February 2015 and continues to make good progress. Bush, acquired in October 2015, has made a solid start in its first 10 weeks of trading as part of the Group and performed in line with plan. Since the period end the Group announced the acquisition of Searches UK, a leading search provider, which forms part of our Conveyancing segment and provides opportunities for further growth through an enhanced service offering.

The Group continued to be highly cash generative during the year and the Board remains committed to a progressive dividend policy.

## Market overview

The Group operates in the large and highly fragmented CLS market and focuses on the largest of the CLS segments, PI, along with Critical Care and Conveyancing. In each of the sectors we operate in, all of which are highly fragmented markets, we hold a strong position but retain relatively small market shares.

The PI market has approximately one million claims per annum and remains relatively static in terms of market size. The largest proportion of claims, over 76%, remain in the area of RTAs (25% of enquiries), but NAH has continued its strategy of growing share across all claim types and retaining strong market shares in the higher value non-RTA areas.

The Chancellor's Autumn Statement contained a number of proposed changes impacting PI claims, which will be subject to a period of consultation and review. We expect there to be a period of uncertainty as the Government's plans are clarified. This will lead to some law firms reviewing their investments in the PI sector and it is likely that some demand reduction will result. NAH will be more cautious in our approach to enquiry generation. In the longer term, there will continue to be a large number of people in the UK who require access to justice and will require the services of a company such as NAH to assist them.

As the market leader today with a predominant focus away from lower value RTA claims, NAH is well positioned to remain at the forefront of the market change. We intend to continue to work with stronger, more process focused PLFs on higher value cases. For lower value cases, we will explore with vigour the new business opportunities that will emerge, once we have more certainty on the regulatory backdrop.

Turning to Bush and the catastrophic injury market, we estimate that this is valued at approximately £85m[2] (2014/15), and growing. We have a 10% market share and are actively pursuing a number of growth initiatives.

In Conveyancing, there are approximately 2.0m residential conveyancing transactions in the UK annually. Fitzalan has taken a leading position in the small but growing online marketing led conveyancing area, which is estimated to constitute less than 6% of the total market.

## Brand

The Group's brands are a core asset of the business. NAH remains the leading brand in PI and continues to have market-leading metrics for trust, search and click-through rates[3]. In addition we have become more active on social media and have continued to progress our Ethical Marketing Charter with almost 60 firms, including some of our direct competitors, signing up to this important initiative.

At Fitzalan, our main internet brands, Homeward Legal, Fridays Move, In-Deed and Surveyor Local have been supplemented by the purchase of BVC, adding incremental volume to the business.

The Bush brand has, for over 30 years, been recognised for clinical independence and quality and we will continue to reinforce this reputation.

These brands and internet properties remain a core aspect of what we do and how we attract consumers so we retain a sharp focus on ensuring that they mature and develop.

1 Underlying operating profit excludes share based payments, amortisation of intangible assets acquired on business combination and one-off items
2 NAHL Group plc commissioned research – December 2015
3 Brand Tracking Data – December 2015

## Customers

The Group now serves a broader market of law firms. Historically, we have been focused on the claimant PI sector but, as a result of our acquisition activity, we now serve firms on both the claimant and defendant sides as well as a range of conveyancers and surveyors. This expansion and diversification of our customer base opens further opportunities to support our markets with a wider product range.

The NAH panel has continued to evolve during the year as we continue to focus on strategic relationships with key volume players in PI. This evolution is expected to continue as PLFs adapt to the current uncertainties of anticipated regulatory changes.

Bush is recognised for its clinical independence and will continue to serve both claimant and defendant solicitors with high quality services designed around the needs of the individual. With a customer base of over 650 solicitors, the Company has the opportunity for further growth driven by a more focused approach to business development.

Fitzalan has over 150 PLFs and over 80 surveyors, enabling us to ensure unrivalled national coverage for our consumers.

## Products

Within NAH, medical product revenues were impacted by the introduction of the Medco process in April 2015. However, we were able to introduce a new After the Event (ATE) product, which was well received and resulted in growth on the previous year in this category. Product usage is an area that we continue to focus on and recognise that reduced enquiry volumes will have an impact.

Within Fitzalan we have been developing a number of initiatives including the Solicitors Pre Auction Report (SPAR) and lease extensions. Such products broaden our appeal and support growth. The addition of Searches UK in January 2016 also adds an important product set that complements and enhances the offering that Fitzalan can make to its partners.

Bush already offers a mature and market-leading service proposition and we will continue to review opportunities to develop these services by expanding into adjacent markets and lower value cases. Our focus on supporting the team with enhanced business development and clinical resource will enable Bush to continue to grow.

## Operations

The Group now has four offices across the UK including two contact centres from our sites in Kettering and London.

The focus at NAH continues to be ensuring that we pass on only cases with real merit and that the quality of those cases remains of the highest order. During the second half of 2015 we have been focusing on a smaller number of higher quality enquiries to enhance our profitability.

Following the acquisition of Fitzalan we invested in new offices in Chancery Lane, London, to ensure that we have capacity for growth and an excellent working environment. The acquisition of Searches UK means we now have an operating hub in Sussex covering all activity in support of our searches business.

Our Daventry office is the operational centre of Bush and is staffed by experienced personnel who support our customers and field-based consultants and experts.

## People

Our people are what make us who we are and form the cornerstone of our success as a business. During the course of the year we have grown employee numbers, as a result of our acquisitions. This expansion enables us to offer better career progression to employees within our teams. I am delighted that we have already been able to make two important appointments within the Group from existing teams.

In early 2015 we were also awarded the Investors in People (IiP) standard and have continued our Employee Development Programme, seeing a number of participants move into broader roles as a result of this initiative.

We have also adopted the Paul Bush Foundation as our chosen charity for 2016 which enhances understanding across the Group of the great work we do for seriously injured individuals.

## Outlook

The Group has developed considerably through acquisitions during the last 12 months.

Whilst our PI division represents the largest proportion of our revenue and profit, we have been able to make four acquisitions that enhance our offering and move us into different segments of the CLS market that we serve; giving us firmer foundations and a broader range of opportunities as we build earnings in aligned business areas.

We will continue, as a result of our excellent cash generation, to review strategic growth opportunities as they arise.

NAH has performed well. 2016 will be a year of consolidation until the exact nature of the regulatory changes are clarified. However, with our marketing expertise and market-leading brand strength, we remain optimistic about the medium-term opportunities that will undoubtedly arise.

Fitzalan is well positioned to take a greater share of a market that is ready for new players with innovative ideas, and we anticipate an exciting year ahead for this business.

Bush has an established leadership position and has significant ability to develop its market share and also expand into adjacent markets with a simplified service offering.

As a more diverse Group, I look forward to meeting the challenges and opportunities that 2016 will provide.

**Russell Atkinson**
Chief Executive Officer

21 March 2016

# Our ability to offer our customers the quality of service that we do is down to our understanding of the needs of the consumer.

In each of our divisions, we provide excellence in support of a claim, case or transaction. This has been a consistent theme for many years and is the foundation of our growth, based on the following four strategic pillars:

## One

## Market share growth

We have grown our market share in each of the key segments in which we operate and, despite our leadership position in PI and Critical Care, we have further opportunity to grow our share in what are large and fragmented markets.

In Conveyancing we can increase our business as more people become familiar with getting quotes and transacting online. In Critical Care, we can move into adjacent higher volume markets through the provision of fixed cost reports, whilst in PI, we have the opportunity, depending on how the new regulatory framework settles, to take a leading position in supporting consumers to make small claims.

## Two

## Partnership development

We now have a much broader customer base and can continue to develop our partnerships with law firms, insurance companies and other B2B partners to offer our services to consumers.

These partnerships are important to our success and each of our divisions have specific skilled business development teams focused on developing mutually beneficial relationships with our partners. These business teams will focus on selling to a broader range of customers, for example NAH customers who do not currently use Bush, or new B2B relationships with Estate Agency customers at Fitzalan.

## Three

# Product and service development

Products and services are an important profit generator for the Group.

In PI we have already introduced new and innovative ATE products and have prepared, tested and launched a new type of medical negligence screening service that will enable us to take advantage of the opportunity provided by any new fixed fee regime in this area.

In Conveyancing new initiatives such as SPAR and commercial conveyancing offer us our first toehold in new territories within a very large market, and specialist services such as lease extensions make us relevant to this particular sub-category.

In our Critical Care division we are actively looking to expand into slightly lower value cases through the provision of a new type of fixed cost expert report.

Such new initiatives will be a continual part of our growth strategy across the Group as we look to capitalise on the opportunities provided.

## Four

# Targeted acquisitions

Having made four acquisitions since flotation we continue to review the opportunities provided to utilise the cash generated by the business, to target right-sized income generative acquisitions. Such acquisitions are likely to be small in number but will be focused on adding further value to our core divisions.

# Personal Injury

National Accident Helpline

## NAH, the Group's PI division, is the most searched for and trusted PI brand.[1]

Through a UK-based Contact Centre and strong marketing presence, NAH listens to consumers and provides dedicated support when they need it most; using experience gained over 22 years to determine if they have a genuine claim and connect them to an expert solicitor.

### Marketing expertise

During 2015, NAH's marketing expertise saw the Company build on the success of its recent campaigns and continue to adapt its marketing message to reflect the changing dynamic of the market.

Digital marketing channels were developed during the year with the launch of a fresh and responsive NAH website, followed by similar developments to NAH's underdog.co.uk site.

The developments were made in response to changing consumer behaviour, in terms of how they interact with NAH through mobile and tablet devices and through social media channels which continue to increase in importance.

On average, 89% of our consumers choose to visit us online and of those, over 60% start their claim using our online claim form; providing a prompt service for the consumer and supporting conversion rates across the Contact Centre.

The speed at which NAH responds to these online connections was also acknowledged during the year. Following a research project conducted by leading cloud-based sales technology company, InsideSales.com where in excess of 1,400 companies were secret-shopped, NAH was named in the top three at the European Response Awards.

**60%**

**of consumers start their claim online**

### Panel development

We continued to develop our panel relationships, targeting a smaller number of larger law firms. Our network still comprises four key panel structures and we've continued to evolve these to ensure the right claims are processed by the right partners.

**PI panel:** covering employment liability, occupier liability, public liability and RTA cases.

**Medical negligence panel:** covering medical negligence cases which are more complex and specialised.

**Specialist panel:** covering a number of different enquiry types which fall outside the other panels, such as industrial disease and international cases.

**Associate panel:** this panel does not take enquiries from NAH, but takes products such as ATE insurance.

### Changing lives

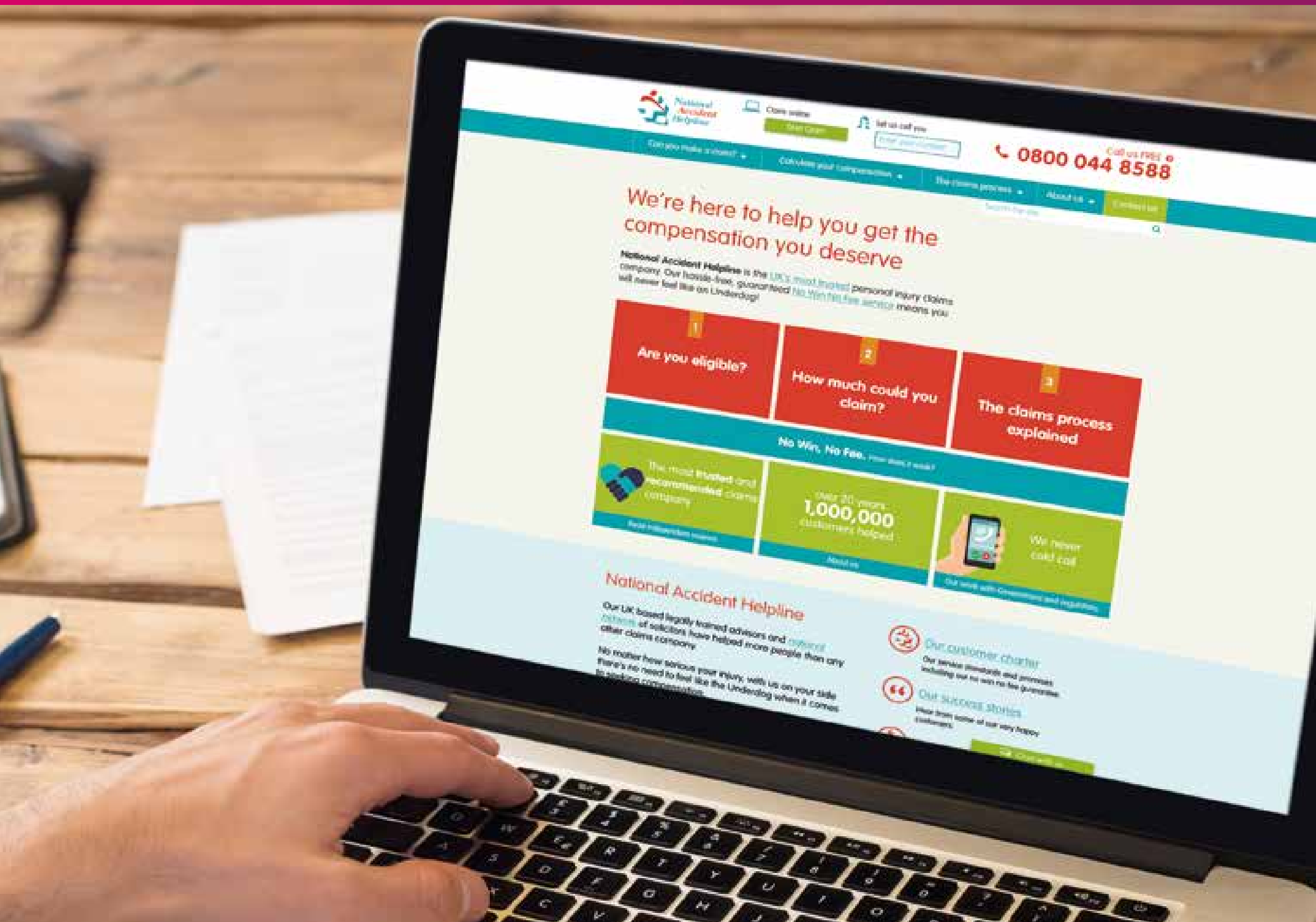
In 2015, NAH continued to connect consumers to our panel of 37 specialist law firms across the UK.

Many of these interactions saw NAH's Legal Services Advisors (LSAs) change the lives of those who have suffered an injury through no fault of their own.

### 2016 outlook

The outlook for 2016 will be governed by the consultation outcome in response to the 2015 Autumn Statement but NAH remains confident that it can continue to inform these outcomes and shape the future of the PI landscape. See page 18 on Thought Leadership.

Large panel relationships will continue to grow as the division's business model adapts to external influences and remains one step ahead in helping consumers gain access to justice.




Welder Michael Lewis was injured at work when an 80kg metal plate used for making lorry wheels fell on his foot, fracturing his metatarsals. Following the accident, Michael was on crutches for six weeks and unable to work for three months.

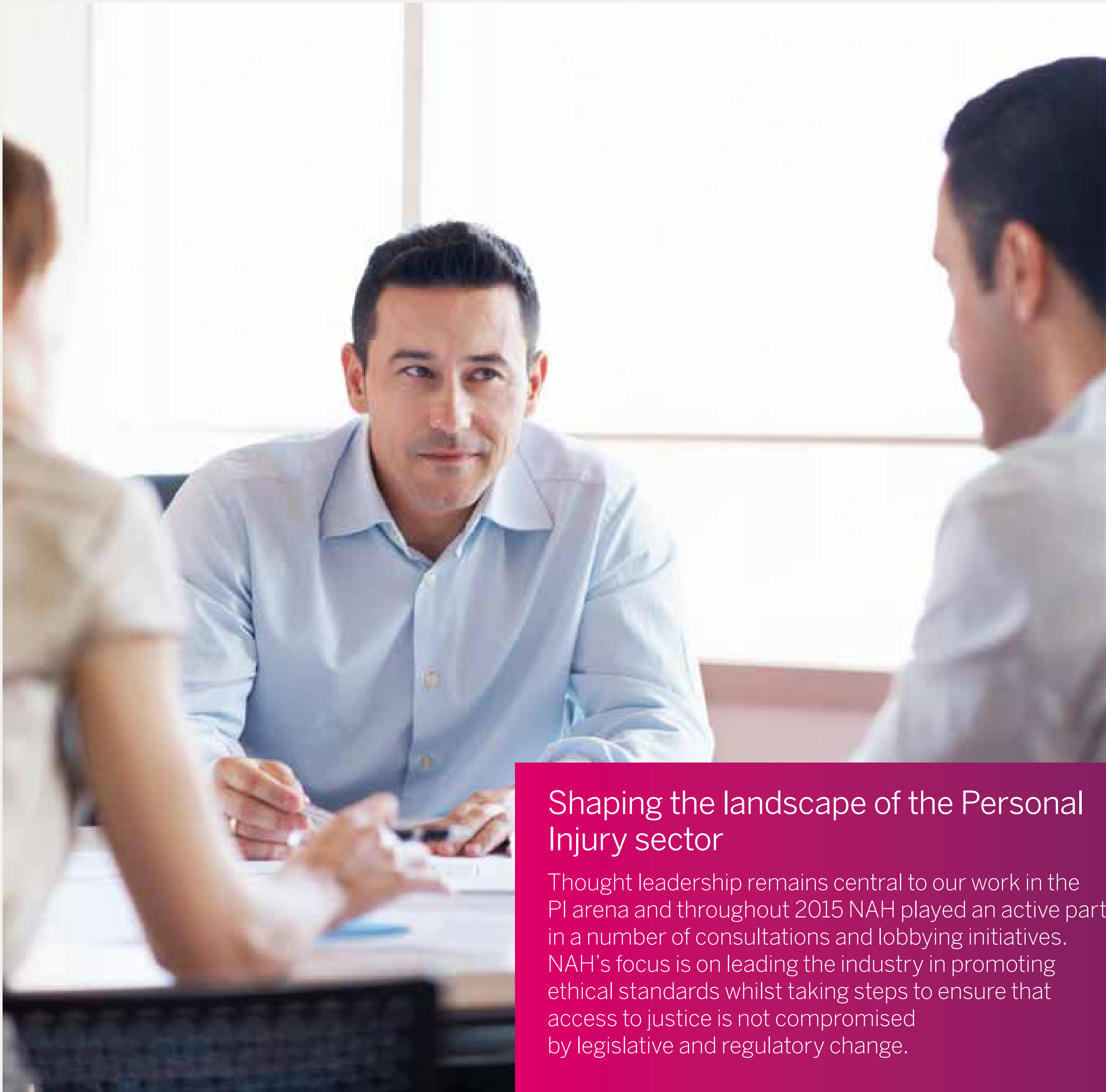
*"National Accident Helpline were brilliant. They talked me through it and got me the solicitors, who were also brilliant. They kept me informed on everything and I was really happy with the service. I would recommend them. I found it easy because they talked in normal language, with no big words and I could understand them. There was nothing technical about them. The paperwork was really straightforward."*

An agreement was reached and Michael was awarded £7,000 in compensation.

*"The compensation helped me get through and keep my head above water. It became my lifeline, without a doubt."*

1 Brand Tracking Data – December 2015

# Thought Leadership



## Shaping the landscape of the Personal Injury sector

Thought leadership remains central to our work in the PI arena and throughout 2015 NAH played an active part in a number of consultations and lobbying initiatives. NAH's focus is on leading the industry in promoting ethical standards whilst taking steps to ensure that access to justice is not compromised by legislative and regulatory change.

## Fraud Taskforce – tackling fraudulent behaviour to protect honest consumers

In 2015, NAH was invited to join the Personal Injury Working Group of the Government's Fraud Taskforce, set up to investigate the causes of fraudulent behaviour and recommend solutions to reduce the level of insurance fraud, ultimately lowering costs and protecting the interests of honest consumers.

The Working Group's remit was to look at specific issues relating to PI claims, made up of representatives from the Association of Personal Injury Lawyers (APIL), the Motor Accident Solicitors Society (MASS), NAH, BLM Law, Covéa Insurance and Aviva Insurance.

As part of the debate, NAH were a key source of information and insight and contributed to the recommendations of the Working Group including:

- stronger cross-sector collaboration;
- a clamp down on high-pressure marketing tactics;
- discouraging 'exaggerated or fraudulent late claims';
- discouraging pre-medical offers;
- improving solicitor conduct;
- implementing stronger regulation of CMCs;
- encouraging collaboration between regulators of nuisance calls; and
- establishing a legacy vehicle.

## Supporting the consultation

Towards the end of 2015, the Chancellor's Autumn Statement set out the Government's proposals to restrict sufferers of minor whiplash injuries, ability to claim compensation and an intention to increase the limit for small claims from £1,000 to £5,000.

NAH will actively contribute to the consultation process, with the aim of ensuring a fair outcome for genuine accident victims.

# ethical
## marketing charter

NAH led the way by launching the Ethical Marketing Charter across the sector in 2015 to help eliminate unethical marketing practices within the sector.

To date, the Charter has almost 60 signatories including leading law firms and CMCs and backing from the Legal Ombudsman, APIL and the Head of Claims Management Regulation within the Ministry of Justice.

The Charter has received cross party support and in October, parliamentarians, including the Shadow Minister for Justice, joined representatives from across the sector at a Parliamentary Roundtable, organised by NAH to discuss how to build further momentum behind the Charter.

Attendees, including the Solicitors Regulation Authority and Direct Marketing Association, were united in their view that further action is required to tackle unethical marketing, and there was a strong consensus behind several key actions that will help to clamp-down on rogue firms and improve protection for consumers.

# Conveyancing

FITZALAN
PARTNERS

## Fitzalan is the Group's Conveyancing division, supporting home buyers and sellers across England and Wales through its five web-based platforms.

**Fridaysmove, Homeward Legal, In-Deed; Surveyor Local and Best Value Conveyancing**
Through our web-based platforms, prospective home buyers and sellers are able to obtain quotes for a number of residential and commercial conveyancing and survey services such as lease extensions, which are notoriously complex processes. The team at Fitzalan will then convert these enquiries into packaged instructions for their panel of law firms or surveyors.

**Developing products and services**
In 2015, Fitzalan focused on the development of products and services that not only provide assurance and confidence for homebuyers but also aim to support solicitor and surveyor conversion rates in line with the Group's mission to be the partner of choice.

A new service in December 2015 was the implementation of a SPAR service. This new service enables consumers to order a detailed report prior to financially committing to the purchase of a property at auction.

This is then promptly checked by one of Fitzalan's solicitors to identify potential obstacles to the purchase and how these can be overcome, as well as any essential missing information.

This connection between the solicitor and consumer then benefits both parties further along the conveyancing process, providing consistency, speed and accuracy.

During 2015, Fitzalan also responded to solicitor feedback and changing buyer and seller behaviour with the introduction of The Conveyancing Exchange, a quote and sales white label service which uses the engine of Fitzalan's core offering (qualified leads for solicitors).

Through The Conveyancing Exchange solicitors have the direct opportunity to generate client instructions via their own website, therefore creating an increased online presence in which to generate work and maximise business performance with the support of Fitzalan's dedicated sales team. In a survey conducted by TM Group ('Customer Service Home Truths' September 2015[1]), research showed that 31% of conveyancers offered no quotation for their services at all and a further 24% gave a quote over the phone but failed to follow this up.

Law firms have reported that they are impressed with the opportunity this tool provides them: the ability to use their own pricing parameters with the use of Fitzalan's in-house team to handle the sales process and convert leads into fully qualified, packaged instructions.

Further developments saw the setup of Fixed Fee Commercial Conveyancing, adding to the portfolio of legal services and meaning the division is now able to quote fixed fees to prospective clients looking for commercial solicitors. Historically, commercial leases and business acquisitions have been difficult and time consuming for all involved. Fitzalan's expertise around the complexities of this process, speed to respond and ability to provide fully packaged instructions provides a solution of convenience plus time and therefore cost savings.

[1] TM Group Research Customer Service Home Truths - September 2015

## Customer Service Home Truths[1]

**93%**
of solicitor firms do not attempt to close business over the phone

**31%**
of conveyancers did not offer a quote over the phone

**24%**
of conveyancers who offered a quote over the phone failed to follow up with paperwork

## Comprehensive and tailored provision

In January 2016, Fitzalan acquired Searches UK. Established in 2008, based in Sussex, they are a leading conveyancing search provider in England and Wales, predominantly for residential property transactions.

The Company acts as a service provider to over 140 solicitors and licensed conveyancers, providing search information across six core product categories: Local Authority, Drainage & Water, Environmental, Chancel, Planning and Flood. Searches UK uses a nationwide network of search agents to provide the relevant search reports.

The acquisition will allow Fitzalan to feed existing search leads through Searches UK and harmonise solicitor and conveyancer relationships across both businesses, providing key growth opportunities.

## Fitzalan Partners

**96,000**
consumer contacts in 2015

**17,000**
consumers helped in 2015

**230**
solicitors and surveyors serviced in 2015

# Critical Care

BUSH &COMPANY REHABILITATION

## Bush is one of the UK's leading providers of expert witness, immediate needs assessment and case management services.

For 30 years Bush has provided a service to injured people, to solicitors and to insurance companies. Specialising in catastrophic and serious injury cases, it acts on referral from the injured person or by instruction from the claimant or defendant representative and prides itself on providing distinct clinical independence and integrity.

**Specialist knowledge**

Bush has over 135 Expert Witness and Case Management consultants based across the UK, who are specialists in their field. All Expert Witnesses have at least 10 years front-line experience and all case managers have at least seven years' front-line experience, in either the health or social care sector, and can undertake the assessment of adults and/or children following accidents resulting in disabilities such as spinal cord injury, acquired brain injury, amputation, orthopaedic injury and sensory impairment.

Assessment and case management services provide support on the rehabilitation journey of an injured person, with a unique Employment Support Service. The service takes the strain out of the recruitment of carers and provides payroll services and rehabilitation support plans for clients and their financial deputies. In the last Care Quality Commission inspection, the service was graded as excellent, with no recommendations for further improvement.

In addition, Bush provides a range of vocational rehabilitation services, including assessment and vocational case management, that enable an injured person to address any barriers to returning to work or education. A unique behaviour support service is also available for those who require support with managing challenging behaviour or experience adjustment and engagement difficulties.

**Creating networks**

Bush has a strong track record of profitable growth, good margins and cash flow dynamics. The growth of the division over the last 30 years is largely down to clinical independence, serving both claimant and defendant solicitors and the quality of the services through the expertise of its people and ethical operations. Proactive networking and thought leadership are also key elements in the division's success.

In 2015 Bush held its inaugural one day conference titled 'Pushing the Limits of Rehabilitation' which was attended by over 170 delegates including case managers, expert witnesses, claimant and defendant solicitors and insurers from the PI and clinical negligence sectors.

The event focused on rehabilitation services and technology that has pushed boundaries in its innovation, and how injured people have made tremendous strides in their rehabilitation against diversity, pushing the limits of what is expected.

Regular attendance at such sector events and exhibitions along with the annual APIL conference and the AvMA Clinical Negligence conference continues to promote Bush's services.

*"The Expert Witness was very thorough in her report and extremely user friendly and knowledgeable. The joint statement was robust but reasonable and credible... Her input was invaluable and she communicated well with me, Counsel, other experts and the client. I highly recommend her and look forward to working with her again in the future."*

Expert Witness Service – Claimant

## Making a difference

In 2015, Bush helped 1,650 injured people on their recovery journey.

*"Nigel was referred to Bush after he sustained a severe brain injury in a road accident at the age of 20. Prior to the accident, Nigel lived with his parents at their home and he had just completed an apprenticeship in mechanics. His plan was to continue to work full-time for the firm in the immediate future.*

*Following his injury, Nigel became fully dependent on his parents. He was unable to cope on a day-to-day basis due to his physical and cognitive dysfunction and behavioural consequences.*

*The main goal of the Bush team is to support Nigel to increase his independence at his property and in the community through development of rigid structure which will enable him to more readily cope with his acquired cognitive, behavioural and emotional difficulties. Nigel's support package has continued to increase gradually in line with his tolerance to cope with this new environment."*

Case Management case study

# The Group's business model shows excellent cash conversion, with over 90% operating cash from operating profits.

The Group has performed well in 2015 with good growth from PI as well as the acquisitions in Conveyancing and Critical Care contributing for the first time.

With a robust balance sheet, low levels of net adjusted debt[1] and continued strong operating cash generation, we are well placed to continue with our progressive dividend policy.

**Steve Dolton**
Chief Financial Officer

1. Net adjusted debt comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre-LASPO product.

### Trading results

| | 2015 £m | 2014 £m |
|---|---|---|
| **Underlying operating profit** | **15.6** | 12.7 |
| Share based payments | **(0.8)** | (0.3) |
| Amortisation of intangible assets acquired on business combination | **(0.3)** | – |
| One-off items | **(0.4)** | (0.6) |
| Total operating profit | **14.1** | 11.8 |
| Financial income | **0.1** | 0.6 |
| Financial expense | **(0.2)** | (0.3) |
| **Profit before tax** | **14.0** | 12.1 |

Underlying operating profit before share based payments, amortisation of intangible assets acquired on business combination and one-off items increased by 22.9% to £15.6m. This was largely driven by a £1.2m increase from NAH along with a contribution of £0.8m from Fitzalan and £0.6m from Bush, both of which were acquired during the year.

Our gross margin percentage increased by 3.6 percentage points to 49.2% and with ongoing control of costs we have seen an improvement in our return on sales to 30.8% (up from 29.0% in 2014). Having now achieved our initial target of 30%, we will look to maintain our return on sales percentage in excess of 30% going forward.

After allowing for share based payments, amortisation of intangible assets acquired on business combination, one-off costs and financial income and expense, the Group returned a profit before tax of £14.0m, a 15.6% increase on 2014.

### Taxation

The Group's tax charge of £3.2m (2014: £2.6m) represents an effective tax rate (ETR) of 22.8% (2014: 21.5%). The increase of 1.3 percentage points is due to an increase in non-deductible expenses relating to the acquisition of subsidiary undertakings as well as income dis-allowable for tax purposes in the prior year.

### Earnings per share (EPS) and dividend

Basic EPS is calculated on the total profit of the Group and most closely relates to the ongoing cash which will be attributable to shareholders and in turn the Group's ability to fund its dividend programme. The Group also has a number of share options outstanding (see note 22 of the financial statements) which results in a Diluted EPS.

Basic EPS for the year was 25.6p (2014: 20.6p) and Diluted EPS was 25.0p (2014: 20.2p).

The Board have proposed a final dividend of 12.5p (2014: 10.7p) which, along with the interim dividend of 6.25p (2014: 5.0p), gives a final dividend of 18.75p which is an increase of 19.4% on 2014. The Directors remain committed to the Group's stated policy of paying out two thirds of its retained earnings.

### Operating cash generation

| | 2015 £m | 2014 £m |
|---|---|---|
| **Underlying operating profit** | **15.6** | 12.7 |
| Depreciation and amortisation | **0.2** | 0.2 |
| Working capital movements | **(0.6)** | (0.5) |
| **Net operating cash generated from operating activities** | **15.2** | 12.4 |
| **Net operating cash generated as a percentage of operating profits** | **97.4%** | 97.6% |

The Group has continued to enjoy excellent operating cash generation in the year and we have maintained our performance in excess of our 90% target. Whilst our new acquisitions collect their cash using more traditional collection methods (rather than direct debit in the month of income method mainly used by NAH) and offer some extended payment terms, we believe the Group will continue to show good levels of operating cash generation going forward.

### Balance sheet

| | 2015 £m | 2014 £m |
|---|---|---|
| **Net assets** | | |
| **Goodwill and intangible assets** | **67.7** | 39.9 |
| **Adjusted net (debt)/cash:** | | |
| Cash and cash equivalents | **10.1** | 13.6 |
| Borrowings | **(14.8)** | (5.9) |
| Other payables relating to discontinued pre-LASPO ATE product | **(3.6)** | (6.5) |
| **Total adjusted net (debt)/cash** | **(8.3)** | 1.2 |
| **Other net liabilities** | **(4.3)** | (4.9) |
| **Total net assets** | **55.1** | 36.2 |

The Group's net assets at 31 December 2015 increased by £18.9m to £55.1m (2014: £36.2m) which reflects the earnings for the financial year, partially offset by dividends paid, and the issuing of new Ordinary Shares of £14.3m for the Bush acquisition.

The significant balance sheet items are goodwill and intangible assets, adjusted net debt/cash and other net liabilities.

### Goodwill and intangible assets

The Group's goodwill and intangible assets of £67.7m (2014: £39.9m) arises from the various business acquisitions undertaken by the Group. Each year the Board reviews the goodwill value for impairment and as at 31 December 2015, the Board believes there are no indications of impairment. Within the total is £8.5m of intangible assets (2014: £nil) and this relates largely to intangible assets identified on business combination for items such as customer contracts, brands and IT related assets.

### Adjusted net debt/cash

The Group considers that its adjusted net debt/cash comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre-LASPO ATE product. At 31 December 2015, adjusted net debt was £8.3m (2014: adjusted net cash £1.2m). The main movement relates to the acquisitions of Fitzalan and Bush; details of which are included in Note 13 of the financial statements.

### Cash and cash equivalents

At 31 December 2015 the Group had £10.1m of cash and cash equivalents (2014: £13.6m). Since the year end, the Group has utilised £1.7m of this to fund the initial consideration for the acquisition of Searches UK Limited (with a further consideration of up to £0.4m to be paid by 30 June 2016) but still retains a good level of cash to fund further activities. All of the Group's cash is held in its trading entities and the Group takes advantage of both short and medium-term deposit rates in maximising its interest returns.

### Borrowings

At 31 December 2015 the Group had £14.8m of other interest-bearing loans and borrowings (2014: £5.9m). The Group increased its borrowings during the year to help fund the acquisition of Bush. The current level of borrowings is due for repayment as follows:

| Date due | £m |
|---|---|
| 30 June 2016 | 1.875 |
| 31 December 2016 | 1.875 |
| 30 June 2017 | 1.875 |
| 29 December 2017 | 1.875 |
| 29 June 2018 | 1.875 |
| 31 December 2018 | 1.875 |
| 28 June 2019 | 1.875 |
| 31 December 2019 | 1.875 |

The reported total of £14.8m is net of £0.2m of prepaid bank arrangement fees that are to be expensed over the term of the loan.

The current rate of interest payable on these borrowings is 1.65% above LIBOR.

In addition, the Group has an additional undrawn facility of £5.0m (2014: £nil) which can be utilised for working capital or for acquisitions. The current rate of interest payable on this undrawn facility is 0.66%. Once drawn, the interest payable would be 1.65% above LIBOR.

### Other payables relating to a discontinued pre-LASPO ATE product

At 31 December 2015, the Group had £3.6m of other payables relating to a legacy pre-LASPO ATE product (2014: £6.5m). This amount is payable to Allianz for previously received commissions when certain policies either fail or are abandoned. The provision is calculated using actuarial rates and is likely to be materially repaid by the end of 2016.

### Equity restructure

As outlined in last year's report, the Group received shareholder approval at its AGM on 27 May 2015 and restructured its merger reserve and share premium accounts. The Group now has maximum flexibility to access its reserves to support its ongoing dividend policy of paying out two thirds of retained earnings.

**Steve Dolton**
Chief Financial Officer

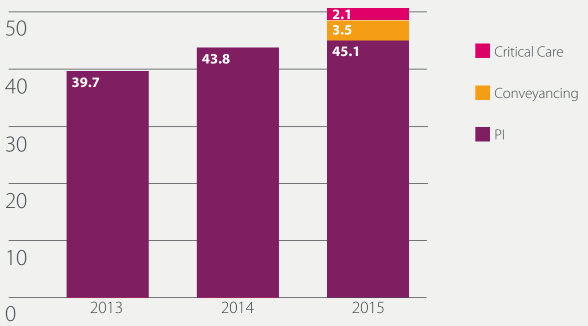
21 March 2016

## Key performance indicators

## Description

### Group revenue £m

**£50.7m** +15.7%



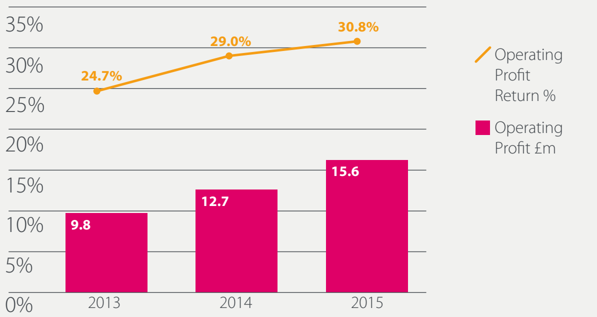

In PI, revenue is generated from PLFs paying for marketing services via a proportionate share of the overall costs of NAH. Revenue is also generated from commissions received from our products suppliers for each of the products used by the PLFs in progressing cases.

In Conveyancing, revenue is generated from the provision of online marketing services for home buyers and sellers in England and Wales and the offer of lead generation services to PLFs and surveyors in the conveyancing sector. Revenue is also generated from the provision of conveyancing searches for solicitors and licensed conveyancers.

In Critical Care, revenue is generated from PLFs and insurers for the provision of expert witness reports and case management support within the medico-legal framework for multi-track cases.

### Group underlying operating profit £m and operating profit return %

**£15.6m** +22.9%

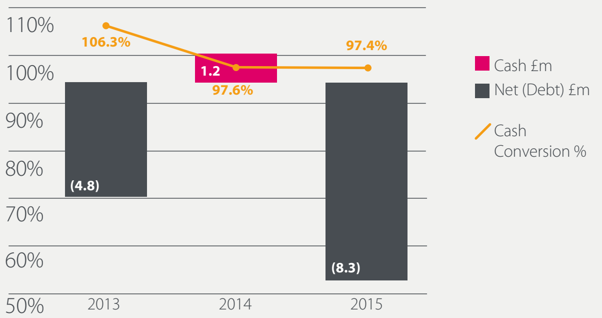



Group underlying operating profit increased in 2015 due to growth within our PI division and solid contributions from our Conveyancing and Critical Care divisions through the acquisitions of Fitzalan and Bush.

The Group's original target of 30.0% operating profit return has been exceeded in 2015.

### Net (debt)/cash £m and cash conversion %

**97.4%**




The Group has continued to enjoy excellent operating cash generation in the year and we have maintained our performance in excess of our 90% target. We believe the Group will continue to show good levels of operating cash generation going forward.

# The Board has ultimate responsibility for setting the Group's risk appetite and for effective management of risk

An annual assessment of key risks is performed by the Executive Directors and presented to the Board. A risk register is maintained and regularly reviewed by the Executive Directors. All risks take into consideration the likelihood of the event occurring and the impact of that event. Once the risks have been assessed appropriate mitigation actions are determined for each key risk identified. The principal risks identified are as follows.

| Principal risk | Description | Mitigation |
|---|---|---|
| **Regulatory** | The Group and its PLFs are subject to an extensive regulatory and legal framework. This includes the need to comply with the provisions of the LASPO Act 2012 and regulation by either the Claims Management Regulation Unit (CMRU) or the Solicitors Regulation Authority (SRA). Regulations and laws are open to change as demonstrated by the recent Autumn Statement in November 2015 and the Insurance Taskforce Statement in January 2016. In the event either the Group or its customers fail to or are unable to make the necessary changes then this could have a significant impact on the Group's revenue and profits. | The Group will continue to monitor regulatory and legal developments and use these to underpin its strategic and competitive response and ensure compliance with its obligations. It will also continue to work with the Regulators to ensure compliance with relevant regulations. The business model has proven to be adaptable and resilient to change over the past 20 years and the business has continued to develop through the various regulatory changes. |
| **Market and competition** | The Group operates in a competitive market and although a number of competitors have left the market in recent years the Group could still face competition from other consumer marketing businesses in the consumer legal services market. The Group is also reliant on the PI sector for a significant part of its revenue and profits. | The Group has a strong brand and leadership position in the PI sector. This acts as a continued barrier to entry and the Group will continue to compete effectively against the competition. The recent acquisitions of Fitzalan, Bush and Searches UK support the Group's strategy to develop into other chosen legal markets through targeted acquisitions which helps to mitigate its reliance on the PI sector. |
| **Customers** | The Group is dependent upon its customers for its business often prior to the satisfactory completion of the case. Any termination by customers of this relationship or any significant change in the financial situation of them could have an impact on the financial performance of the Group. | The Group continues to provide its customers with high quality business that ensures they maximise their financial performance. The Group has a number of panel relationships and ensures that no single customer accounts for more than 15% of the Group's business each month. The Group continues to explore new relationships to ensure there is a replacement available in the event of termination of any existing relationship. |
| **Supply and demand** | The Chancellor's Autumn Statement contained a number of proposed changes impacting PI claims, which will be subject to a period of consultation and review. We expect there to be a period of uncertainty as the Government's plans are clarified. This may lead to some law firms reviewing their investments in the PI sector and it is likely that some demand reduction will result. Depending on the long-term outcome of the consultation it is possible that demand may be permanently affected for specific claim types. | NAH has modelled and considered our strategic response to a number of scenarios. We consider that higher value non-RTA cases will be largely unaffected.<br><br>For smaller value claims and RTA cases we believe our brand positioning will create opportunities for continued profitable volume but may necessitate a revised approach and different business model. |

| Principal risk | Description | Mitigation |
|---|---|---|
| **Reliance on TV and online marketing** | The Group relies upon its marketing strategy to retain its market leading position in both the PI and Conveyancing sectors. Any significant change in technology, cost increases, changes to search engine algorithms or terms of services could impact the Group's ability to maintain its rankings on search results and ultimately lead it to having to spend more resource and expenditure to meet its financial results. | The Group has extensive experience of managing its marketing strategy through a combination of internal marketing experts and external agencies. The relationships with the external agencies go back many years and ensure the Group has flexibility and the speed required to react to the potential risks outlined. |
| **Brand reputation** | The Group's success and results are dependent in part on the strength and reputation of the Group and its brands. The Group relies on its brands which includes NAH and its advertising character, the Underdog, the various conveyancing brands of Fitzalan and the Bush brand and is exposed to the risk of these brands being tarnished via any significant adverse publicity. | Brand performance is tracked and measured on an ongoing basis to ensure that it remains ahead of competitors and delivers compelling messages which drive consumer contacts. The Group, through NAH, is also active in public affairs and thought leadership, effectively lobbying in areas of importance to the sector, demonstrated through activities such as the Stop Nuisance Calls campaign and Ethical Marketing Charter. Bush is registered as a Domiciliary Care service accredited with the Care Quality Commission (CQC) and adheres to various care standards by the relevant registered authorities. This ensures the Group maintains its brand trust ratings and its reputation. |
| **Reputation for clinical independence** | The Group's success in the Critical Care sector is largely dependent on the quality of written material and consultants and the preservation of clinical independence. Failure to maintain such quality and independence exposes the Group to a tarnished reputation for handling and processing cases. | Quality is maintained by a clinical supervision process and highly trained teams of admin support. Clinical independence is the cornerstone of Bush's business and all consultants have a mixed caseload of claimant and defendant instructions. |
| **IT and systems** | The Group utilises various IT systems in support of the business and depends on these to deliver the various service offerings to customers and consumers. A major IT or system failure could interrupt our ability to provide those services and impact the business. | The Group does not rely on one single system or platform, rather having individual systems for specific purposes.<br><br>These systems are supported by appropriately experienced individuals and third parties and subject to back up and disaster recovery processes.<br><br>An IT overview and penetration testing programme was recently undertaken by external consultants and no major issues or concerns were highlighted. |
| **Dependence on key personnel** | The Group's future growth and success depends, in part, upon the leadership and performance of its Executive Directors and senior management team. The loss of any key individual or the inability to attract appropriate personnel could impact on its ability to execute its business strategy successfully which could negatively impact upon the Group's future performance. | The Group maintains competitive and attractive employment terms and conditions, fully empowering key individuals and allowing them to maximise their job satisfaction. The Group incentivises key management through annual incentive plans in the short-term and through share options for medium and long-term retention. |

# Our people are the foundation of the Group's success and we recognise that employee development is vital to continue our growth.

**Developing talent across the Group**
Our people remained at the core of our business in 2015 and during the year our employees also benefited from the development of the Group.

In 2015 we recruited for and facilitated a number of internal promotions, sharing talent and expertise across our divisions, creating new avenues for our people to develop, grow and contribute to the future success of the business.

The new opportunities created across the Group saw financial expertise grow at Fitzalan with a transfer of NAH's Assistant Financial Controller into the role of Financial Controller; business development enhanced with the transfer of skills to Bush into the role of Head of Business Development; and strong operational leadership in the NAH Contact Centre with a promotion into a Contact Centre Operations Manager position.

Development continues to be a golden thread throughout the Group, with the continuation of our Employee Development Programme, from which seven employees graduated with an Institute of Leadership and Management Certificate in 2015. Regular coaching of senior managers and contact centre employees and a comprehensive training academy to support the on-boarding process remain in place.

**Investing in our people**
In 2015 we received our IiP accreditation; recognising how we lead, manage, develop and communicate with our people, benchmarking us against best practice standards.

Throughout the year we kept our focus on continuous improvement which is embedded though our development, performance management processes and systems of reward, and continued to make headway on our talent plan, building our employer brand to enable us to attract, retain and develop talent.

Activities saw us focus on the personalisation of reward and recognition across the Group, as well as a series of low cost approaches to enhance employee benefits (as part of our reward strategy and retention activities), including initiatives to celebrate length of service through employee bonuses and a focus on employee wellbeing through a Health Cash Plan and Employee Assistance Programme; which helped to reduce turnover in the NAH Contact Centre following implementation.

We have also been able to harmonise our benefits programme across the Group, allowing staff from our newly acquired businesses to take advantage of such benefits as partner discounts and participate in our values champions programmes and prize draws.

**Creating a great place to work**
We are proud of the strength in our senior leadership team, welcoming two Managing Directors (Richard Rickwood and Rachel Bush) into the Group structure through acquisitions during the year and a Managing Director at NAH (Simon Trott).

Our employees are fully committed to our Code of Conduct ensuring that we deliver to the highest standards of honesty, integrity, respect and fairness when dealing with each other, our consumers, partners and suppliers. We encourage diversity across gender, ethnicity and age range and have built a diverse, lively workforce.

One team is a key theme across the Group as we integrate cultures and values in all three divisions. Our Values of Curious, Driven, Passionate and Unified drive appropriate behaviours and underpin how we do business.

In the coming year, these will remain key pillars of strength across the Group as we look to continue to focus on management development and the non-financial recognition of our people.

*"I joined NAH as a Legal Services Advisor in 2005 and was attracted to the company by the dynamism and passion for helping injured people.*

*Throughout my career at NAH over the last ten years I have been able to take advantage of a number of opportunities which have arisen as a result of the company's growth; each in turn has helped me enormously with my professional development.*

*This, and a lot of hard work, has led to me securing four promotions within the Group; the most recent of which was a new role of Head of Business Development at Bush.*

*I am delighted to be given the opportunity to continue my professional development and take up new and exciting challenges at Bush, allowing me to contribute to the overall success of the Group."*

Mark Mullaney, Head of Business Development (Bush)

*"I joined NAH in March 2015, as Assistant Financial Controller and due to the pace and direction of the Group quickly had the opportunity to develop within my role. In November 2015 I transferred into the role of Financial Controller at Fitzalan and have supported the business and the Group in not only financial reporting but the due diligence and acquisition of Searches UK.*

*The opportunities for my professional and personal development in such a short space of time have been outstanding and I'm delighted to be part of the Group."*

Ashinah Mkwaturi, Financial Controller (Fitzalan)

*"I joined NAH over five years ago as Quality Manager and moved into the role of Learning & Development Manager two years later. My time at NAH has been focused on people and the quality of what they deliver, as well as creating energetic and engaging environments for our Contact Centre.*

*I've been given extensive opportunities to enhance my experience by leading on projects and defining operational best practice and at the beginning of 2016 I was delighted to be promoted into the role of Contact Centre Operations Manager, leading c.60 front line employees.*

*NAH has been fully supportive of my development and has recognised the value I can bring to this role which is a great feeling."*

Rebecca Hill, Contact Centre Operations Manager (NAH)

# Giving something back is important to our employees and they have always been enthusiastic about volunteering and raising money for charity.

In 2015, employee support of The Air Ambulance Service (including the Warwickshire & Northamptonshire Air Ambulance, Derbyshire, Leicestershire & Rutland Air Ambulance and the national Children's Air Ambulance) continued.

Giving something back is important to our employees and they have always been enthusiastic about volunteering and raising money for charity. Throughout the year, activities involved a number of social events and various collections, as well as donations from our partners. Russell Atkinson also took part in an Alpe d'Huez cycling challenge, part of the Tour de France route.

In 2015, the Group launched paid community days for employees, with one day per year being made available to give back to the local communities in which we operate. Employees welcomed this initiative and the chance to make a difference, further building on their passion and commitment to good causes.

Whilst 2015 saw the Group complete its charity partnership with The Air Ambulance Service, it welcomed the introduction of The Paul Bush Foundation, adopting it for 2016 onwards.

The Paul Bush Foundation was set up in 2012 by the founder of Bush, Paul Bush. Paul, himself a paraplegic since 1975, and subsequently his daughter Rachel, a specialist spinal nurse, became passionate about improving the lives of people with a disability. This passion remains a central feature of the values and principles by which Bush operates its business and the Group are proud to support The Foundation.

The Trust aims to:

- assist those with an acquired physical disability, as a result of an accident or birth injury, to improve their physical, psychological and emotional well-being via the provision of grants to address individual needs.
- support registered charitable organisations in England whose objectives are solely related to the provision of services to people with an acquired disability as a result of an accident or birth injury.

Individuals can apply to the Trust for funding and can be awarded with grants for provisions such as specialist equipment that cannot be obtained through Health, Social Services or any other Statutory Service, small scale immediate accommodation projects, specialist technology provision for home or school or UK holiday provision requiring specialist support. Charities can also apply to be considered for a grant.

**Paul Philips**
Foundation Grant Recipient

## Changing lives

*"The Paul Bush Foundation funded a wheelchair for me that has changed my life massively following a car accident in 2012 which left me paralysed.*

*Before my accident I would often walk my dogs over rough terrain, something which became impossible for me to do. With the all-terrain wheelchair I can now go to the places I used to. It's taken some getting used to, with occasions where I have been stuck in the mud and two local farmers had to lift me out, but I'm just so glad I can be outdoors!*

*Since my accident I've done many speeches in schools and for local organisations to hopefully inspire people."*

**The Paul Bush Foundation Trust has donated**

**£196,155**
Since October 2012

**£83,106**
Awarded to individuals

**£113,049**
Awarded to organisations

# Board of Directors

**Steve Halbert**
**Chairman**
Steve Halbert is Non-Executive Chairman of the Group, which he joined in 2010. He has over 25 years' Board experience. Steve is also Chair of the Audit Committee and Nomination Committee.

As Chairman, Steve is responsible for the proper operation of the Board and its committees, compliance with the Company's code of corporate governance and, working closely with the CEO, for ensuring the business regularly reviews its strategic plans.

Steve is currently Chairman of Alcumus Group Limited and Safestyle UK Plc, an AIM-quoted company. Steve has held various board positions, including Chairman at United House, Chairman at GVA and Non-Executive Director at Employment Services Holdings.

Prior to 2008, Steve worked as a Board member and Senior Corporate Financier for 15 years at KPMG UK.

**Russell Atkinson**
**Chief Executive Officer**
Russell Atkinson became Chief Executive Officer of the Group, following Admission in 2014. He joined the Company in 2012 as Managing Director of NAH and had a pivotal role in implementing its strategy post-LASPO.

His responsibilities include developing and implementing the Group-wide strategy and ensuring delivery of budgeted financial performance.

Prior to joining the Group, Russell held Managing Director roles at international firms including UK Managing Director of Lebara Mobile Limited, Managing Director of Blackhawk Network (UK) Limited, a division of Safeway Inc. and Director of E-Payments at Travelex UK Limited.

Russell holds a Bachelor of Arts from Leicester Polytechnic and a diploma in marketing from The Chartered Institute of Marketing.

**Steve Dolton**
**Chief Financial Officer**
Steve Dolton is currently Chief Financial Officer of the Group having joined in 2012.

His responsibilities include overall management of the finance function within the Group and liaising with the Group's investors and the banks.

Steve is currently a Non-Executive Director of Oxford United Football Club and has over 20 years' senior finance experience. Prior to joining the Group, he was Chief Financial Officer of several companies including NSL Services Group, Azzurri Communications Limited, Safety-Kleen Group European operations and Walker Dickson Group Limited. Prior to that, Steve worked in various financial roles with Peek Plc, including a two-year period in Asia as Regional Controller.

He is a qualified Chartered Accountant and has been a member of the ICAEW since 1989, having qualified with Grant Thornton LLP. He is a fellow of the Institute of Directors in the UK, and holds a Bachelor of Arts from Huddersfield Polytechnic.

**Gillian Kent**
**Non-Executive Director**
Gillian Kent became Non-Executive Director in November 2014 and is Chair of the Group's Remuneration Committee.

Gillian is also an independent Non-Executive Director at Pendragon plc, Ascential plc and Coull Ltd.

Her executive career in the digital and online sectors includes senior roles at Microsoft where she was Managing Director of its largest online business in the UK as Managing Director of MSN UK. Gillian has also served as Chief Executive Officer and Digital Consultant at GK Associates, Chief Executive Officer at Propertyfinder.com, and Director of Strategy and Business Development at Microsoft (MSN).

# Directors' Report

The Directors of NAHL Group plc present their Annual Report and audited financial statements for the year ended 31 December 2015.

## Results and dividend

The Group's profit after tax for continuing operations for the year was £10.8m (2014: £9.5m).

The Directors propose a final dividend of 12.5p per share (2014: 10.7p) which, subject to approval at the Annual General Meeting, will be paid on 31 May 2016 to shareholders registered on 22 April 2016.

Details of significant events affecting the Company and Group since the balance sheet date are given in note 29 to the financial statements. A fair review of the business including future developments is included in the Strategic Report on pages 1 to 33.

## Directors' third party indemnity provisions

The Company maintained during the period and to the date of approval of the financial statements indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

## Capital structure

Details of the Capital Structure can be found in note 20 of the consolidated financial statements. The Group has employee share option plans in place, full details of which can be found in note 21 to the financial statements.

## Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, other receivables, interest-bearing loans and trade payables. Further details on financial instruments are given in note 23 to the financial statements.

## Directors

Biographies of the present Directors of the Company are listed on pages 34 to 35

Details of the remuneration of the Directors is disclosed in the Remuneration Report on pages 39 to 42.

## Political donations

No political donations were made during the year or the previous year.

## Disclosure of information to the Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## Auditor

KPMG LLP have been appointed as Auditor and have expressed their willingness to continue in office as Auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

## Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the year have been included in the Strategic Report on pages 1 to 33.

## Going concern

The Group's business activities, together with risk factors which impact these activities are included within the Chief Financial Officer's report on pages 24 to 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Chief Financial Officer's report. Having regard to the matters above, and after making reasonable enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future. For that reason, they continue to adopt the going concern basis in the preparation of the accounts.

Approved by the Board of Directors and signed on behalf of the Board.

**Steve Dolton**
Chief Financial Officer

21 March 2016

# Corporate Governance Statement

### The UK corporate governance code

Companies listed on the main market of the London Stock Exchange are required to comply with the UK Corporate Governance Code. NAHL Group plc's shares are traded on AIM and as such, the Group is not subject to the requirements of the UK Corporate Governance Code on corporate governance, nor is it required to disclose its specific policies in relation to corporate governance.

However, as a publicly quoted company, the Company maintains appropriate standards of corporate governance. The UK Corporate Governance Code represents the 'gold standard'. However, the UK Corporate Governance Code was not designed with smaller companies in mind. Adherence to the full UK Corporate Governance Code is often impractical for smaller companies. In the past, in the absence of an alternative code, many AIM companies have adopted the UK Corporate Governance Code 'to the extent applicable'.

In July 2005, the QCA introduced a simple set of guidelines for corporate governance for AIM companies, which were updated in July 2007 and again in September 2010. According to the QCA, the guidelines have been devised in consultation with a number of significant institutional smaller company investors.

The Directors recognise the importance of sound corporate governance and the Company holds membership of the QCA and complies with the QCA Guidelines and the main provisions of the UK Corporate Governance Code, insofar as is practicable to do so for a company of NAHL Group plc's current size and stage of development, save in relation to certain Directors, who will not be independent because of the grant or proposed grant of options to them by the Company.

The Board of Directors operates within the framework described below.

### Table of committees

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. Board meetings are held at least every two months and at such other times as the Directors deem necessary. The Group has appointed Steve Halbert as the Group's Senior Independent Non-Executive Director. The Board has created a Remuneration Committee, an Audit Committee and a Nomination Committee where the current composition and responsibilities of the committees are as follows:

#### *Audit Committee*

The Audit Committee consists of Steve Halbert as Chairman and Gillian Kent. It meets at least twice each year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on and for meeting with the Auditor and reviewing findings of the audit with the external Auditor. It is authorised to seek any information it properly requires from any employee and may ask questions of any employee. It meets with the Auditor at least twice a year and is also responsible for considering and making recommendations regarding the identity and remuneration of such Auditor.

#### *Remuneration Committee*

The Remuneration Committee consists of Gillian Kent as Chairman and Steve Halbert. It meets at least twice each year and considers and recommends to the Board the framework for the remuneration of the Executive Directors of the Group and any other senior management. It further considers and recommends to the Board the total individual remuneration package of each Executive Director including bonuses, incentive payments and share options or other share awards. In addition, subject to existing contractual obligations, it reviews the structure of all share incentive plans for approval by the Board and, for each such plan, recommends whether awards are made and, if so, the overall amount of such awards, the individual awards to Executive Directors and the performance targets to be used. No Director is involved in decisions concerning his own remuneration.

#### *Nomination Committee*

The Nomination Committee consists of Steve Halbert as Chairman and Gillian Kent. The Nomination Committee meets at least once each year and considers the selection and re-appointment of Directors. It identifies and nominates candidates to all Board vacancies and regularly reviews the structure, size and composition of the Board (including the skills, knowledge and experience) and makes recommendations to the Board with regard to any changes. The Group has adopted a share dealing code (based on the AIM Rules) and the Group takes all proper and reasonable steps to ensure compliance by the Directors and relevant employees.

The Board is also responsible for ensuring the Group's compliance with all applicable anti-corruption legislation, including, but not limited to, the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act 1977. The Group complies and always has complied with all applicable anti-corruption laws. In view of the requirement in the UK Bribery Act 2010 for relevant companies to have adequate anti-bribery procedures, the Group has devised and implemented a suite of anti-corruption policies and procedures designed to prevent corruption by anyone working on its behalf. The Group has adopted a 'zero tolerance' approach to corruption and is committed to ethical business practices.

## The Board of Directors

| Director | Date appointed | Remuneration Committee | Audit Committee | Nomination Committee |
|---|---|---|---|---|
| Russell Atkinson | 1 May 2014 | – | – | – |
| Steve Dolton | 14 April 2014 | – | – | – |
| Steve Halbert | 1 May 2014 | √ | √ (Chair) | √ (Chair) |
| Gillian Kent | 3 November 2014 | √ (Chair) | √ | √ |

### Internal control

The Group has introduced policies on internal control and corporate governance. These have been prepared in order to ensure that:

- proper business records are maintained and reported on, which might reasonably affect the conduct of the business;
- monitoring procedures for the performance of the Group are presented to the Board at regular intervals;
- budget proposals are submitted to the local Operating Board no later than two months before the start of each financial year;
- budget proposals are submitted to the Board no later than one month before the start of each financial year;
- accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements;
- the Group is provided with general accounting, administrative and secretarial services as may reasonably be required; and
- interim and annual accounts are prepared and submitted in time to enable the Group to meet statutory filing deadlines.

### Communication with shareholders

Communications with shareholders are given a high priority by the Board of Directors who take responsibility for ensuring that a satisfactory dialogue takes place. This is achieved through its Annual Report, Interim Report and comprehensive website (www.nahlgroupplc.co.uk). There is also a regular dialogue between the Chief Executive Officer, the Chief Financial Officer and institutional investors and other financial institutions in addition to the required public announcements. A constant and up-to-date information flow is maintained on the website containing all press announcements and financial reports.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

**Russell Atkinson**
Chief Executive Officer

21 March 2016

**Steve Dolton**
Chief Financial Officer

21 March 2016

# Statement from the Chairman of the Remuneration Committee

**Dear Shareholder**

I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2015.

We presented the 2014 Directors' Remuneration Report in two sections: the Directors' Remuneration Policy and the Annual Report on Remuneration. Both the Directors' Remuneration Policy and Annual Report on Remuneration were subject to an advisory vote by shareholders at the Annual General Meeting in May 2015. The Committee believes that the Directors' Remuneration Policy remains appropriate and will continue to apply it in 2016. Accordingly, we have not included the Directors' Remuneration Policy in this Directors' Remuneration Report, however, a copy is available in our 2014 Directors' Remuneration Report.

The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 December 2015 and how the Directors' Remuneration Policy will be operated for the year commencing 1 January 2016.

**Review of the 2015 financial year**
As described earlier in the Executive's reports, the Company has experienced continued growth in 2015 as a result of both organic growth within our PI division and positive contributions from new acquisitions, Fitzalan and Bush.

The 2015 annual bonus was subject to an operating profit performance metric and individual objectives aligned with the key strategic priorities of the Company. Based on 2015 underlying operating profit of £15.6m and taking into account performance in the year against the individual performance targets, the CEO and CFO will receive 64% and 55% of their salary as a bonus payment, respectively. Further details are set out on page 40.

**Outlook for the 2016 financial year**
Details in relation to the application of the Directors' Remuneration Policy in 2016 are set out on page 40, however, the key elements will be as follows:

- Executive Directors have been awarded a 2% increase in base salary with effect from 1 March 2016, in line with the percentage increase in base salary awarded to the wider workforce.
- The CEO's annual bonus opportunity for 2016 will remain at 100% of salary. The CFO's annual bonus opportunity for 2016 has increased from 70% to 85% of salary.
- Annual bonus awards for 2016 will be based on operating profit and individual objectives which are aligned to the Company's strategy.
- It is proposed that no long-term incentives will be granted to Executive Directors during 2016.
- Non-Executive Directors' basic fee and the fees for chairing the Audit Committee and Remuneration Committee were increased by 2% with effect from 1 March 2016.

**Conclusion**
We are committed to a responsible and transparent approach in respect of executive pay. The Annual Report on Remuneration will be subject to an advisory vote at the 2016 Annual General Meeting. The Committee believes that the advisory vote provides a greater degree of accountability and gives shareholders a say on this important area of corporate governance.

The Committee will continue to monitor remuneration policy to ensure it remains aligned to the business strategy and delivery of shareholder value.

**Gillian Kent**
Chairman of the Remuneration Committee

21 March 2016

# Director's Remuneration Report

The Remuneration Report is not audited and was not included in the signed financial statements filed with Companies House.

### Single figure of remuneration

The table below details the elements of remuneration receivable by each Director for the financial year ended 31 December 2015 and the total remuneration receivable by each Director for that financial year and for the financial year ended 31 December 2014.

| 2015 | Salary and fees £000 | Benefits £000 | Annual bonus £000 | Pension £000 | Total remuneration 2015 £000 | Total remuneration 2014 £000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| J R Atkinson | 210 | 25 | 135 | 1 | **371** | 262 |
| S Dolton[1] | 168 | 24 | 92 | – | **284** | 251 |
| **Non-Executive Directors** | | | | | | |
| R S Halbert | 81 | – | – | – | **81** | 49 |
| S Porteous | 19 | – | – | – | **19** | 66 |
| G D C Kent | 44 | – | – | – | **44** | 7 |

1. S Dolton is contracted to work four days per week and his salary is pro-rated to reflect this time commitment.

The taxable benefits received during the financial year ended 31 December 2015 are principally car allowance and private medical insurance.

The benefits figure also includes the value of SAYE awards which were granted during 2015. The value has been determined by taking their fair value at grant, which is calculated using Black Scholes methodology.

### Individual elements of remuneration

#### *Base salary and fees*

The base salaries for 2015 and 2016 are as set out below:

| | 2015 base salary £000 | 2016 base salary[1] £000 | % increase |
|---|---|---|---|
| J R Atkinson | **210** | 215 | 2.0% |
| S Dolton | **168** | 172 | 2.0% |

Details of Non-Executive Directors' fees for 2015 and 2016 are as set out below:

| | 2015 fee £000 | 2016 fee[1] £000 | % increase |
|---|---|---|---|
| Chairman's fee | **81** | 83 | 2.0% |
| Non-Executive Director's fee | **40** | 41 | 2.0% |
| Chair of the Remuneration Committee | **5** | 5 | 2.0% |

1. Salary/fee increase with effect from 1 March 2016.

#### *Annual bonus plan*

The maximum annual bonus opportunity for the CEO and CFO was 100% of salary and 70% of salary respectively in respect of the year ended 31 December 2015. Payments are based on the delivery of operating profit targets and individual objectives aligned with the Company's strategy.

The following table sets out the bonus payout to the Executive Directors for 2015 and how this reflects performance for the year.

| Director | Performance metric | Bonus opportunity % of salary | Performance achieved | Bonus earned £000 |
|---|---|---|---|---|
| **JR Atkinson** | Operating profit | 57.5% | 43.0% | 89 |
| | Personal objectives (including organisational development, strategic growth targets and M&A development) | 42.5% | 52.0% | 46 |
| **S Dolton** | Operating profit | 57.5% | 43.0% | 73 |
| | Personal objectives (including strategic growth and M&A implementation) | 12.5% | 90.0% | 19 |

## Long-term incentives

### *Awards vesting in respect of the financial year*

No long-term incentive awards vested during the financial year.

### *Awards granted during the financial year*

The following awards were granted during the year under the EMI scheme:

| Director | Date of grant | Type of award | Number of shares | Face value at grant[1] | Performance period |
|---|---|---|---|---|---|
| J R Atkinson | 13 April 2015 | Market value option | 71,267 | £205,249 | 3 years |
| S Dolton | 13 April 2015 | Market value option | 45,611 | £131,360 | 3 years |

1. The face value at grant is calculated as the number of shares under option multiplied by the share price at grant.

The vesting of the awards will be based on the following Earnings per Share (EPS) targets:

| Average annual compound growth in EPS between 2015 and 2017 | Percentage of option vesting |
|---|---|
| 10% | 100% |

## Statement of Directors' shareholding and share interests

The interests of the Directors and their immediate families in the Company's Ordinary Shares as at 31 December 2015 and at 31 December 2014 were as follows:

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| **Executive Directors** | | |
| J R Atkinson | **0.75%** | 0.83% |
| S Dolton | **1.44%** | 2.07% |
| **Non-Executive Directors** | | |
| R S Halbert | **1.42%** | 1.57% |
| S Porteous | **0.00%** | 7.54% |
| G D C Kent | **0.00%** | 0.00% |

The interests of each Executive Director of the Company as at 31 December 2015 in the Company's share schemes were as follows:

| Director | Plan | Exercised during the year | Unvested and subject to performance conditions | Unvested and not subject to performance conditions | Total as at 31 December 2015 |
|---|---|---|---|---|---|
| J R Atkinson | LTIP (nominal cost options) | – | 312,501 | – | **312,501** |
| | EMI | – | 124,999 | – | **–** |
| | EMI | – | 71,267 | – | **71,267** |
| | SAYE | – | – | 11,250 | **11,250** |
| S Dolton | LTIP (nominal cost options) | – | 237,501 | – | **237,501** |
| | EMI | – | 124,999 | – | **124,999** |
| | EMI | – | 45,611 | – | **45,611** |
| | SAYE | – | – | 11,250 | **11,250** |

### Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2016 (not audited)
Information on how the Company intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2016 is set out below:

#### *Salary/fees*
The Executive Directors were awarded a 2% increase to base salary, with effect from 1 March 2016, in line with the percentage increase awarded to the wider workforce.

Non-Executive Directors' basic fee and the fees for chairing the Audit Committee and Remuneration Committee were increased by 2%, with effect from 1 March 2016.

#### *Annual bonus plan*
The maximum bonus opportunity for the CEO and CFO will be 100% and 85% of salary respectively.

An annual bonus of at least 50% will be assessed against operating profit performance and the balance based on individual objectives. Performance targets will continue to be set at the challenging levels of previous years. The individual objectives are likely to focus around key areas such as responding to regulatory change and strategic growth projects. The actual performance targets are not disclosed as they are considered to be commercially sensitive at this time. The targets will be disclosed in next year's Directors' Remuneration Report or at such point that the Committee considers that the performance targets are no longer commercially sensitive.

#### *Long term incentives*
It is proposed that no long-term incentive awards will be granted during 2016.

### Consideration by the Directors of matters relating to Directors' remuneration (not audited)
The Remuneration Committee is composed of the Company's independent Non-Executive Directors, Gillian Kent (Chairman) and Steve Halbert. Executive Directors only attend meetings by invitation.

The Committee's key responsibilities are:
- reviewing the on-going appropriateness and relevance of remuneration policy;
- reviewing and approving the remuneration packages of the Executive Directors;
- monitoring the level and structure of remuneration of the senior management; and
- production of the Annual Report on the Directors' remuneration.

### Advisors
During the financial year, the Committee received independent advice from Deloitte LLP. Deloitte is a founder member of the Remuneration Consultants Group and voluntarily operates under its code of conduct in its dealings with the Committee.

### Approval
This report was approved by the Board on 21 March 2016 and signed on its behalf by:

**Gillian Kent**
Chairman of the Remuneration Committee

21 March 2016

# Statement of Directors' Responsibilities

In respect of the annual report and the financial statements

The Directors are responsible for preparing the strategic report, the Directors' report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

**Russell Atkinson**
Chief Executive Officer

21 March 2016

**Steve Dolton**
Chief Financial Officer

21 March 2016

# Independent Auditor's Report to the Members of NAHL Group plc

We have audited the financial statements of NAHL Group plc for the year ended 31 December 2015 set out on pages 24 to 65*. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

**Respective responsibilities of directors and auditor**
As explained more fully in the Directors' Responsibilities Statement set out on page 22*, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**
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 2015 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 EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion 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.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where 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.

**David Simpson (Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

21 March 2016

* The page numbers quoted, in the above auditor's opinion, for the financial statements and statement of directors responsibilities refer to the relevant pages in the signed financial statements filed with Companies House. The signed financial statements do not include all of the elements of the Strategic Report or Governance sections set out in the contents of this Annual Report and Accounts.

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 1, 2 | **50,716** | 43,848 |
| Cost of sales | | **(25,785)** | (23,885) |
| **Gross profit** | | **24,931** | 19,963 |
| Administrative expenses | 4 | **(10,812)** | (8,190) |
| **Underlying operating profit** | | **15,622** | 12,713 |
| Share based payments | 21 | **(833)** | (288) |
| Amortisation of intangible assets acquired on business combination | 15 | **(259)** | – |
| One off items | 5 | **(411)** | (652) |
| **Total operating profit** | 2 | **14,119** | 11,773 |
| Financial income | 8 | **59** | 590 |
| Financial expense | 9 | **(228)** | (291) |
| **Profit before tax** | | **13,950** | 12,072 |
| Taxation | 10 | **(3,184)** | (2,594) |
| **Profit from continuing operations** | | **10,766** | 9,478 |
| **Discontinued Operation** | | | |
| Loss from discontinued operation, net of tax | 3 | **–** | (1,005) |
| **Profit for the year and Total comprehensive income** | | **10,766** | 8,473 |

All profits and losses and total comprehensive income are attributable to the owners of the Company.

| | Note | 2015 p | 2014 p |
|---|---|---|---|
| **Basic earnings per share (p)** | | | |
| Group | 22 | **25.6** | 20.6 |
| Continuing operations | 22 | **25.6** | 23.0 |
| **Diluted earnings per share (p)** | | | |
| Group | 22 | **25.0** | 20.2 |
| Continuing operations | 22 | **25.0** | 22.6 |

Discontinued earnings per share are shown in note 22.

The notes on pages 49 to 69 form part of these financial statements.

# Consolidated Statement of Financial Position

at 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 14 | **59,238** | 39,897 |
| Intangible assets | 15 | **8,452** | – |
| Property, plant and equipment | 16 | **259** | 186 |
| Deferred tax asset | 11 | **68** | 77 |
| | | **68,017** | 40,160 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **8,044** | 3,725 |
| Cash and cash equivalents | | **10,056** | 13,637 |
| | | **18,100** | 17,362 |
| **Total assets** | | **86,117** | 57,522 |
| **Current liabilities** | | | |
| Other interest-bearing loans and borrowings | 18 | **(3,693)** | (2,950) |
| Trade and other payables | 19 | **(8,949)** | (7,688) |
| Other payables relating to legacy pre-LASPO ATE product | 2 | **(3,601)** | (6,511) |
| Tax payable | | **(1,976)** | (1,248) |
| Deferred tax liability | 12 | **(1,738)** | – |
| | | **(19,957)** | (18,397) |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 18 | **(11,089)** | (2,951) |
| **Total liabilities** | | **(31,046)** | (21,348) |
| **Net assets** | | **55,071** | 36,174 |
| **Equity** | | | |
| Share capital | 20 | **113** | 103 |
| Share Option Reserve | | **1,121** | 288 |
| Share premium | | **14,262** | 49,533 |
| Merger reserve | | **(66,928)** | (50,000) |
| Retained earnings | | **106,503** | 36,250 |
| **Total equity** | | **55,071** | 36,174 |

The notes on pages 49 to 69 form part of these financial statements.

These financial statements were approved by the Board of Directors on 21 March 2016 and were signed on its behalf by:

**JR Atkinson**
Director

Company registered number: 08996352

# Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

| | Share capital £000 | Share option reserve £000 | Interest in own shares £000 | Share premium £000 | Merger reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **231** | **–** | **(14)** | **100** | **–** | **29,834** | **30,151** |
| **Total comprehensive income for the year** | | | | | | | |
| Profit for the year | – | – | – | – | – | 8,473 | 8,473 |
| Total comprehensive income | – | – | – | – | – | 8,473 | 8,473 |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Issue of deferred share (note 26) | – | – | – | 50,000 | (50,000) | – | – |
| Disposal of assets held for sale (note 26) | – | – | – | (1,500) | – | – | (1,500) |
| Issue of new ordinary shares (note 26) | 3 | – | – | 861 | – | – | 864 |
| Share based payments (note 21) | – | 288 | – | – | – | – | 288 |
| Other transactions with owners (note 26) | (131) | – | 14 | 72 | – | – | (45) |
| Dividends paid | – | – | – | – | – | (2,057) | (2,057) |
| **Balance at 31 December 2014** | **103** | **288** | **–** | **49,533** | **(50,000)** | **36,250** | **36,174** |
| **Total comprehensive income for the year** | | | | | | | |
| Profit for the year | – | – | – | – | – | 10,766 | 10,766 |
| Total comprehensive income | – | – | – | – | – | 10,766 | 10,766 |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Bonus issue of Capital reduction shares (note 26) | 16,928 | – | – | – | (16,928) | – | – |
| Capital reduction shares cancelled (note 26) | (16,928) | – | – | – | – | 16,928 | – |
| Capital reduction (note 26) | – | – | – | (49,533) | – | 49,533 | – |
| Issue of new ordinary shares (note 26) | 10 | – | – | 14,262 | – | – | 14,272 |
| Share based payments (note 21) | – | 833 | – | – | – | – | 833 |
| Dividends paid | – | – | – | – | – | (6,974) | (6,974) |
| **Balance at 31 December 2015** | **113** | **1,121** | **–** | **14,262** | **(66,928)** | **106,503** | **55,071** |

The notes on pages 49 to 69 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| *Continuing operations* | | | |
| Profit for the year | | **10,766** | 9,478 |
| *Adjustments for:* | | | |
| Depreciation | 4 | **175** | 212 |
| Amortisation | 15 | **261** | – |
| Financial income | 8 | **(59)** | (590) |
| Financial expense | 9 | **228** | 291 |
| Share based payments | 21 | **833** | 288 |
| Taxation | 10 | **3,184** | 2,594 |
| | | **15,388** | 12,273 |
| Increase in trade and other receivables | | **(813)** | (557) |
| Increase in trade and other payables | | **226** | 40 |
| Decrease in other payables relating to legacy pre-LASPO ATE product | 2 | **(2,910)** | (5,575) |
| | | **11,891** | 6,181 |
| Interest paid | | **(216)** | (443) |
| Tax paid | | **(3,127)** | (4,469) |
| *Net cash from operating activities – continuing operations* | | **8,548** | 1,269 |
| *Net cash from operating activities – discontinued operations*[1] | 3 | **–** | (654) |
| **Net cash from operating activities** | | **8,548** | 615 |
| **Cash flows from investing activities** | | | |
| *Continuing operations* | | | |
| Acquisition of property, plant and equipment | 16 | **(195)** | (27) |
| Interest received | | **59** | 110 |
| Intangible assets acquired | 15 | **(51)** | – |
| Consideration paid for the acquisition of subsidiaries | 13 | **(33,681)** | – |
| Cash acquired from business combination | | **5,572** | – |
| Income from crystallisation of contingent asset | | **–** | 480 |
| Net cash from investing activities – continuing operations | | **(28,296)** | 563 |
| Net cash used in investing activities – discontinued operations | 3 | **–** | – |
| **Net cash used in investing activities** | | **(28,296)** | 563 |
| **Cash flows from financing activities** | | | |
| Continuing operations | | | |
| New share issue | | **14,272** | 819 |
| Repayment of borrowings | | **(5,901)** | (996) |
| New borrowings acquired | | **15,000** | – |
| Bank arrangement fees for new borrowings | | **(230)** | – |
| Dividends paid | | **(6,974)** | (2,057) |
| *Net cash used in financing activities – continuing operations* | | **16,167** | (2,234) |
| *Net cash used in financing activities – discontinued operations* | 3 | **–** | 250 |
| **Net cash used in financing activities** | | **16,167** | (1,984) |
| Net decrease in cash and cash equivalents | | **(3,581)** | (806) |
| Cash and cash equivalents at 1 January | | **13,637** | 14,443 |
| **Cash and cash equivalents at 31 December** | 23 | **10,056** | 13,637 |

1 Net cash from operating activities, discontinued operations, includes operating cashflows of £444,000 from discontinued operations and £210,000 of costs borne by the Group.

## 1. Accounting policies

### *Basis of preparation*

**Consolidated financial statements**

The Consolidated Financial Statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial information has been prepared on a going concern basis and under the historical cost convention.

The Directors have prepared cash flow forecasts for the period until 31 December 2016. Based on these, the Directors confirm that there are sufficient cash reserves to fund the business for the period under review, and believe that the Group is well placed to manage its business risk successfully. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### *Basis of consolidation*

The financial statements represent a consolidation of the Company and its subsidiary undertakings as at the Statement of Financial Position date and for the year then ended. In accordance with IFRS 10 the definition of control is such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has the rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. All subsidiary undertakings in which the Group has a greater than 50 percent shareholding have been consolidated in the Group's results.

The consolidated financial information incorporates the results of business combinations using the purchase method. In the Group statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Group statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases. Acquisition costs are expensed as incurred. This policy does not apply on the acquisition of Consumer Champion Group Limited for which reverse acquisition accounting has been applied.

### *Use of judgements and estimates*

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Revenue, other than pre-LASPO ATE income, is not considered to be a key judgement or estimate as the revenue recognised is equal to the cash received with no further clawback or commitments.

### *Judgements*

In applying the Group's accounting policies, management has applied judgement in the following area that has a significant impact on the amounts recognised in the financial statements.

**Intangible assets**

When the Group makes an acquisition, management determines whether any intangible assets should be recognised separately from goodwill.

### 1. Accounting policies continued

***Estimates***

Discussed below are key assumptions concerning the future, and other key sources of estimation at the reporting date, that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**Impairment of goodwill**

The Group determines on an annual basis whether goodwill is impaired. This requires an estimation of the future cash flows of the cash generating units to which the goodwill is allocated; see note 14.

**Contingent consideration**

When the Group acquires businesses, total consideration may consist of additional amounts payable on agreed post-completion dates. These further amounts are contingent on the acquired business meeting agreed performance targets. At the date of acquisition, the Group reviews the profit and cash forecasts for the acquired business and estimates the amount of contingent consideration that is likely to be due.

**Recoverability of trade receivables**

Trade receivables are reflected net of an estimated provision for impairment losses. This provision considers the past payment history and the length of time that the debt has remained unpaid; see note 17 and 23.

**Deferred tax**

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised, with consideration given to the timing and level of future taxable income; see note 11 and 12.

***New standards, interpretations and amendments not yet effective***

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- *IFRS 16: Leases* – Effective for annual reporting periods beginning on or after 1 January 2019.
- *IFRS 9: Financial Instruments* – Effective for annual reporting periods beginning on or after 1 January 2018, with early application permitted.
- *IFRS 15: Revenue from Contracts with Customers* – Effective for annual reporting periods beginning on or after 1 January 2017, with early application permitted.
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *IAS 12: Recognition of deferred tax assets for unrealised losses* – Effective for annual reporting periods beginning on or after 1 January 2017.
- *Amendments to IAS 1: Disclosure Initiative* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *Amendments to IAS 27: Equity Method in Separate Financial Statements* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *Amendments to IFRSs: Annual Improvements to IFRSs 2012-2012 Cycle* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.

The Group has considered the impact of the above standards and revisions and has concluded that they will not have a material impact on the Group's financial statements. A review of IFRS 16 Leases will be conducted to determine its impact on the Group.

***Use of non-GAAP measures***

The Directors believe that underlying operating profit provides additional useful information for shareholders on underlying trends and performance. This measure is used for performance analysis. Underlying operating profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of operating profit.

The adjustments made to reported operating profit are:

IFRS 2 Share Based Payment – non-cash Group Income Statement charge for share based payments. IFRS 2 requires fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. This is a non-cash charge and has been excluded from underlying operating profit as it does not reflect the underlying performance of the Group.

IFRS 3 (Revised) Business Combinations – intangible asset amortisation charges and costs arising from acquisitions. Under IFRS 3 intangible assets are required to be amortised on a straight line basis over their useful economic life and as such is a non-cash charge that does not reflect the underlying performance of the business acquired. Similarly, the standard requires all acquisition costs to be expensed in the Group Income Statement. Due to their nature, these costs have been excluded from underlying operating profit as they do not reflect the underlying performance of the Group.

Other one-off costs – these relate to certain one-off costs associated with the Group's acquisition activities including any costs in relation to aborted acquisitions. These have been excluded from underlying operating profit as they do not reflect the underlying performance of the Group.

### *Going concern*
The Group had cash balances of £10,056,000 (2014: £13,637,000), net assets of £55,071,000 (2014: £36,174,000) and net current liabilities of £1,857,000 (2014: £1,035,000) as at each year end.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. As part of the normal management process, detailed projections of future trading are prepared, which includes the impact for possible changes in market or regulatory conditions. Based on these projections the Board remains positive about the Group's short and medium term prospects.

Accordingly, the directors continue to adopt the going concern basis in preparing the Strategic report, Directors' report and financial statements.

### *Revenue*
*Personal Injury* – Revenue from the provision of enquiries to the panel law firms, based on a cost plus margin model, plus commissions received from providers for the sale of additional products by them to the panel law firms. Revenue recognised is equal to the cash received with no further clawback or commitments, commissions received are recognised as revenue in the period in which the product is used.

*Pre-LASPO ATE* – Revenue from commissions received from the insurance provider for the use of 'after the event' policies by panel law firms. From 1 April 2013, this product was no longer available as a result of LASPO regulatory changes.

*Conveyancing* – Revenue from the provision of online marketing services to target home buyers and sellers in England and Wales and offering lead generation services to panel law firms and surveyors in the conveyancing sector. Revenue is recognised on the transfer of instruction to panel law firms. Search revenue is recognised as revenue in the period in which the search is contracted.

*Critical Care* – Revenue from the provision of expert witness reports and case management support within the medico-legal framework for multi-track cases. Revenue is recognised on the completion and delivery of reports and provision of case management services.

All revenue is stated net of Value Added Tax. The entire revenue arose in the United Kingdom.

### *Goodwill*
Goodwill represents the excess of the fair value of the consideration given over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised but is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment. Any impairment is recognised in the income statement.

### *Other intangible assets*
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

### *Amortisation*
Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:
- Technology related intangibles — 5 to 10 years
- Contract related intangibles — 5 to 10 years
- Brand names — 5 to 10 years
- Other intangible assets — 3 years

No amortisation is charged on assets under construction as these are not yet in use.

### *Depreciation*
Depreciation is calculated to write off the cost, less estimated residual value, of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:
- Office equipment — 3 to 5 years
- Computers — 3 years

### *Operating leases*
Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

### *Cash and cash equivalents*
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## 1. Accounting policies continued

***Taxation***

Tax on the income statement for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

***Interest bearing borrowings***

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

***Classification of financial instruments issued by the Group***

Financial instruments issued by the Group are treated as equity (i.e. forming part of equity) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in equity.

***Employee share schemes***

The share option plans allow employees of the Group to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

***Impairment***

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ('CGU'). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

***Non-current assets held for sale and discontinued operations***
A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement, although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, where applicable, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

## 2. Operating segments

| | Personal Injury £000 | Pre-LASPO ATE £000 | Conveyancing £000 | Critical Care £000 | Other segments £000 | One-off items £000 | Total continuing £000 | PPI Claimline (disc.) £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | | | | | |
| Revenue | **45,081** | **–** | **3,522** | **2,113** | **–** | **–** | **50,716** | **–** | **50,716** |
| Depreciation and amortisation | **(160)** | **–** | **(22)** | **(5)** | **(249)** | **–** | **(436)** | **–** | **(436)** |
| Operating profit/(loss) | **15,528** | **–** | **825** | **644** | **(1,375)** | **(1,503)** | **14,119** | **–** | **14,119** |
| Financial income | **49** | **–** | **–** | **–** | **10** | **–** | **59** | **–** | **59** |
| Financial expenses | **–** | **–** | **(2)** | **–** | **(226)** | **–** | **(228)** | **–** | **(228)** |
| Profit/(loss) before tax | **15,577** | **–** | **823** | **644** | **(1,591)** | **(1,503)** | **13,950** | **–** | **13,950** |
| Trade receivables | **2,646** | **–** | **215** | **3,351** | **–** | **–** | **6,212** | **–** | **6,212** |
| Segment liabilities | **(6,960)** | **(3,601)** | **(298)** | **(884)** | **(807)** | **–** | **(12,550)** | **–** | **(12,550)** |
| Capital expenditure | **82** | **–** | **113** | **–** | **–** | **–** | **195** | **–** | **195** |

| | Personal Injury £000 | Pre-LASPO ATE £000 | Conveyancing £000 | Critical Care £000 | Other segments £000 | One-off items £000 | Total continuing £000 | PPI Claimline (disc.) £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | | | | | |
| Revenue | 43,848 | – | – | – | – | – | 43,848 | 1,506 | 45,354 |
| Depreciation and amortisation | (212) | – | – | – | – | – | (212) | (31) | (243) |
| Operating profit/(loss) | 14,321 | – | – | – | (1,608) | (940) | 11,773 | (232) | 11,541 |
| Financial income | – | – | – | – | 590 | – | 590 | – | 590 |
| Financial expenses | – | – | – | – | (291) | – | (291) | – | (291) |
| Profit/(loss) before tax | 14,321 | – | – | – | (1,309) | (940) | 12,072 | (232) | 11,840 |
| Trade receivables | 3,176 | – | – | – | – | – | 3,176 | – | 3,176 |
| Segment liabilities | (6,443) | (6,511) | – | – | (1,245) | – | (14,199) | – | (14,199) |
| Capital expenditure | 27 | – | – | – | – | – | 27 | – | 27 |

***Geographic information***
All revenue and assets of the Group are based in the UK.

***Operating segments***
The expansion of the Group has resulted in a change to the way the segments are reviewed by the entity's Chief Operating Decision Maker (CODM), being the Board, for performance assessment and resource allocation decisions. The segments used in reporting by the CODM, and considered relevant to the business are segmented on a product basis. These segments are:

*Personal Injury* – Revenue from the provision of enquiries to the panel law firms, based on a cost plus margin model, plus commissions received from providers for the sale of additional products by them to the panel law firms.

## 2. Operating segments continued

*Pre-LASPO ATE* – Revenue is commissions received from the insurance provider for the use of 'after the event' policies by panel law firms. From 1 April 2013, this product was no longer available as a result of LASPO regulatory changes. Included in the balance sheet is a liability that has been separately identified due to its material value. This balance is commissions received in advance that are due to be paid back to the insurance provider. No interest is due on this liability.

*Conveyancing* – Revenue from the provision of online marketing services to target home buyers and sellers in England and Wales offering lead generation services to panel law firms and surveyors in the conveyancing sector and the provision of conveyancing searches for solicitors and licensed conveyancers.

*Critical Care* – Revenue from the provision of expert witness reports and case management support within the medico-legal framework for multi-track cases.

*Other segments* – Costs that are incurred in managing Group activities or not specifically related to a product and including share based payments.

*One-off items* – Costs for the payment of employee bonuses relating to admission of the Group to AIM, costs associated with the acquisition of subsidiary undertakings, share based payments and amortisation charges on intangible assets recognised as part of business combination.

*PPI Claimline (discontinued)* – Provision of claims management services focused on recovery of mis-sold payment protection insurance. This business was sold on 15 May 2014.

***Cash flows from operating activities***

A reconciliation of operating profit to cash generation from operations for Continuing operations has been presented below separately identifying net cash flows relating to Continuing operations (comprising cash flows associated with Personal Injury, Conveyancing, Critical Care and other segments), the Pre-LASPO ATE product segment and one-off items.

For the period ended 31 December 2015, one off items have also been separately identified.

*Reconciliation of operating profit to net cash flows from operating activities*

| | Continuing operations £000 | Pre-LASPO ATE £000 | Sub-total £000 | One-off items £000 | Total £000 |
|---|---|---|---|---|---|
| **12 months ended 31 December 2015** | | | | | |
| Operating profit | **14,530** | **–** | **14,530** | **(411)** | **14,119** |
| Amortisation on business combination | **259** | **–** | **259** | **–** | **259** |
| Equity-settled share based payments | **833** | **–** | **833** | **–** | **833** |
| **Underlying operating profit** | **15,622** | **–** | **15,622** | **(411)** | **15,211** |
| Depreciation and amortisation | **177** | **–** | **177** | **–** | **177** |
| Increase in trade/other receivables | **(813)** | **–** | **(813)** | **–** | **(813)** |
| Increase in trade/other payables | **226** | **–** | **226** | **–** | **226** |
| Decrease in liabilities relating to pre-LASPO ATE product | **–** | **(2,910)** | **(2,910)** | **–** | **(2,910)** |
| **Net cash flows from operating activities before interest and tax** | **15,212** | **(2,910)** | **12,302** | **(411)** | **11,891** |

| 12 months ended 31 December 2014 | Continuing operations £000 | Pre-LASPO ATE £000 | Sub-total £000 | One off items £000 | Total £000 |
|---|---|---|---|---|---|
| Operating profit | 12,425 | – | 12,425 | (652) | 11,773 |
| Equity-settled share based payments | 288 | – | 288 | – | 288 |
| **Underlying operating profit** | **12,713** | **–** | **12,713** | **(652)** | **12,061** |
| Depreciation | 212 | – | 212 | – | 212 |
| Increase in trade/other receivables | (557) | – | (557) | – | (557) |
| Increase in trade/other payables | 40 | – | 40 | – | 40 |
| Decrease in liabilities relating to pre-LASPO ATE product | – | (5,575) | (5,575) | – | (5,575) |
| **Net cash flows from operating activities before interest and tax** | **12,408** | **(5,575)** | **6,833** | **(652)** | **6,181** |

### 3. Non-current assets held for sale and discontinued operation

The PPI Claimline division was acquired in February 2011 and was classified as held for sale in the 31 December 2013 Historical Financial Information as the Company had committed to selling this division and expected to conclude a sale within the next six months. The related assets and liabilities were classified as held for sale in the year ended 31 December 2013, and therefore the statement of comprehensive income was restated for discontinued operations for all three years presented.

On the 15 May 2014, the division was sold for £1,500,000 resulting in a loss on disposal of £563,000.

***Trading results of the discontinued operation***

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Revenue | – | 1,506 |
| Administrative expenses | – | (1,738) |
| Loss before tax | – | (232) |
| Loss for the year | – | (232) |

***Loss from discontinued operations***

| | **2015 £000** | 2014 £000 |
|---|---|---|
| **Proceeds** | | |
| Capital reduction | – | 1,500 |
| **Disposal** | | |
| Net assets at 31 December 2013 | – | 2,295 |
| Loss in the period | – | (232) |
| | – | 2,063 |
| **Loss on disposal** | – | (563) |
| **Other losses attributable to discontinued operations** | | |
| Loss in the period | – | (232) |
| Reorganisation costs | – | (98) |
| Fees relating to disposal | – | (112) |
| | – | (442) |
| **Total loss from discontinued operations** | – | (1,005) |

***Loss before tax is stated after charging:***

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Depreciation of property, plant and equipment | – | 31 |
| Operating leases – land and buildings | – | 49 |

***Cash flow statement for discontinued operations***

| | **2015 £000** | 2014 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Discontinued operations | | |
| Loss for the year | – | (1,005) |
| Adjustments for: | | |
| Depreciation, amortisation and impairment | – | 31 |
| | – | (974) |
| Decrease in trade and other receivables | – | 1,583 |
| Decrease in trade and other payables | – | (843) |
| Cost borne by Group company | – | (210) |
| **Net cash from financing activities** | – | (444) |
| **Cash flows from operating activities** | | |
| Discontinued operations | | |
| Funding from group companies | – | 250 |
| **Net cash from financing activities** | – | 250 |
| Net decrease in cash and cash equivalents | – | (194) |
| Cash and cash equivalents at 1 January | – | 194 |
| **Cash and cash equivalents at 31 December** | – | – |

## 4. Administrative expenses and auditor's remuneration*

Included in consolidated statement of comprehensive income are the following:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Depreciation of property, plant and equipment | **175** | 212 |
| Amortisation of intangible assets (not relating to business combination) | **2** | – |
| Amortisation of intangible assets (relating to business combination) | **259** | – |
| Operating leases – land and buildings | **220** | 120 |
| Operating leases – other | **50** | 40 |
| Auditors remuneration | **169** | 352 |

The analysis of auditors' remuneration is as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Audit services - statutory audit | **69** | 58 |
| Other assurance services | **9** | 8 |
| Taxation compliance | **11** | 11 |
| Taxation advisory services | **6** | 5 |
| Transaction services | **74** | 270 |
| **Total non-audit remuneration** | **100** | 294 |

* Information given excludes that of discontinued operations which are disclosed in note 3.

## 5. One off items

One off items included in the income statement are summarised below:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| IPO related costs [1] | **(183)** | 652 |
| Legal and professional fees relating to acquisitions [2] | **570** | – |
| Vendors consultancy fees on Fitzalan acquisition [3] | **24** | – |
| | **411** | 652 |

1. As a result of the admission to AIM, income was realised on the crystallisation of an asset that was contingent on an exit event. This contingent asset arose as a result of the award of shares to employees by the Employee Benefit Trust ('EBT') under the EMI scheme creating loans repayable on exit. This income totalled £480,001. Under the trust rules this cash and any previously recognised cash in the EBT is required to be used for the benefit of employees. As a result, companywide bonuses were paid in recognition of the successful completion of the IPO. The costs of these bonuses have been included in the consolidated statement of comprehensive income as one-off items totalling £652,001. The £480,001 income received for the contingent asset has been detailed in note 9. Previously recognised accruals in respect of the IPO of £183,000 were released in the year.
2. Legal and professional fees paid in relation to the acquisitions of Fitzalan, BVC and Bush, including due diligence costs and stamp duty.
3. Fees paid to former senior management of Fitzalan for consultancy services provided in the business post acquisition.

## 6. Staff numbers and costs

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

| | Number of Employees | |
|---|---|---|
| | 2015 | 2014 |
| Directors | **4** | 3 |
| Others (excluding discontinued operation) | **154** | 119 |
| Others (from discontinued operation) | **–** | 33 |
| | **158** | 155 |

The aggregate payroll costs of these persons were as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Wages and salaries | **5,969** | 5,231 |
| Share based payments (see note 21) | **833** | 288 |
| Social security costs | **597** | 599 |
| Pension costs | **31** | 14 |
| | **7,430** | 6,132 |

## 7. Directors' emoluments

Proforma emoluments relate to amounts paid to current Directors applying those directorships retrospectively for 2014, prior to incorporation of NAHL Group plc. Statutory Director's emoluments relate to directors registered at Companies House as directors of NAHL Group plc for the period during which they were Directors.

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Proforma Directors' emoluments | **799** | 1,220 |
| Statutory Directors' emoluments | **799** | 635 |

| | Salary and fees £000 | Benefits £000 | Annual bonus £000 | IPO bonus £000 | Pension £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | | |
| **Executive Directors** | | | | | | |
| J R Atkinson | 192 | 25 | 115 | 59 | 1 | 392 |
| S Dolton | 181 | 14 | 109 | 171 | – | 475 |
| **Non-Executive** | | | | | | – |
| R S Halbert | 71 | – | – | 104 | – | 175 |
| SJ Porteous [1] | 118 | 7 | 45 | 1 | – | 171 |
| G D C Kent | 7 | – | – | | – | 7 |
| | 569 | 46 | 269 | 335 | 1 | 1,220 |

1. Figures for SJ Porteous include remuneration as an Executive Director prior to 29 May 2014.

No proforma emoluments have been given for 2015 as there is no difference between proforma and statutory Director emoluments.

### *Statutory Directors' emoluments*

| | **Salary and fees £000** | **Benefits £000** | **Annual bonus £000** | **Pension £000** | **Total £000** |
|---|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | | |
| **Executive Directors** | | | | | |
| J R Atkinson | **210** | **25** | **135** | **1** | **371** |
| S Dolton | **168** | **24** | **92** | **–** | **284** |
| **Non-Executive** | | | | | |
| R S Halbert | **81** | **–** | **–** | **–** | **81** |
| SJ Porteous | **19** | **–** | **–** | **–** | **19** |
| G D C Kent | **44** | **–** | **–** | **–** | **44** |
| | **522** | **49** | **227** | **1** | **799** |

| | Salary and fees £000 | Benefits £000 | Annual bonus £000 | Pension £000 | Total £000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2014** | | | | | |
| **Executive Directors** | | | | | |
| J R Atkinson | 134 | 12 | 115 | 1 | 262 |
| S Dolton | 130 | 12 | 109 | – | 251 |
| **Non-Executive** | | | | | |
| R S Halbert | 49 | – | – | – | 49 |
| SJ Porteous | 63 | 3 | – | – | 66 |
| G D C Kent | 7 | – | – | – | 7 |
| | 383 | 27 | 224 | 1 | 635 |

### 7. Directors' emoluments continued

The Group contributed £1,000 to pension schemes in respect of Directors during the year (2014: £1,000).

The emoluments of the highest paid Director were £371,000 (2014:£262,000).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include members of the operational board who are not statutory directors in addition to the main Board. Disclosure of transactions with key management is detailed in note 27.

### 8. Financial income

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Bank interest income | **59** | 110 |
| Income from crystallisation of contingent asset (note 5) | **–** | 480 |
| **Total financial income** | **59** | 590 |

### 9. Financial expense

| | 2015 £000 | 2014 £000 |
|---|---|---|
| On bank loans | **216** | 157 |
| Dividends on preference shares | **–** | 134 |
| Bank charges | **12** | – |
| **Total financial expense** | **228** | 291 |

### 10. Taxation

***Recognised in the consolidated statement of comprehensive income***

| | 2015 £000 | 2014 £000 |
|---|---|---|
| *Current tax expense* | | |
| Current tax on income for the period | **3,175** | 2,610 |
| Adjustments in respect of prior periods | **–** | – |
| Total current tax | **3,175** | 2,610 |
| *Deferred tax expense* | | |
| Origination and reversal of timing differences | **9** | (16) |
| Total deferred tax | **9** | (16) |
| Tax expense in income statement | **3,184** | 2,594 |
| **Total tax charge** | **3,184** | 2,594 |

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience.

***Reconciliation of effective tax rate***

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Profit for the year | **10,766** | 8,473 |
| Total tax expense | **3,184** | 2,594 |
| Profit before taxation (including discontinued operations) | **13,950** | 11,067 |
| Tax using the UK corporation tax rate of 20.25% (2014: 21.5%) | **2,825** | 2,379 |
| Income disallowable for tax purposes | **–** | (104) |
| Non-deductible expenses | **345** | 280 |
| Short term timing differences for which no deferred tax is recognised | **14** | 39 |
| **Total tax charge** | **3,184** | 2,594 |

***Changes in tax rates and factors affecting the future tax charge***

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

### 11. Deferred tax asset

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At beginning of year | **77** | 61 |
| Recognised in profit and loss (see note 10) | **(9)** | 16 |
| **Deferred tax asset at end of year** | **68** | 77 |

The asset for deferred taxation consists of the tax effect of temporary differences in respect of:

| | Property, plant & equipment £000 | Bad debt provisions £000 | Total £000 |
|---|---|---|---|
| At 1 January 2014 | 47 | 14 | 61 |
| Recognised in profit and loss | 16 | – | 16 |
| At 31 December 2014 | 63 | 14 | 77 |
| Recognised in profit and loss | (19) | 10 | (9) |
| **At 31 December 2015** | **44** | **24** | **68** |

### 12. Deferred tax liability

| | 2015 £000 | 2014 £000 |
|---|---|---|
| At beginning of year | **–** | – |
| Arising on business combination (see note 13) | **1,738** | – |
| **Deferred tax liability at end of year** | **1,738** | – |

### 13. Acquisitions

***Acquisition of Fitzalan Partners Limited***

On 17 February 2015 the Group acquired the entire share capital of Fitzalan Partners Limited (Fitzalan). The company is an online marketing specialist servicing home buyers and sellers in England and Wales. The acquisition of Fitzalan represents the Group's first move into an adjacent consumer legal services market.

***Acquisition of Best Value Conveyancing***

On 30 June 2015, Fitzalan acquired the trading assets of Best Value Conveyancing (BVC). BVC provides lead generation services to law firms in the conveyancing sector.

***Acquisition of Bush & Company Rehabilitation Limited***

On 14 October 2015 the Group acquired the entire share capital of Bush & Company Rehabilitation Limited (Bush). The company provides expert witness reports and case management support within the medico-legal framework for multi-track cases.

***Fair values***

The acquisitions had the following effect on the Group's assets and liabilities:

| | Fitzalan £000 | BVC £000 | Bush £000 | Total £000 |
|---|---|---|---|---|
| Intangible assets | 352 | 199 | 8,111 | 8,662 |
| Tangible assets | – | – | 53 | 53 |
| Trade and other receivables | 141 | – | 3,362 | 3,503 |
| Cash and cash equivalents | 626 | – | 4,946 | 5,572 |
| Trade and other payables | (445) | – | (1,231) | (1,676) |
| Deferred tax liability | (71) | (40) | (1,627) | (1,738) |
| **Net assets acquired** | **603** | **159** | **13,614** | **14,376** |
| Goodwill arising on acquisition | 3,709 | 40 | 15,592 | 19,341 |
| **Fair value of net assets acquired and goodwill arising** | **4,312** | **199** | **29,206** | **33,717** |
| Cash consideration | 3,512 | 163 | 28,599 | 32,274 |
| Fair value of deferred consideration | 800 | 36 | 607 | 1,443 |
| **Fair value of net assets acquired and goodwill arising** | **4,312** | **199** | **29,206** | **33,717** |

As at 31 December 2015, £36,000 of deferred consideration was still outstanding in respect of the BVC acquisition, therefore the total cash paid for the above acquisitions as at 31 December 2015 was £33,681,000.

The Group incurred acquisition related costs of £570,000 related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included as one off items in the Group's consolidated income statement. Goodwill in BVC has been combined with the Fitzalan goodwill and are considered to be a single cash generating unit (CGU).

For all acquisitions made in the year, fair values remain provisional, but will be finalised within 12 months of acquisition.

### 14. Goodwill

| | Personal Injury £000 | Conveyancing £000 | Critical Care £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2014 | 39,897 | – | – | 39,897 |
| At 31 December 2014 | 39,897 | – | – | 39,897 |
| Acquired through business combination | – | 3,749 | 15,592 | 19,341 |
| **At 31 December 2015** | **39,897** | **3,749** | **15,592** | **59,238** |
| **Impairment** | | | | |
| At 1 January 2014 | – | – | – | – |
| At 31 December 2014 | – | – | – | – |
| **At 31 December 2015** | **–** | **–** | **–** | **–** |
| **Net book value** | | | | |
| At 31 December 2014 | 39,897 | – | – | 39,897 |
| **At 31 December 2015** | **39,897** | **3,749** | **15,592** | **59,238** |

Where goodwill arose as part of a business acquisition, it forms part of cash generating units ('CGU') asset carrying value which is tested for impairment annually. The Group has reassessed the CGU's in light of the expansion to the Group and the changes to operating segments and has determined that for the purposes of impairment testing each segment, i.e. Personal Injury, Conveyancing and Critical Care, is the appropriate level at which to test. Due to the discontinued nature of the pre-LASPO ATE product, no goodwill has been allocated to it.

The recoverable amounts for the CGUs are predominantly based on value in use which is calculated on the cash flows expected to be generated by the division using the latest budget data for the coming year, extrapolated at an annual growth rate for four years and no growth into perpetuity, discounted at a post-tax WACC of 8.6% (2014: 8.0%). The key assumptions in the value in use calculation are the discount rate and growth rate. The discount rate is based on the Group's post-tax cost of capital and estimated cost of equity, which the Directors consider equated to market participants rate. The movement in discount rate compared to prior year is the result of the increased level of borrowing. In preparing the formal budget for the next financial period, expected EBITDA is based on past experience of the performance of the CGUs adjusted for known changes.

The Chancellor announced in his Autumn Statement on 25 November 2015 the possible intention to increase the small claims limit to £5,000 for personal injury claims. At this stage no legislation has been put in place and there is no certainty that any changes will be made. Whilst it is believed that some increase is likely in the small claims limit, there is as much opportunity as there is risk as to the impact this could have on the profitability of the Personal Injury CGU. It is therefore believed that a zero growth rate is appropriate until such clarity is received.

Based on the operating performance of the CGUs, no impairment loss was identified at any of the two years under review, and there is sufficient headroom to indicate that no reasonable change to key assumptions would result in an impairment of this goodwill. The key growth assumptions were as follows:

| | **2015** | 2014 |
|---|---|---|
| Personal Injury | **0.0%** | 5.0% |
| Conveyancing | **10.0%** | – |
| Critical Care | **10.0%** | – |

The following table shows the percentage to which the discounted WACC rate would need to increase and the percentage to which the budgeted operating cash flows growth rates would need to decrease to, in order for the estimated recoverable amount of the CGUs to be equal to the carrying amount:

| | Discount Rate | | Growth | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Personal Injury | **45.0%** | 42.0% | **(25.1%)** | (20.0%) |
| Conveyancing | **252.3%** | – | **(66.1%)** | – |
| Critical Care | **14.3%** | – | **4.6%** | – |

## 15. Intangibles assets

| | Technology related £000 | Contract related £000 | Brand names £000 | Other £000 | Assets under construction £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 31 December 2014 | – | – | – | – | – | – |
| Additions | – | – | – | 47 | 4 | 51 |
| Additions through business combination | 167 | 7,746 | 749 | – | – | 8,662 |
| **At 31 December 2015** | **167** | **7,746** | **749** | **47** | **4** | **8,713** |
| **Amortisation** | | | | | | |
| At 31 December 2014 | – | – | – | – | – | – |
| Amortisation charge for the year | – | – | – | 2 | – | 2 |
| Amortisation charge on business combination | 22 | 214 | 23 | – | – | 259 |
| **At 31 December 2015** | **22** | **214** | **23** | **2** | **–** | **261** |
| **Net book value** | | | | | | |
| At 31 December 2014 | – | – | – | – | – | – |
| **At 31 December 2015** | **145** | **7,532** | **726** | **45** | **4** | **8,452** |

The intangibles assets recognised on business combination were acquired as part of the acquisitions of Fitzalan, BVC and Bush.

## 16. Property, plant and equipment

| | Fixtures & fittings £000 | Total £000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2015 | **1,072** | **1,072** |
| Additions | **195** | **195** |
| Additions through business combination | **167** | **167** |
| **At 31 December 2015** | **1,434** | **1,434** |
| **Depreciation and impairment** | | |
| At 1 January 2015 | **886** | **886** |
| Additions through business combination | **114** | **114** |
| Depreciation charge for the year | **175** | **175** |
| **At 31 December 2015** | **1,175** | **1,175** |
| **Net book value** | | |
| At 31 December 2014 | **186** | **186** |
| **At 31 December 2015** | **259** | **259** |

| | Fixtures & fittings £000 | Total £000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2014 | 1,045 | 1,045 |
| Additions | 27 | 27 |
| **At 31 December 2014** | 1,072 | 1,072 |
| **Depreciation and impairment** | | |
| At 1 January 2014 | 674 | 674 |
| Depreciation charge for the year | 212 | 212 |
| **At 31 December 2014** | 886 | 886 |
| **Net book value** | | |
| At 31 December 2013 | 371 | 371 |
| **At 31 December 2014** | 186 | 186 |

### 17. Trade and other receivables

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade receivables: due in less than one year | **5,526** | 3,176 |
| Trade receivables: due in more than one year | **686** | – |
| Accrued income | **361** | – |
| Other receivables | **1,140** | 355 |
| | **7,713** | 3,531 |
| Prepayments | **331** | 194 |
| | **8,044** | 3,725 |

### 18. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's other interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

| | 2015 £000 | 2014 £000 |
|---|---|---|
| **Current liabilities** | | |
| Current portion of secured bank loans | **3,750** | 2,950 |
| Less future finance charges | **(57)** | – |
| | **3,693** | 2,950 |
| **Non-current liabilities** | | |
| Secured bank loans | **11,250** | 2,951 |
| Less future finance charges | **(161)** | – |
| | **11,089** | 2,951 |
| **Total other interest-bearing loans and borrowings** | **14,782** | 5,901 |

Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of maturity | Face value 2015 £000 | Carrying amount 2015 £000 | Face value 2014 £000 | Carrying amount 2014 £000 |
|---|---|---|---|---|---|---|---|
| Bank Loan | GBP | 2.50% above Libor | 2016 | **–** | **–** | 5,901 | 5,901 |
| Bank Loan[1] | GBP | 1.65% above Libor | 2019 | **15,000** | **15,000** | – | – |
| | | | | **15,000** | **15,000** | 5,901 | 5,901 |

1. The loan of £15,000,000 replaced the existing loan of £5,901,000 and is repayable over eight instalments of £1,875,000 every 6 months starting on 30 June 2016. Interest is payable at 1.65% above LIBOR.

### 19. Trade and other payables

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade payables | **3,434** | 1,442 |
| Other taxation and social security | **517** | 414 |
| Other payables, accruals and deferred revenue | **3,455** | 2,962 |
| Customer deposits | **1,543** | 2,870 |
| | **8,949** | 7,688 |

### 20. Share Capital

| | 2015 | 2014 |
|---|---|---|
| **Number of shares** | | |
| 'A' ordinary shares of £0.0025 each | **45,265,000** | 41,150,000 |
| | **45,265,000** | 41,150,000 |
| | **£000** | £000 |
| **Allotted, called up and fully paid** | | |
| 45,265,000 (2014: 41,150,000) 'A' ordinary shares of £0.0025 each | **113** | 103 |
| | **113** | 103 |
| Shares classified in equity | **113** | 103 |
| | **113** | 103 |

## 21. Share based payments

The Group operates 3 employee share plans as follows:

### *SAYE plan*

The SAYE plan is available to all employees. Options may be satisfied by newly issued Ordinary Shares, Ordinary Shares purchased in the market by an employees' trust or by the transfer of Ordinary Shares held in treasury.

### *EMI Scheme*

The EMI Plan provides for the grant, to selected employees of the Group, of rights to acquire (whether by subscription or market purchase) Ordinary Shares in the Company (Options). Options may be granted as tax-favoured enterprise management incentive options (EMI Options) or non-tax favoured Options.

### *LTIP*

The LTIP will enable selected employees (including Executive Directors) to be granted awards in respect of Ordinary Shares. Awards may be granted in the form of nil or nominal cost options to acquire Ordinary Shares; or contingent rights to receive Ordinary Shares. Awards may be satisfied by newly issued Ordinary Shares, Ordinary Shares purchased in the market by an employees' trust or by the transfer of Ordinary Shares held in treasury.

The terms and conditions of grants of share options to employees of the Group, in the shares of NAHL Group plc are as follows:

| Grant date/employees entitled/nature of scheme | Number of instruments | Vesting conditions | Contractual life of options |
|---|---|---|---|
| SAYE Equity-settled award to 56 employees granted by the parent company on 29 May 2014 | 270,448 Ordinary Shares | Performance based | Third anniversary of Date of Grant |
| LTIP Equity-settled award to 4 employees granted by the parent company on 29 May 2014 | 790,004 Ordinary Shares | Performance based | Third anniversary of Date of Grant |
| EMI Equity-settled award to 9 employees granted by the parent company on 11 December 2014 | 899,996 Ordinary Shares | Performance based | Announcement of 2016 results |
| EMI Equity-settled award to 3 employees granted by the parent company on 13 April 2015 | 403,668 Ordinary Shares | Performance based | Third anniversary of Date of Grant |
| EMI Equity-settled award to 9 employees granted by the parent company on 9 October 2015 | 185,299 Ordinary Shares | Performance based | Third anniversary of Date of Grant |
| EMI Equity-settled award to 1 employee granted by the parent company on 2 December 2015 | 120,689 Ordinary Shares | Performance based | Third anniversary of Date of Grant |

The number and weighted average exercise prices of share options are as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Weighted average exercise price £** | **Number of options No.** | Weighted average exercise price £ | Number of options No. |
| Outstanding at the beginning of the year | **1.13** | **1,939,748** | 6.66 | 16,356 |
| Exercised during the year | **–** | **–** | (6.66) | (16,356) |
| Granted during the year | **3.59** | **709,656** | 1.13 | 1,960,448 |
| Forfeited during the year | **(1.60)** | **(27,562)** | (1.60) | (20,700) |
| Outstanding at the end of the year | **1.69** | **2,621,842** | 1.13 | 1,939,748 |
| Exercisable at the end of the year | **–** | **–** | – | – |

A charge of £833,000 (2014: £288,000) has been made through profit and loss in the current year.

The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% (2014: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of 1.0% (2014: 1.0%). Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

Expected volatility has been based on evaluation of historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

## 22. Earnings per share

The calculation of basic earnings per share at 31 December 2015 is based on profit attributable to ordinary shareholders of £10,766,000 (2014: £8,473,000) and a weighted average number of ordinary share outstanding of 42,040,643 (2014: 41,150,000).

### *Profit attributable to ordinary shareholders (basic)*

| £000 | 2015 | 2014 |
|---|---|---|
| Profit for the year attributable to the shareholders – continuing | **10,766** | 9,478 |
| Loss for the year attributable to the shareholders – discontinued | **–** | (1,005) |
| Profit for the year attributable to the shareholders – Total | **10,766** | 8,473 |

### *Weighted average number of ordinary shares (basic)*

| Number | Note | 2015 | 2014 |
|---|---|---|---|
| Issued ordinary shares at 1 January | 20 | **41,150,000** | 41,150,000 |
| Weighted average number of ordinary shares at 31 December | 20 | **42,040,643** | 41,150,000 |

### *Basic Earnings per share (p)*

| | 2015 | 2014 |
|---|---|---|
| **Group** | **25.6** | 20.6 |
| Continuing operations | **25.6** | 23.0 |
| Discontinued operations | **–** | (2.4) |

The Company has in place share based payment schemes to reward employees. At the 31 December 2015, there were options within the LTIP, EMI and SAYE schemes that were at a value that would reasonably result in the options being exercised. The total number of options available for these schemes included in the diluted earnings per share calculation is 938,719. There are no other diluting items.

### *Diluted Earnings per share (p)*

| | 2015 | 2014 |
|---|---|---|
| **Group** | **25.0** | 20.2 |
| Continuing operations | **25.0** | 22.6 |
| Discontinued operations | **–** | (2.4) |

## 23. Financial instruments

### *(a) Fair values of financial instruments*

The Group's principal financial instruments comprise interest bearing borrowings, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. There have been no substantive changes in the Group's exposure to financial instrument risks or its objectives, policies and processes for managing and measuring those risks during the periods in this report unless otherwise stated.

#### Trade and other receivables

The fair value of trade and other receivables are estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

#### Trade payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

#### Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

#### Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

The interest rate used to discount estimated cash flows of 8.6% is based on market rates.

The fair values of all financial assets and financial liabilities by class, which approximate to their carrying values, shown in the balance sheet are as follows:

| | Fair value hierarchy | Carrying amount 2015 £000 | Fair value 2015 £000 | Carrying amount 2014 £000 | Fair value 2014 £000 |
|---|---|---|---|---|---|
| **Cash and receivables** | | | | | |
| Cash and cash equivalents | | **10,056** | **10,056** | 13,637 | 13,637 |
| | | **10,056** | **10,056** | 13,637 | 13,637 |
| Trade and other receivables (note 17) | | **7,713** | **7,713** | 3,531 | 3,531 |
| **Total financial assets** | | **17,769** | **17,769** | 17,168 | 17,168 |
| **Financial liabilities measured at amortised cost** | | | | | |
| Other interest-bearing loans and borrowings (note 18) | Level 2 | **15,000** | **15,000** | 5,901 | 5,901 |
| Trade payables (note 19) | | **3,434** | **3,434** | 1,442 | 1,442 |
| **Total financial liabilities measured at amortised cost** | | **18,434** | **18,434** | 7,343 | 7,343 |

### Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:
Level 1 – inputs are quoted prices in active markets.
Level 2 – a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.
Level 3 – a valuation using unobservable inputs, i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

### *(b) Credit risk*

### Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Management consider the credit risk to be low as a result of the deposits held for all significant customers. As at 31 December 2015 these deposits reflect 24.8% (2014: 90.4%) of the balance of trade receivables.

### Exposure to credit risk

The maximum exposure to credit risk at the sheet date by class of financial instrument was;

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Trade receivables | **6,212** | 3,176 |

Deposits with key customers are held to mitigate the potential credit risk. At each balance sheet date, the amount of deposit held was;

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Customer deposits | **1,543** | 2,870 |

## 23. Financial instruments continued

### *Credit quality of financial assets and impairment losses*

The aging of trade receivables at the balance sheet date was:

| | Gross: Standard Terms 2015 £000 | Gross: Deferred Terms 2015 £000 | Impairment 2015 £000 | Gross: Standard Terms 2014 £000 | Gross: Deferred Terms 2014 £000 | Impairment 2014 £000 |
|---|---|---|---|---|---|---|
| Not past due | **2,789** | **906** | **(56)** | 3,247 | – | (71) |
| Past due (1-30 days) | **1,140** | **4** | **–** | – | – | – |
| Past due (30-120 days) | **929** | **26** | **(11)** | – | – | – |
| Past due (over 120 days) | **584** | **–** | **(99)** | – | – | – |
| | **5,442** | **936** | **(166)** | 3,247 | – | (71) |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Balance at 1 January | **71** | 70 |
| Allowance recognised | **95** | 1 |
| Balance at 31 December | **166** | 71 |

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

### (c) Liquidity risk

#### Financial risk management

Liquidity risk arises from the Group's management of working capital and the finance charges on its debt instruments and repayments of principal. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and loans to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effects of netting agreements:

| 2015 | Secured bank loans £000 | Trade and other payables £000 | Total £000 |
|---|---|---|---|
| **Non-derivative financial instruments** | | | |
| Carrying amount | **(15,000)** | **(3,434)** | **(18,434)** |
| Contractual cash flows: | | | |
| 1 year or less | **(4,061)** | **(3,434)** | **(7,495)** |
| 1 to 2 years | **(3,977)** | **–** | **(3,977)** |
| 2 to 5 years | **(7,707)** | **–** | **(7,707)** |
| | **(15,745)** | **(3,434)** | **(19,179)** |

| 2014 | | | |
|---|---|---|---|
| **Non-derivative financial instruments** | | | |
| Carrying amount | (5,901) | (1,442) | (7,343) |
| Contractual cash flows: | | | |
| 1 year or less | (3,131) | (1,442) | (4,573) |
| 1 to 2 years | (3,041) | – | (3,041) |
| | (6,172) | (1,442) | (7,614) |

### *(d) Market risk*

**Financial risk management**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

**Market risk – Foreign currency risk**

The Group has no foreign currency risk as all transactions are in Sterling.

**Market risk – Interest rate risk**

*Profile*

The Group is exposed to interest rate risk from its use of interest-bearing financial instruments. This is a market risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

At the balance sheet dates, there were no interest-bearing financial assets; however the interest rate profile of the Group's interest-bearing financial liabilities was:

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| **Variable rate instruments** | | |
| Financial liabilities | **15,000** | 5,901 |
| Total interest bearing financial instruments | **15,000** | 5,901 |

*Sensitivity analysis*

A change of 0.5% in interest rates at the balance sheet date would increase/(decrease) profit or loss in the following year by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for the comparative periods.

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| **Profit for the year** | | |
| Increase | **(75)** | (30) |
| Decrease | **75** | 30 |

*Market risk – Equity price risk*

The Company does not have an exposure to equity price risk as it holds no investment in equity securities which are classified as available for sale financial assets or designated at fair value through profit or loss.

### *(e) Capital management*

**Group**

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to shareholders. Capital comprises the Group's equity i.e. share capital including preference shares, share premium, own shares and retained earnings, as well as bank loans.

## 24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2015<br>£000 | 2014<br>£000 |
|---|---|---|
| Less than one year | **182** | 31 |
| Between one and five years | **1,321** | 66 |
| | **1,503** | 97 |

The Group leases a number of office buildings under operating leases. During the year £270,000 was recognised as an expense in the income statement in respect of operating leases (2014: £160,000).

## 25. Commitments

*Capital commitments*

At 31 December 2015 the Group had no capital commitments (2014: £nil).

### 26. Transactions with owners, recorded directly in equity

On the 29 May 2014, NAHL Group plc was admitted to trading on AIM. The steps required to complete this admission have been included within the condensed consolidated statement of changes in equity and have been further explained below:

***Issue of deferred share***

A deferred share was issued at a premium resulting in the transfer of £50,000,000 from the merger reserve to share premium. NAHL Group plc declared a bonus issue of a single deferred share of £0.0001 (a "Deferred Share") with a share premium £50,000,000. This transaction resulted in £50,000,000 of the merger reserve being transferred to the share premium account split pro rata between the different classes of shares.

***Disposal of assets held for sale***

The market value of the group of companies, headed by Seebeck 62 Limited, classified as held for sale was calculated as being £1,500,000 by the Directors of the Group. On the 15 May 2014, Seebeck 62 Limited was then demerged via a capital reduction of this value to the share premium account. A same day registration of the reduction of capital at Companies House has been made. Further details of the demerger can be seen in note 3.

***Issue of new Ordinary Shares***

On the 29 of May 2014, 1,150,000 new ordinary shares with a par value of £0.0025 were issued. These raised an additional £2,300,000 funds for the Group. The fees relating to this transaction totalled £1,436,000. These costs have been charged as a reduction to share premium resulting in a net increase to share premium of £861,000 and share capital of £3,000.

***Other transactions with owners***

Included within other transactions with owners are the following transactions resulting in a net impact of £45,000:

- Share capital has been reduced by £131,000. This is the result of £172,000 reduction in the par value of existing shares and the bonus issue of F shares increasing share capital by £41,000. The bonus issue occurred prior to merger where Consumer Champion Group Limited declared a 99 for 1 F share bonus issue to all shareholders using distributable reserves. There was then an F share 1 for 100 consolidation.
- Acquisition accounting for the purchase also resulted in the removal of interest in own shares of £14,000.
- Share premium has been increased to allow the £172,000 reduction in the par value of shares set off by the removal of £100,000 existing share premium as part of the acquisition accounting.

On 18 June 2015, NAHL Group plc carried out a capital reduction exercise. The steps required to complete the capital reduction have been included within the consolidated statement of changes in equity and have been further explained below:

***Bonus issue of Capital reduction shares***

The amount standing to the credit of the Group's merger reserve in the sum of £16,928,000 was capitalised by way of a bonus issue of newly created Capital Reduction Shares with a nominal value of £0.41 each; and

***Capital reduction shares cancelled***

The newly created Capital Reduction Shares were cancelled; the amount standing to the credit of the Group's share capital account in the sum of £16,928,000 was cancelled and recognised in retained earnings.

***Capital reduction***

The amount standing to the credit of the Group's share premium account in the sum of £49,532,649 was cancelled in full and the amount was recognised in retained earnings.

Following the approval by the Group's shareholders of the resolutions in the Capital Reduction and the subsequent approval by the Court, the Group's distributable reserves were increased by £66,460,649.

***Issue of new ordinary shares***

On the 14 of October 2014, 4,115,000 new ordinary shares with a par value of £0.0025 were issued. These raised an additional £14,608,250 funds for the Company. The fees relating to this transaction totalled £336,600. These costs have been charged as a reduction to share premium resulting in a net increase to share premium of £14,261,363 and share capital of £10,287.

### 27. Related parties

***Transactions with key management personnel***

Key management personnel in situ at the 31 December 2015 and their immediate relatives control 4.8 per cent (2014: 13.7 per cent) of the voting shares of the Company.

Key management personnel are considered to be the Directors of the Company as well as those of National Accident Helpline Limited, Fitzalan Partners Limited and Bush & Company Rehabilitation Limited and any other management serving as part of the Executive team. Detailed below is the total value of transactions with these individuals:

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Short term employment benefits | **1,794** | 2,307 |
| Termination benefits | **–** | 150 |
| | **1,794** | 2,457 |

On the 15 May 2014 PPI Claimline Limited (PPI), a previously 100% owned subsidiary, was sold. As a result of the Directors of NAHL Group plc continuing to own shares in PPI it is considered to be a related party. Transactions with PPI since the disposal were invoices for services provided by Consumer Champion Group Limited for IT related solutions totalling £2,366.
At 31 December 2014 £360 remained outstanding. During the year ended 31 December 2015 there were no transactions with PPI and the amount outstanding as at 31 December 2015 was £nil.

## 28. Net Debt

Net cash includes cash and cash equivalents, secured bank loans, loan notes and preference shares.

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Cash and cash equivalents | **10,056** | 13,637 |
| Other interest bearing loans and loan notes | **(14,782)** | (5,901) |
| **Net (debt)/cash** | **(4,726)** | 7,736 |

Set out below is a reconciliation of movements in net debt during the period.

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Net decrease in cash and cash equivalents | **(3,581)** | (806) |
| Cash relating to discontinued operations | **–** | 194 |
| Cash and cash equivalents net inflow from increase in debt and debt financing | **(8,881)** | 996 |
| Movement in net borrowings resulting from cash flows | **(12,462)** | 384 |
| Other non-cash changes | **–** | (38) |
| Movement in cash in year | **(12,462)** | 346 |
| Net cash at beginning of year | **7,736** | 7,390 |
| **Net (debt)/cash at end of year** | **(4,726)** | 7,736 |

## 29. Events after the reporting period

On 11 January 2016 the Group acquired the entire share capital of Searches UK Limited. Due to the proximity of the acquisition date to the release of the annual financial statements, valuations of assets and liabilities acquired along with the disclosures required by IFRS 3 (Revised) have not yet been prepared. Disclosure will be made in future annual financial statements. The Group is paying £2.1m for Searches made up of an initial cash consideration of £1.7m with a further payment of £0.4m on or before 30 June 2016 dependent on certain conditions being met.

Searches UK is a leading conveyancing search provider in England & Wales predominantly for residential property transactions. The Company acts as a service provider to over 140 solicitors and licensed conveyancers providing search information across six core product categories: Local Authority, Drainage & Water, Environmental, Chancel, Planning and Flood. Searches uses a nationwide network of search agents to provide the relevant search reports.

# Company Balance Sheet
at 31 December 2015

| | Note | 2015 £000 | 2014 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 2 | **52,700** | 52,700 |
| **Current assets** | | | |
| Trade and other receivables | 3 | **33,722** | 25,306 |
| **Net assets** | | **86,422** | 78,006 |
| **Equity** | | | |
| Share capital | 5 | **113** | 103 |
| Share option reserve | | **1,121** | 288 |
| Share premium | | **14,262** | 49,533 |
| Merger reserve | | **–** | 16,928 |
| Retained earnings | | **70,926** | 11,154 |
| **Total equity** | | **86,422** | 78,006 |

The notes on pages 72 to 76 form part of these financial statements.

These financial statements were approved by the Board of Directors on 21 March 2016 and were signed on its behalf by:

**JR Atkinson**
Director

Company registered number: 08996352

# Company Statement of Total Recognised Gains and Losses
for the year ended 31 December 2015

| | Share capital £000 | Share option reserve £000 | Share premium £000 | Merger reserve £000 | Retained Earnings £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | – | – | – | – | – | – |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | – | – | – | – | 13,211 | 13,211 |
| Total comprehensive income | – | – | – | – | 13,211 | 13,211 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Fair value of shares acquired through share for share exchange | 272 | – | – | 66,928 | – | 67,200 |
| Issue of deferred share (note 8) | – | – | 50,000 | (50,000) | – | – |
| Disposal of assets held for sale (note 8) | – | – | (1,500) | – | – | (1,500) |
| Issue of new ordinary shares (note 8) | 3 | – | 861 | – | – | 864 |
| Share based payments (note 6) | – | 288 | – | – | – | 288 |
| Other transactions with owners (note 8) | (172) | – | 172 | – | – | – |
| Dividends paid | – | – | – | – | (2,057) | (2,057) |
| **Balance at 31 December 2014** | **103** | **288** | **49,533** | **16,928** | **11,154** | **78,006** |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | – | – | – | – | 285 | 285 |
| Total comprehensive income | – | – | – | – | 285 | 285 |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| Bonus issue of Capital reduction shares (note 8) | 16,928 | – | – | (16,928) | – | – |
| Capital reduction shares cancelled (note 8) | (16,928) | – | – | – | 16,928 | – |
| Capital reduction (note 8) | – | – | (49,533) | – | 49,533 | – |
| Issue of new ordinary shares (note 8) | 10 | – | 14,262 | – | – | 14,272 |
| Share based payments (note 8) | – | 833 | – | – | – | 833 |
| Dividends paid | – | – | – | – | (6,974) | (6,974) |
| **Balance at 31 December 2015** | **113** | **1,121** | **14,262** | **–** | **70,926** | **86,422** |

The notes on pages 72 to 76 form part of these financial statements.

# Notes to the Company Financial Statements

## 1. Accounting policies

***Basis of preparation***

**Financial statements**

The Financial Statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. This has changed from the prior year, in the transition to IFRS from old UK GAAP, the Company has made no measurement and recognition adjustments.

The financial information has been prepared on a going concern basis and under the historical cost convention.

A cash flow statement has not been presented on the basis that the Company does not have a bank account, there has been no change in the cash position in the year and all payments are made by Consumer Champion Group Limited on behalf of the Company.

***Use of judgements and estimates***

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

***Judgements***

In applying the Company's accounting policies, management has not applied judgement in any area that has a significant impact on the amounts recognised in the financial statements.

***Estimates***

Discussed below are key assumptions concerning the future, and other key sources of estimation at the reporting date, that have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**Recoverability of trade receivables**

Trade receivables are reflected net of an estimated provision for impairment losses. This provision considers the past payment history and the length of time that the debt has remained unpaid.

***New standards, interpretations and amendments not yet effective***

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- *IFRS 16: Leases* – Effective for annual reporting periods beginning on or after 1 January 2019.
- *IFRS 9: Financial Instruments* – Effective for annual reporting periods beginning on or after 1 January 2018, with early application permitted.
- *IFRS 15: Revenue from Contracts with Customers* – Effective for annual reporting periods beginning on or after 1 January 2017, with early application permitted.
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *IAS 12: Recognition of deferred tax assets for unrealised losses* – Effective for annual reporting periods beginning on or after 1 January 2017.
- *Amendments to IAS 1: Disclosure Initiative* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *Amendments to IAS 27: Equity Method in Separate Financial Statements* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *Amendments to IFRSs: Annual Improvements to IFRSs 2012-2012 Cycle* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.
- *Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception* – Effective for annual reporting periods beginning on or after 1 January 2016, with early application permitted.

The company has considered the impact of the above standards and revisions and has concluded that they will not have a material impact on the Group's financial statements.

***Going concern***

The Company had net assets of £86,422,000 (2014: £78,006,000) and net current assets of £33,722,000 (2014: £25,306,000) as at each year end.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. As part of the normal management process, detailed projections of future trading are prepared, which includes the impact for possible changes in market or regulatory conditions. Based on these projections the Board remains positive about the Company's short and medium term prospects.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Strategic Report, Directors' report and financial statements.

***Employee share schemes***
The share option plans allow employees of the Group to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

***Impairment***
The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2. Investments
The Company has the following investments in subsidiaries:

| Name of subsidiary | Country of Incorporation and principal place of business | Class of shares held | Principal activity | Ownership 2015 | Ownership 2014 |
|---|---|---|---|---|---|
| Consumer Champion Group Limited | United Kingdom | Ordinary | Holding company | **100%** | 100% |
| Bush & Company Rehabilitation Limited | United Kingdom | Ordinary | Critical care services | **100%** | – |
| Fitzalan Partners Ltd | United Kingdom | Ordinary | Agency services for solicitors | **100%** | – |
| NAH Holdings Limited | United Kingdom | Ordinary | Holding company | **100%** | 100% |
| NAHL Group Limited | United Kingdom | Ordinary | Holding company | **100%** | 100% |
| National Accident Helpline Limited | United Kingdom | Ordinary | Agency services for solicitors | **100%** | 100% |
| Lawyers Agency Services Limited | United Kingdom | Ordinary | Non-trading | **100%** | 100% |
| Accident Helpline Limited | United Kingdom | Ordinary | Dormant | **100%** | 100% |
| NAH Support Services Limited | United Kingdom | Ordinary | Dormant | **100%** | 100% |
| Tiger Claims Limited | United Kingdom | Ordinary | Dormant | **100%** | 100% |
| Your Law Limited | United Kingdom | Ordinary | Dormant | **100%** | 100% |
| NAH Legal Services Limited | United Kingdom | Ordinary | Dormant | **100%** | 100% |

At 31 December 2015 the value of the investment in Consumer Champion Group Limited, its only directly owned subsidiary was as follows:

***Valuation***

| | Total £000 |
|---|---|
| At 1 January 2015 | 52,700 |
| **At 31 December 2014** | **52,700** |

## 3. Trade and other receivables

| | 2015 £000 | 2014 £000 |
|---|---|---|
| Amounts due from Group undertakings | **33,722** | 25,306 |
| | **33,722** | 25,306 |

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### 4. Financial instruments
The Company has taken an exemption from the requirement to prepare a financial instruments note on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. The amounts owed by group undertakings have not been included within the consolidated financial statements and have been considered below.

***Amounts owed by group undertakings***
The fair value of amounts owed by group undertakings are estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Management believe there are no risks arising from these financial instruments on the grounds that the amounts are payable on demand and no interest is charged to group undertakings. The Board reviews and agrees policies for managing these risks. There have been no substantive changes in the Company's exposure to financial instrument risks or its objectives, policies and processes for managing and measuring those risks during the periods in this report unless otherwise stated.

| | Fair value hierarchy | Carrying amount 2015 £000 | Fair value 2015 £000 | Carrying amount 2014 £000 | Fair value 2014 £000 |
|---|---|---|---|---|---|
| Amounts due from Group undertakings | | **33,722** | **33,722** | 25,306 | 25,306 |
| **Total financial assets** | | **33,722** | **33,722** | 25,306 | 25,306 |

***Fair value hierarchy***
IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1 – inputs are quoted prices in active markets
Level 2 – a valuation that uses observable inputs for the asset of liability other than quoted prices in active markets
Level 3 – a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

### 5. Share Capital

| | 2015 | 2014 |
|---|---|---|
| **Number of shares** | | |
| 'A' ordinary shares of £0.0025 each | **45,265,000** | 41,150,000 |
| | **45,265,000** | 41,150,000 |

| | £000 | £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 45,265,000 (2014: 41,150,000) 'A' ordinary shares of £0.0025 each | **113** | 103 |
| | **113** | 103 |
| Shares classified in equity | **113** | 103 |
| | **113** | 103 |

### 6. Share based payments
The Company operates 3 employee share plans as follows:

***SAYE plan***
The SAYE plan is available to all employees. Options may be satisfied by newly issued Ordinary Shares, Ordinary Shares purchased in the market by an employees' trust or by the transfer of Ordinary Shares held in treasury.

***EMI Scheme***
The EMI Plan provides for the grant, to selected employees of the Group, of rights to acquire (whether by subscription or market purchase) Ordinary Shares in the Company ("Options"). Options may be granted as tax-favoured enterprise management incentive options ("EMI Options") or non-tax favoured Options.

***LTIP***
The LTIP will enable selected employees (including Executive Directors) to be granted awards in respect of Ordinary Shares. Awards may be granted in the form of nil or nominal cost options to acquire Ordinary Shares; or contingent rights to receive Ordinary Shares. Awards may be satisfied by newly issued Ordinary Shares, Ordinary Shares purchased in the market by an employees' trust or by the transfer of Ordinary Shares held in treasury.

The terms and conditions of grants of share options to employees of the Group, in the shares of NAHL Group plc are as follows:

| Grant date/employees entitled/nature of scheme | Number of instruments | Vesting conditions | Contractual life of options |
|---|---|---|---|
| SAYE Equity-settled award to 56 employees granted by the parent company on 29 May 2014 | 270,448 ordinary shares | Performance based | Third anniversary of Date of Grant |
| LTIP Equity-settled award to 4 employees granted by the parent company on 29 May 2014 | 790,004 ordinary shares | Performance based | Third anniversary of Date of Grant |
| EMI Equity-settled award to 9 employees granted by the parent company on 11 December 2014 | 899,996 ordinary shares | Performance based | Announcement of 2016 results |
| EMI Equity-settled award to 3 employees granted by the parent company on 13 April 2015 | 403,668 ordinary shares | Performance based | Third anniversary of Date of Grant |
| EMI Equity-settled award to 9 employees granted by the parent company on 9 October 2015 | 185,299 ordinary shares | Performance based | Third anniversary of Date of Grant |
| EMI Equity-settled award to 1 employee granted by the parent company on 2 December 2015 | 120,689 ordinary shares | Performance based | Third anniversary of Date of Grant |

The number and weighted average exercise prices of share options are as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Weighted average exercise price £** | **Number of options No.** | Weighted average exercise price £ | Number of options No. |
| Outstanding at the beginning of the year | **1.13** | **1,939,748** | 6.66 | 16,356 |
| Exercised during the year | **–** | **–** | (6.66) | (16,356) |
| Granted during the year | **3.59** | **709,656** | 1.13 | 1,960,448 |
| Forfeited during the year | **(1.60)** | **(27,562)** | (1.60) | (20,700) |
| Outstanding at the end of the year | **1.69** | **2,621,842** | 1.13 | 1,939,748 |
| Exercisable at the end of the year | **–** | **–** | – | – |

A charge of £833,000 (2014: £288,000) has been made through profit and loss in the current year. This amount has been recharged to the subsidiary companies and as such no cost has been recognised within the company.

The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% (2014: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of 1.0% (2014: 1.0%). Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

Expected volatility has been based on evaluation of historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

## 7. Commitments

***Capital commitments***

At 31 December 2015 the Company had no capital commitments (2014: £nil).

## 8. Transactions with owners, recorded directly in equity

On the 29 May 2014, NAHL Group plc was admitted to trading on AIM. The steps required to complete this admission have been included within the condensed consolidated statement of changes in equity and have been further explained below:

***Issue of deferred share***

A deferred share was issued at a premium resulting in the transfer of £50,000,000 from the merger reserve to share premium. NAHL Group plc declared a bonus issue of a single deferred share of £0.0001 (a "Deferred Share") with a share premium £50,000,000. This transaction resulted in £50,000,000 of the merger reserve being transferred to the share premium account split pro rata between the different classes of shares.

***Disposal of assets held for sale***

The market value of the group of companies, headed by Seebeck 62 Limited, classified as held for sale was calculated as being £1,500,000 by the directors of the Company. On the 15 May 2014, Seebeck 62 Limited was then demerged via a capital reduction of this value to the share premium account. A same day registration of the reduction of capital at Companies House has been made. Further details of the demerger can be seen in note 3.

***Issue of new ordinary shares***

On the 29 of May 2014, 1,150,000 new ordinary shares with a par value of £0.0025 were issued. These raised an additional £2,300,000 funds for the Company. The fees relating to this transaction totalled £1,436,000. These costs have been charged as a reduction to share premium resulting in a net increase to share premium of £861,000 and share capital of £3,000.

## 8. Transactions with owners, recorded directly in equity continued

***Other transactions with owners***

Included within other transactions with owners are the following transactions resulting in a net impact of £45,000:

- Share capital has been reduced by £131,000. This is the result of £172,000 reduction in the par value of existing shares and the bonus issue of F shares increasing share capital by £41,000. The bonus issue occurred prior to merger where Consumer Champion Group Limited declared a 99 for 1 F share bonus issue to all shareholders using distributable reserves. There was then an F share 1 for 100 consolidation.
- Acquisition accounting for the purchase also resulted in the removal of interest in own shares of £14,000.
- Share premium has been increased to allow the £172,000 reduction in the par value of shares set off by the removal of £100,000 existing share premium as part of the acquisition accounting.

On 18 June 2015, NAHL Group plc carried out a capital reduction exercise. The steps required to complete the capital reduction have been included within the consolidated statement of changes in equity and have been further explained below:

***Bonus issue of Capital reduction shares***

The amount standing to the credit of the Company's merger reserve in the sum of £16,928,000 was capitalised by way of a bonus issue of newly created Capital Reduction Shares with a nominal value of £0.41 each.

***Capital reduction shares cancelled***

The newly created Capital Reduction Shares were cancelled; the amount standing to the credit of the Company's share capital account in the sum of £16,928,000 was cancelled and recognised in retained earnings.

***Capital reduction***

The amount standing to the credit of Company's share premium account in the sum of £49,532,649 was cancelled in full and the amount was recognised in retained earnings.

Following the approval by the company's shareholders of the resolutions in the Capital Reduction and the subsequent approval by the Court, the company's distributable reserves were increased by £66,461,000.

***Issue of new ordinary shares***

On the 14 of October 2014, 4,115,000 new ordinary shares with a par value of £0.0025 were issued. These raised an additional £14,608,250 funds for the Company. The fees relating to this transaction totalled £336,600. These costs have been charged as a reduction to share premium resulting in a net increase to share premium of £14,261,363 and share capital of £10,287.

## 9. Related parties

***Transactions with key management personnel***

Key management personnel in situ at the 31 December 2015 and their immediate relatives control 4.8 per cent (2014: 13.7 per cent) of the voting shares of the Company.

Key management personnel are considered to be the directors of the Company as well as those of National Accident Helpline Limited, Fitzalan Partners Limited and Bush & Company Rehabilitation Limited and any other management serving as part of the Executive team. Detailed below is the total value of transactions with these individuals.

| | **2015 £000** | 2014 £000 |
|---|---|---|
| Short term employment benefits | **1,794** | 2,307 |
| Termination benefits | **–** | 150 |
| | **1,794** | 2,457 |

On the 15 May 2014 PPI Claimline Limited (PPI), a previously 100% owned subsidiary, was sold. As a result of the directors of NAHL Group plc continuing to own shares in PPI it is considered to be a related party. Transactions with PPI since the disposal were invoices for services provided by Consumer Champion Group Limited for IT related solutions totalling £2,366. At the 31 December 2014 £360 remained outstanding. During the year ended 31 December 2015 there were no transactions with PPI and the amount outstanding as at 31 December 2015 was £nil.

# Advisors

**Company registration number:**
08996352

**Auditors:**
KPMG LLP
Altius House
One North Fourth Street
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MK9 1NE

**Solicitors to the Company:**
Pinsent Masons LLP
3 Colmore Circus
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B4 6BH

Osborne Clark
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

**Bankers:**
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Birmingham Financial Solutions Centre
Temple Point
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B2 5YB

**NOMAD:**
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EC2V 7QP

**Company Registrars:**
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Beckenham
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BR3 4TU

**Financial PR:**
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200 Aldersgate
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London
EC1A 4HD

# Glossary

| | |
|---|---|
| **After The Event Insurance** | An insurance product offered to consumers through Allianz to insure any compensation when the claim is settled |
| **Allianz** | National Accident Helpline's insurance partner providing After The Event insurance |
| **APIL** | Association of Personal Injury Lawyers |
| **ATE** | After The Event |
| **AvMA** | Action against Medical Accidents |
| **Bush** | Bush & Company Rehabilitation |
| **BVC** | Best Value Conveyancing |
| **CGU** | Cash Generating Unit |
| **CLS** | Consumer Legal Services |
| **CMCs** | Claims Management Companies |
| **CMRU** | Claims Management Regulation Unit |
| **CODM** | Chief Operating Decision Maker |
| **CQC** | Care Quality Commission |
| **CRU** | Compensation Recovery Unit |
| **EPS** | Earnings Per Share |
| **ETR** | Effective Tax Rate |
| **Fitzalan** | Fitzalan Partners |
| **Group** | NAHL Group plc |
| **LASPO** | Legal Aid, Sentencing and Punishment of Offenders Act 2012 (enacted 1 April 2013) |
| **IiP** | Investors in People |
| **LSA** | Legal Service Advisor – fully trained employees within National Accident Helpline's contact centre taking calls from consumers to assist with their claim |
| **MASS** | Motor Accident Solicitors Society |
| **Multi-track** | Claims over £25,000 or complex points of law/evidence. |
| **NAH** | National Accident Helpline |
| **Non-RTA** | Non-Road Traffic Accidents (includes employer, occupier and public liability) |
| **PI** | Personal Injury – an injury or illness suffered through no fault of an individual's own (for example, in a road accident, a slip, trip or fall, medical negligence, work accident or an industrial disease) |
| **PLF** | Panel Law Firm – a law firm selected to sit on our panel |
| **Post-LASPO** | After enactment of LASPO on 1 April 2013 |
| **Pre-LASPO** | Before enactment of LASPO on 1 April 2013 |
| **RTA** | Road Traffic Accidents |
| **SAYE** | The Save As You Earn share scheme that was introduced for employees on admission, giving them an opportunity to purchase shares in the Company at a discounted rate following a three-year savings period |
| **SPAR** | Solicitors Pre Auction Report |
| **SRA** | Solicitors Regulation Authority |

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