Creating value in consumer legal services

NAHL Group plc
Annual Report and Accounts 2016




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

National Accident Helpline

Bush & Company Rehabilitation

Fitzalan Partners

SearchesUK

Strategic Report

Governance

Financial Statements

Continued improvement in operating profit, leading to increased earnings per share and progressive dividend.

Financial

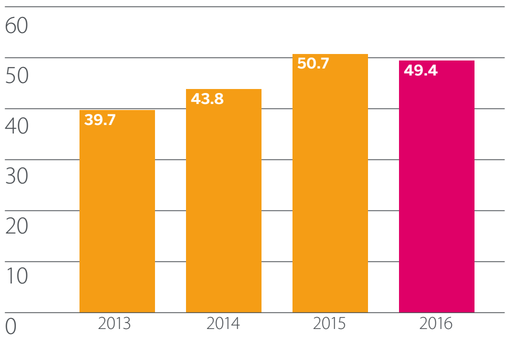
- Underlying revenue[1] declined 2.6% to £49.4m (2015: £50.7m)
- Underlying operating profit[2] up 15.1% to £18.0m (2015: £15.6m)
- Underlying operating profit margin increased by 5.6 percentage points to 36.4% (2015: 30.8%)
- Profit before tax increased 13.3% to £15.8m (2015: £14.0m)
- Cash generation of 79.7% (2015: 97.4%)
- Adjusted net debt[3] of £8.2m at year end (£8.3m at 31 December 2015)
- Basic earnings per share of 27.0p (2015: 25.6p)
- Recommended final dividend of 12.7p, increasing the total dividend for the year by 1.6% to 19.05p (2015: 18.75p).

Operational

- First full year as a more strategically diversified business operating in aligned legal services markets
- Continued focus on sourcing high quality enquiries in Personal Injury (PI) division
- Accelerated investment in PI cases under new commercial and structural arrangements in light of regulatory changes
- Strong contribution from Critical Care division which has continued to trade ahead of plan
- Solid revenue and profit growth in Residential Property division despite challenging market backdrop.

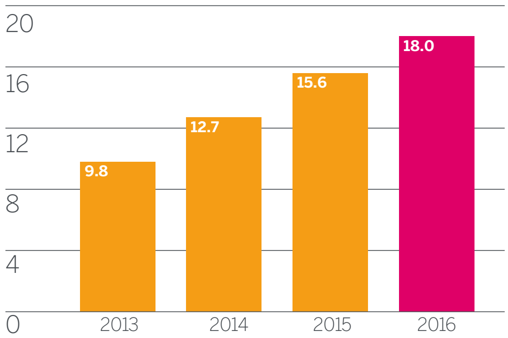
Underlying revenue £m

£49.4m -2.6%



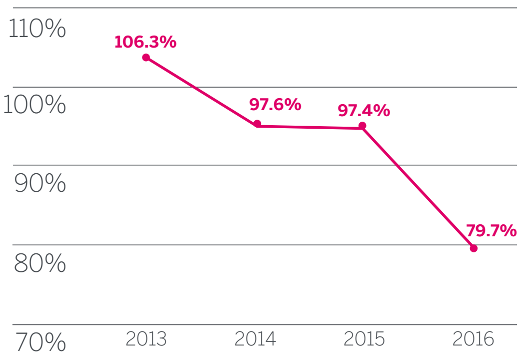
Underlying operating profit £m

£18.0m + 15.1%



Cash generation %

79.7%



1. Underlying revenue excludes any one-off items in relation to the pre-LASPO ATE liability.
2. Underlying operating profit excludes share-based payments, amortisation of intangible assets acquired on business combinations and one-off items.
3. Adjusted net debt comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre-LASPO product.

NB: Reconciliations of non-GAAP performance measures to GAAP performance measures are included in the following sections of this report: Underlying revenue to revenue and underlying operating profit to operating profit – statement of comprehensive income, underlying operating cashflow – Note 2 to the Financial Statements, adjusted net debt to net debt – CFO's Report. Non GAAP terms included in the table above and throughout the Strategic Report are defined in the glossary of terms on page 80.

Our Business

NAHL Group plc operates across three divisions in the UK Consumer Legal Services market.

At a glance

Personal Injury (National Accident Helpline)

Attracting consumers via its market leading brand, sympathetically validating the legitimacy of their claim and connecting them to an appropriate expert law firm.

Revenue
£30.0m

Underlying operating profit
£14.1m

Critical Care (Bush & Company Rehabilitation)

Market leading provider of Case Managers and Expert Witnesses to solicitors and insurance companies in support of serious and catastrophic injury victims.

Revenue
£10.4m

Underlying operating profit
£3.8m

Residential Property (Fitzalan Partners and Searches UK)

Utilising proprietary web-based platforms to target prospective home buyers and sellers in order to provide conveyancing, searches (via Searches UK) and survey services via a carefully selected panel of law firms, conveyancers and surveyors.

Revenue
£9.0m

Underlying operating profit
£1.4m

For information please see our Business Model on page 8.

Current staff	Care experts	Years' experience
186	**158**	**23**

Our Vision

To become the leading provider in our chosen consumer legal services markets by:

- creating trusted brands that enable consumers to access the law;
- forging strategic customer partnerships that create mutual value; and
- embracing developing technologies to reach and interact with our consumers and customers.

Our Mission

To provide exceptional service to our consumers and customers by being outstanding at everything we do.

Key milestones since flotation

Jan 2016 – **Acquired** Searches UK

Oct 2015 – **Acquired** Bush

Jul 2015 – **Acquired** Best Value Conveyancing

Feb 2015 – **Acquired** Fitzalan

May 2014 – **Floated** NAHL Group plc on AIM

Our Market

The Group operates in the large and highly fragmented Consumer Legal Services (CLS) market and is focused on Personal Injury (PI), (the largest of the CLS segments), Critical Care and Residential Property.

Personal Injury

The PI market in 2016, as in previous years, remained broadly flat at around one million claims. In 2015/16 the number of registered claims with the CRU marginally declined by 1.7%[1] and National Accident Helpline (NAH) market share remained stable at 5.0%[2].

According to the Solicitors Regulation Authority (SRA)[3], many of the 2,800 firms carrying out PI work are multi-disciplinary, with only 833 classed by the SRA as specialist PI law firms. The SRA also reports that 93 of those firms operate as an Alternative Business Structure (ABS) which they attribute to existing providers changing their business structures – in part to adapt to proposed reforms and changing consumer need.

Despite this, the SRA report that personal injury claims remain largely in the hands of traditional law firms with ten partners or fewer (98.1% of PI firms).

Of the total PI claims registered with the CRU 2015/16, the largest proportion (over 75.0%) remained in the area of Road Traffic Accidents (RTA) which saw a 1% increase over the 12 month period whilst all other claim types (except 'Liability not known') saw a decline. The significant decline in Employers Liability claims registered is likely to have been as a result of the reduction in Noise Inducing Hearing Loss (NIHL) claims.

According to the Health and Safety Executive, NIHL cases were at their lowest level in 2015 since 2006 [4].

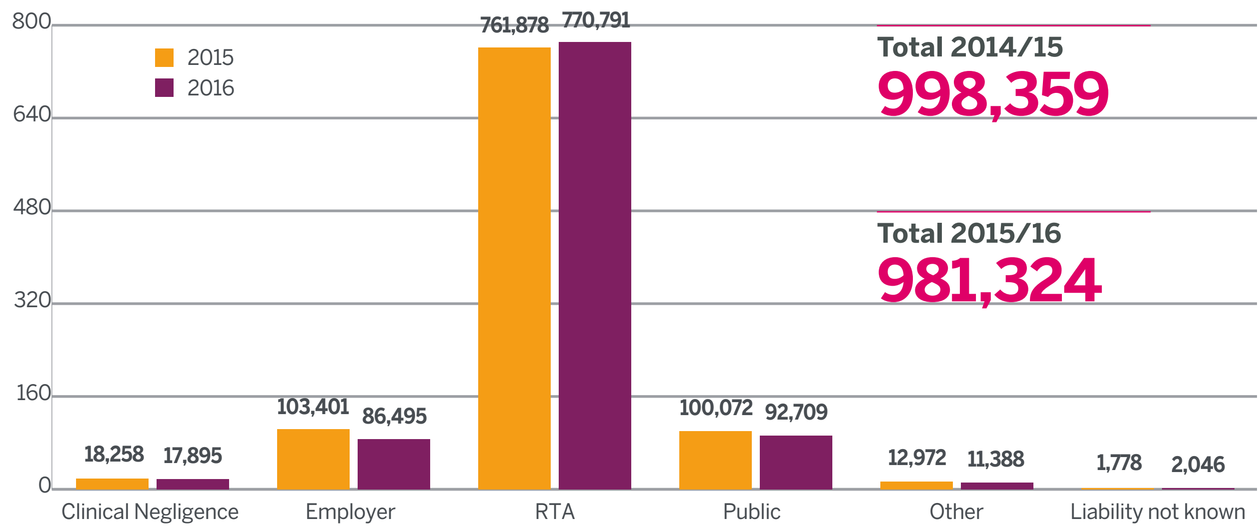
During the year, NAH's strategy was to deliberately reduce enquiry volumes as it focused on targeting high quality claim types which has proved a successful strategy in managing demand from both consumers and Panel Law Firms (PLFs).

The proposals outlined in the former Chancellors Autumn Statement in 2015 had an impact on the whole sector in 2016, with demand uncertainty throughout the year. NAH took the opportunity to develop and test new ideas, ready for the proposed reforms that will involve closer alignment with the claims processing cycle. See Strategy in Action – *Personal Injury* (pages 16 to 17).

This preparatory work was validated when the Ministry of Justice (MoJ) published its consultation on 17 November 2016, outlining its intention to reform whiplash claims and raise the small claims limit for all PI claims. The MoJ subsequently outlined its policy in response to the consultation in February 2017.

Although the final outcomes of the consultation were lower than had been proposed, the market will continue to be challenging as firms adapt their strategy to the new market realities.

Total number of cases registered to the CRU 2015/16 (April 2016)[5]



Critical Care

The serious and catastrophic injury market is a subset of PI and also highly fragmented with many small companies providing a local service. The sector is likely to see a change in behaviour emerge during 2017 as those small providers assess their 'exit' options and a trend in consolidation may begin.

Whilst this part of the market is insulated from PI reforms, there will undoubtedly be upward pressure on costs and commercial arrangements as law firms focus on maximising returns in higher value work. This will benefit those providers who can balance scale and efficiency with quality of delivery.

For claims above £500,000 the market is worth an estimated £86.2m[6], which would imply that Bush & Company (Bush) holds a share of approximately 12.1%.

The market for claims above £250,000 remains significant and continues to present future opportunities for the division.

Residential Property

The Residential Property market saw some significant challenges in 2016. During quarter one, changes to Stamp Duty for second homes on 1 April meant an increase in activity followed by a reduction in transactions of 15%[7].

This was later followed by the EU Referendum outcome resulting in some Estate Agencies reporting significant reductions in customer traffic as people delayed or deferred making a property purchase.

According to Acumen Conveyancing Market Tracker using data from the Land Registry, in 2016 the number of conveyancing firms in England and Wales rose by 4% to 5,572[8] and property transactions (over £40,000) were in excess of 1.2m[9].

Whilst some recovery in transaction volumes is anticipated into 2017, it is as yet difficult to predict when volumes will return to normal levels. The Residential Property division's strategy of broadening its range of service offerings will mean it is well placed to benefit from any recovery in the market.

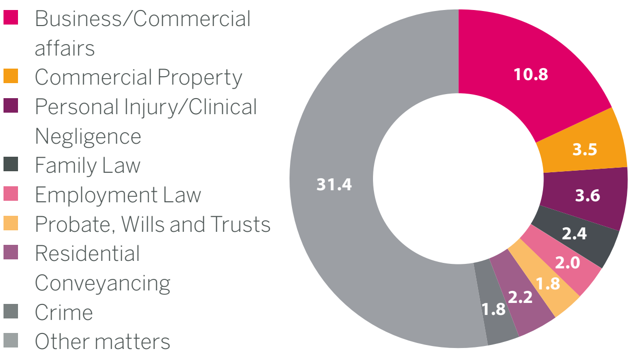
Consumer Legal Services

The Group operates within the highly fragmented Consumer Legal Services (CLS) sector where consumer confusion around legal processes and how to access services remains high. This is further compounded by media commentary regarding changes within the markets we operate in (PI reforms, EU Referendum, Stamp Duty for example), and it is unsurprising that consumers often struggle to establish which provider is the right choice for their particular legal issue.

The rapid pace of change in the CLS sector means that now, more than ever, consumers need clarity and guidance and the legal sector needs trusted, knowledgeable partners to work alongside. The sector is developing fast, the way in which consumers access legal services is changing and the pace at which the market needs to adapt and innovate is increasing. The Group has been at the forefront of these changes and is ideally positioned to support consumers and customers as the market evolves.

Our three divisions focus on the PI and Residential Property markets within CLS. These markets are valued at £5.8bn[10].

Estimated legal turnover by type of work (£bn) 2016[11]



1 Number of cases registered to the CRU 2015/16 as at April 2016.
2 Management estimates as at March 2016.
3 An Assessment of the Market for Personal Injury (PI), p15–17, SRA – October 2016.
4 Noise-Induced Hearing Loss (NIHL) in Great Britain – http://www.hse.gov.uk/Statistics/causdis/deafness/index.htm.
5 Number of cases registered to the CRU 2015/16 April 2016.
6 Estimated at a growth rate of 1.4% p.a. from NAHL Group plc commissioned research, October 2015.
7 Land Registry Data – December 2016.
8. UK Legal Services Market Report, March 2017
9. HMRC UK Property Transaction Statistics, February 2017
10. IRN Research / Office of National Statistics, February 2017
11. IRN Research / Office of National Statistics, February 2017

The Group has experienced both growth and considerable challenge during 2016 and delivered a strong performance overall.

Steve Halbert
Chairman

I am pleased to report the Group's results for the year ended 31 December 2016.

Summary of Financial Performance
The Group has performed in line with expectations. Underlying revenue was broadly flat at £49.4m (2015: £50.7m), but we were successful in delivering a 15.1% increase in underlying operating profit to £18.0m (2015: £15.6m), and profit before tax up 13.3% to £15.8m (2015: £14.0m), after a net charge of £1.8m (2015: £1.5m) relating to share-based payments, amortisation of intangible assets and a surplus from one-off items. Earnings per share increased 5.5% to 27.0p (2015: 25.6p).

One-off items comprise two main elements. In anticipation of regulatory changes in our PI division during 2017 and 2018, the Board is making an exceptional investment of £1.7m to ensure its brand positioning and processes are aligned to the new regulatory environment. £0.5m of this investment has been incurred in 2016, with the remainder planned for 2017. This charge is offset by an exceptional credit of £1.2m related to the revision of the liability for cases covered by pre-LASPO ATE insurance, for the period prior to March 2013.

In January 2016, the Group acquired Searches UK (Searches), a conveyancing search provider, for £2.1m, settled in cash. This acquisition has traded to plan and contributed £5.4m revenue and £0.6m operating profit.

Division Review – Personal Injury
NAH has faced challenging market conditions during 2016, as a consequence of the long awaited consultation on the announcement made in November 2015 of, inter alia, proposals to restrict consumers' eligibility for compensation for low value whiplash injury, along with proposals to transfer certain PI claims of up to £5,000 to the small claims track.

Ahead of these potential changes in the final quarter of 2016 and working in close collaboration with some of our larger PLFs, NAH commenced a trial of a small proportion of enquiries through different commercial and structural arrangements to those it normally deploys. This involves NAH playing a more proactive role in the conduct and financing of a PI case.

In February 2017 the Ministry of Justice (MoJ) responded to the consultation as part of the introduction of the Prisons and Courts Bill, with RTA claims up to £5,000 and non-RTA claims of up to £2,000 being dealt with in the small claims track, scheduled for implementation in October 2018. We estimate that less than 30% of our enquiries are impacted by these proposals, although there will be wider implications for the sector with a number of law firms either withdrawing from PI or taking a more cautious approach to balance sheet management and case investment.

As announced in December 2016, we are committing further investment during 2017 resulting in a deferment of profit and cash flow, which will be realised in the future as cases settle. We plan that this will be a continuing feature of NAH's business. It is our intention to increase our investment in marketing to create additional enquiry volume so that these new arrangements run alongside our existing panel strategy.

The Group has been planning for these changes since the initial proposals were announced. Whilst there is no doubt there will be some uncertainty in the short to medium-term as all market participants reflect on the proposals, we are committed to maintaining both our market leading position and our relationship with our PLFs. The Board remains encouraged about the medium and long-term opportunity that the new regulatory environment will present to our PI division.

NAH's results in 2016 reflect a creditable trading performance in difficult circumstances. Significantly lower marketing spend delivered reduced but cost-effective enquiry volumes, blended to the higher value categories our PLFs prefer. Revenue in 2016 was £30.0m, down 33.4%, whilst operating profit, was £14.1m, down 9.1%.

Division Review – Critical Care

The Group's Critical Care division has performed strongly and is trading ahead of plan. Revenue of £10.4m has delivered operating profit of £3.8m. The investments we made in management and business development are progressing well.

The core Critical Care proposition, namely immediate needs assessment and case management services in catastrophic and serious injury cases, is attractive to our clients and sits well with the Group's ethical philosophy and services to law firms.

Division Review – Residential Property

The Group's Residential Property division has performed well delivering good growth in revenue and operating profit, up respectively 156.1% to £9.0m and 68.6% to £1.4m. However, the impact of taxation changes and the outcome of the EU Referendum resulted in reduced residential conveyancing volumes across the market which has meant the division has traded below management plans.

The lower margin reflects the nature of search work. In the second half, we did not experience the recovery in conveyancing volumes that we expected, although we did benefit from the integration of our conveyancing and search propositions to drive further value.

Balance Sheet and Final Dividend

The Group has historically converted operating profits into cash at over 95%. Strong cash conversion continues to be an important business focus. With the expected changes in government regulatory policy relating to PI, we have invested in 2016 in new commercial arrangements for case processing and financing. For 2016, we achieved operating cash generation of £14.3m, which represents an 79.7% conversion of operating profit into cash (2015: 97.4%). The second half of the year saw a conversion of 66.4% reflecting the increased investment necessary for funding cases.

Our balance sheet remains strong and at the year-end, we had adjusted net debt of £8.2m (2015: £8.3m).

The Board proposes, subject to approval of shareholders at the Annual General Meeting to be held on 25 May 2017, a final dividend of 12.7p per share payable on 31 May 2017 to ordinary shareholders registered on 28 April 2017, making a total of 19.05p per share payable for the year. Going forward we intend to maintain our dividend policy of 1.5x cover.

Outlook

We have diversified our business proposition over the last two years and generated operating profits of £5.2m from Critical Care and Residential Property in 2016. We intend to continue to grow these businesses and will assess appropriate acquisition opportunities as they arise.

PI remains the largest part of our business, by revenue and profit. NAH's profits have contracted during 2016 for market driven reasons, and in 2017 we expect further contraction, primarily as a result of our changing business model. 2017 and 2018 will be years of transition.

We now know much of the scope of the regulatory change in PI, which is scheduled to take effect in Q4 2018. We have planned for these changes and have a clear strategy of how to develop our business model. In the short-term we will grow our volume, although profits recovery will lag because our emerging business models are based on a longer investment profile. However, we have the brand strength, market know how, leadership team and PLF relationships to deliver a market leading PI performance.

The Group has experienced both growth and considerable challenge during 2016 and delivered a strong performance overall. I would like to thank our employees for their continued excellent commitment to the Group.

Steve Halbert
Chairman

20 March 2017

NAHL Group plc creates value from services provided to the CLS sector. These provide a competitive advantage and can be divided into three main categories:

What we do

Attracting and retaining customers
National Accident Helpline (NAH), Fitzalan Partners (Fitzalan) and Searches UK (Searches) utilise brands and digital marketing to attract consumers from across the UK, assessing their needs and forwarding them to a suitably qualified PLF. Customers pay for these services either via commercial agreement for the supply of services (PI) or a fee per finalised instruction (Residential Property).

In Critical Care, attraction is achieved through an awareness of the clinical expertise, experience and reputation of Case Managers and Expert Witnesses who work on behalf of Bush & Company (Bush). Our national coverage enables us to provide services to both the claimant and defendant parties who require expert advice. The Expert Witness service receives a fee per finalised report while the Case Management service is paid on an ongoing basis dependent on the level of support provided.

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, after the event (ATE) insurance and surveys. We then receive a commission from the supplier for each of the products used.

Service delivery
Some services are provided directly to the consumer or to our legal customers. These include expert witness, immediate needs assessment and case management services provided by Bush and residential searches through Searches. In these instances revenue is earned once the service has been provided.

The combination of some of these services will also enable us to target new markets and B2B relationships with a comprehensive range of solutions.

What makes us different

Our ethics
The Group holds itself to the highest ethical standards. We are proud to do so and this approach has always been central to our values.

None of the Group's divisions cold calls consumers, setting us apart from others. This is entrenched in our Ethical Marketing Charter, which has one simple aim – to align the industry to the same ethical marketing standards.

A year after launch, the Charter has over 60 signatories and has backing from the Legal Ombudsman, the Association of Personal Injury Lawyers (APIL) and the Head of Claims Management Regulation within the Ministry of Justice.

Our values
Our values sit at the heart of everything we do across the Group and align our people and the decisions we make.

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.

Our brands
Our brands are key in attracting consumers – we are proud of the quality, trust and excellence they signify. Brand performance is tracked and measured to ensure competitiveness. Our brands are also vital in thought leadership – helping us to reinforce our extensive experience and opinion.

The NAH brand is the most trusted and searched for within PI, having connected two million consumers to expert legal support. Within Critical Care, the Bush brand represents 30 years of clinical independence and quality.

Leads Generated[2]

322,910

People supported[2]

113,871

Law firm relationships[2]

662

We work closely with our PLFs to ensure they adhere to our strict contractual provisions including our Customer Charter.

At Bush, our ethics are centred on clinical independence and objectivity. This independence ensures we act in the best interests of those requiring our services. The Company is a registered Domiciliary Care Service accredited with the Care Quality Commission (CQC).

The Group is also committed to the principals of the Modern Slavery Act 2016, which can be found on the Group website. You can also read it in full on page 39.

ethical
marketing charter

Core Group capabilities

Investment
We provide investment in our divisions to ensure they are best placed to respond to consumer need, customer expectations and changing markets. In turn the success of these divisions add shareholder value and sustainability for the Group.

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.

Support and Expertise
We provide support and expertise to our divisions based on extensive functional experience gained across numerous sectors. Across the Group we also share finance, IT and HR support and expertise to ensure aligned process and the sharing of best practice.

Across the Residential Property sector, Fitzalan's five internet-based brands successfully target and attract homebuyers and sellers, representing simplicity in a complex market.

Our Trustpilot scores speak for themselves: NAH's score is currently 9.2 out of 10[1] with Fitzalan brands scoring an average of 8.5 out of 10. Bush uses independent surveys which show that 97.5% of legal firms would use our Expert Witnesses again and 96% of Case Management services users are satisfied with the company.

Governance
We ensure our divisions operate to the highest standards in their sector, holding them accountable for quality, performance, regulatory requirements and risk, through a corporate reporting Board structure and regular management meetings.

1: Brand Tracking and Google – February 2017
2: Management estimates as at February 2017

2016 was our first full year as a broader and more diversified business and the contribution from our acquisitions enabled us to report further profitable growth which endorses our strategic approach.

Overview
The performance of the Group was driven by solid full year contributions from all three operating divisions. The PI and Residential Property divisions have faced challenging market conditions that have impacted demand for our products and services, however, we have adjusted and adapted to these changes.

Outstanding service lies at the very core of our business alongside the provision of the highest quality products and services and a steadfast commitment to our ethical values that underpin our leadership position.

Russell Atkinson
Chief Executive Officer

Results

Despite challenging market conditions for two of our divisions, trading was in line with expectations. We are pleased to have delivered continuing underlying operating profit growth of 15.1% from underlying revenue of £49.4m (a decline of 2.6%).

The former Chancellor's Autumn Statement in November 2015 outlined a series of potential industry reforms leading to a period of instability and uncertainty in the wider PI market. Against that backdrop, NAH, the Group's PI division, continued its strategy of reducing volume and focusing on high quality enquiries. We had anticipated a period of demand uncertainty but the delay of almost a year in publishing the consultation meant that this was more pronounced than we had originally planned.

Our response was to reduce volumes by lowering TV advertising investment, thereby reducing the cost of enquiry acquisition. This approach, combined with a continued focus on quality, resulted in a controlled reduction in revenue which helped lead to sustainable margin improvements whilst simultaneously reducing the average cost of enquiries to our PLFs.

The first full year of trading for our Critical Care division saw returns on our investment in improved quality and a strengthened business development function. Market share grew as we further enhanced our leadership position and grew our service offering. The division traded well for the year and made an important contribution to the Group's overall results.

The Group's Residential Property business faced market disruption following taxation changes (Stamp Duty and Mortgage Interest Relief) in the buy-to-let market, followed by the uncertainty caused by the referendum result in June which impacted the volume of property transactions. However, the successful integration of Searches, acquired in January 2016, and further work to improve efficiency and enhance margin ensured profits from the division grew significantly year on year.

Market overview

The Group continues to operate in the large and highly fragmented consumer legal services (CLS) market and remains focused on PI, the largest of the CLS segments, and Residential Property.

The PI market remains at approximately one million claims per annum and is relatively stable with small year on year decreases across claim types. In part this is as a result of the reduction in investment in the market caused by regulatory uncertainty. The largest proportion of claims, over 75%, relates to road traffic accidents (RTA). RTA claims have historically always formed a smaller part of NAH's volume and NAH has continued to focus on broader claim types with particular strength in higher value non-RTA areas.

The Group's other PI related business, Bush & Company (Bush), provides services focused exclusively on the catastrophic injury segment of the PI market. This part of the market was valued in 2016 at c£86.2m which would imply an approximate share of 12.0%.

The Group's third business, Fitzalan Partners (Fitzalan), is focused on the Residential Property market which saw some significant challenges in 2016. Increases in Stamp Duty for second homes in April 2016 meant a short-term spike in activity. This, coupled with the pending changes in Mortgage Interest Relief in the buy-to-let market, together with uncertainty caused by the result of the EU Referendum held in June, resulted in a significant reduction in transactions throughout the remainder of 2016.

Regulatory developments

In February 2017 the Government published its response to the consultation it first announced in November 2015. Whilst, from a non-RTA perspective, these changes were lower than had been proposed, they still represent a fundamental change for the PI market as a whole which will lead to significant changes in the way many PI claims are processed.

The Board estimates that historically less than 30% of total enquiry volumes generated through our PI division will fall below the new thresholds and have to be processed through the small claims track. Our approach to processing these particular claims will require further refinement and a pricing adjustment for those claims that will be subject to lower settlements.

We remain in close contact with our Panel Law Firms (PLFs), as we have done since the regulatory changes were first proposed in 2015. The discussions we have had with them, as well as the results of the trials conducted on a proportion of our case volumes, lead us to conclude that we should continue with the strategic decision we took in 2016 to invest in a proportion of our enquiries through different commercial and structural arrangements to those we normally deploy.

This involves us playing a more proactive role in the entire conduct and financing of a PI case. We are committing further investment through 2017 resulting in a deferment of profit and cash flow, which will be realised in the future as cases settle. We plan that this will be a continuing feature of National Accident Helpline's business. The outcome of these initial trials has proved very encouraging and we are progressing these arrangements, which are being conducted with a number of the larger law firms in the PI market, into longer-term agreements.

Going forward we will have the flexibility to handle enquiries that we generate in a number of ways:

- Utilising our traditional panel model to provide services in support of generating and triaging enquiries
- Offering deferred enquiry payment terms to selected PLFs to support incremental volumes
- Investing in cases using Alternative Business Structures (ABS)

ABSs allow NAH to have an ownership interest in a company providing legal services. This enables the Group to enter into a form of joint venture arrangement with a law firm to fund that venture and take a share of profit from work processed by the ABS.

As previously announced, given the increased investment necessary for funding cases, an element of profits will not be recognised upfront and some of the cash will not be received until cases are settled. Both profits and cash under the ABS will normalise over time as cases settle. Average case settlement times are around 18 months and when the growth we expect in volumes is taken into consideration, we anticipate that it will take some time to reach maturity for both profits and cash under this new arrangement. Along with a short term impact on operating profit, cash generation is likely to significantly reduce in 2017 and 2018 before returning to levels previously achieved.

The deployment of these structures will allow us to manage the forthcoming period of demand uncertainty whilst enabling us to grow market share through brand investment and optimise our returns.

Brand

The Group's brands continue to be a core asset. NAH remains the leading brand in PI and continues to have market leading metrics for trust, search and click through. During 2016 we reduced investment in TV advertising and focused more heavily on digital media as we sought to improve cost efficiency in a market showing reduced demand.

The work we have undertaken in preparing the business for the forthcoming regulatory changes enables us to build on our brand to grow market share going forward. We are making an exceptional investment of c£1.0m during 2017 to ensure our brand positioning is aligned to the requirements of the new regulatory environment. This brand relaunch will be supported by further investment in our digital platform which we launched in 2016 and allows consumers to interact directly with us online. This approach will become increasingly important in future years to optimise cost in the claims process and prepare for forthcoming developments in online courts which are a stated priority for Government.

Bush has built its brand reputation on clinical independence and quality. During 2016 we increased our investment in the brand by enhancing public relations activity, upgrading our activity on social media, and continuing our thought leadership programme – including our highly successful annual clinical conference. The strong results for the division are testament to the success of these activities.

In Residential Property our main internet brands, Homeward Legal, Fridays Move, InDeed and Surveyor Local have been supplemented by our launch of Capital Conveyancing which further underpins our strategy of highly focused organic search propositions.

Our 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.

Customers

The Group serves over 660 law firms in its chosen markets. This covers claimant, defendant and conveyancing law firms as well as a range of licensed conveyancers, surveyors and third party providers. This broad customer base opens further opportunities to support our markets with a wider product range and build our expertise through our close commercial relationships.

Our PI panel has evolved during the year as we continue to focus on strategic relationships with key volume players and trial new and innovative commercial arrangements that enable us to navigate the changing market landscape. This evolution in our panel will continue throughout 2017 as firms choose how to react to the new regulatory environment.

In Critical Care we have continued to demonstrate our quality and clinical independence. Through investment in marketing and business development we have added new relationships that have contributed to growth in our market share.

The addition of Searches has broadened the customer base of our Residential Property division and we now support many more customers on a national basis.

Products and services

We have seen better attachment and broader use of our products by our PI firms, particularly in the area of ATE, as a result of our more focused panel strategy.

Critical Care already provides a mature and market leading service offering but we continue to review opportunities to develop this by expanding into adjacent markets.

Within Residential Property we have added a comprehensive portfolio of search products through our acquisition of Searches. In addition we have broadened our survey offering and continue to look at new opportunities.

Operations

The Group has four offices across the UK and operates two call centres from Kettering and London. They are quite distinct in nature serving a different customer base utilising different systems and staffed by different types of individuals.

As part of our PI business re-engineering we have been implementing a programme of digitising the consumer experience. This exciting and market leading initiative will enable us to remain at the forefront of the market and help us attract and retain a broader customer base.

Our Daventry office is the operational hub of Critical Care and we continue to invest in IT.

Our Residential Property division has introduced a new call routing technology which will enable us to respond to enquiries quicker and automate the lead management process.

Continued operational improvement lies at the heart of our ability to improve efficiency and during the year we appointed an experienced Head of IT to support the divisions.

People

Our people make us who we are and they are the cornerstone of our business success. We currently employ 186 staff across the group and remain committed to developing our teams. We operate to Investors in People (IiP) standards and have continued our management development programme seeing a number of the participant's secure new roles as a result of this initiative.

We have achieved a significant reduction in staff turnover from our PI call centre by introducing targeted loyalty bonuses and improving benefits provision using a series of low cost initiatives to enhance the offering to our staff.

We have strengthened the management team in our Critical Care division, through a combination of internal promotions and external recruitment and our Residential Property division has benefitted from the addition of new talent as a result of our acquisition of Searches.

Group and employee support enabled us to contribute £62,000 to our chosen charity, The Paul Bush Foundation Trust (PBFT) in 2016 which reflects the caring culture of our organisation and is a great example of living our values.

Outlook

The current market conditions, particularly in PI, remain challenging given the recent announcement regarding changes in compensation for RTA and the increases to the small claims limit.

As mentioned, we will be committing further investment during 2017 and beyond which will result in an element of profits and cash being returned over future years as cases settle. It is anticipated that such investment will be a continuing feature of NAH's business model but by following this strategy we will put ourselves in a strong position to react appropriately to changes and to grow market share.

Critical Care has an established leadership position but will continue to upgrade its business development efforts and expand its product range to provide a more comprehensive offering.

The Residential Property division's strategy of broadening its range of service offerings means it is well placed to benefit from recovery in the market and we look forward to the continued growth of this business.

We have prepared well for the year ahead and have reacted proactively by developing our people, processes and commercial structures to allow us to navigate the forthcoming changes.

I look forward to the challenges and opportunities ahead.

Russell Atkinson
Chief Executive Officer

20 March 2017

Our experience of adapting to change and maximising opportunities will ensure we are well placed to deliver against our growth strategy.

In each of our divisions, we provide the highest level of service 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

2016

In PI, deliberate steps were taken to focus on quality rather than volume as the division prepared for changes proposed by Government. Despite lower volume, we maintained our overall market share at 5.0%.

In Critical Care, the division grew market share by 2.1% in a market that, we estimate, grew by 1.4%.

In Residential Property we achieved strong growth despite a year of uncertainty and external challenges. This was, in part, due to a full year of trading at Fitzalan and the acquisition of Searches in January 2016.

2017

In PI, despite regulatory change, we envisage that our investment in our brand and marketing will translate into growth in market share. The ability to get closer to the claims process and the processing of cases will ensure stable and consistent share growth throughout the year.

Market share is anticipated to grow in both Critical Care and Residential Property through continued service and product development.

Two

Partnership development

2016

Developing partnerships has been a key focus for the Group and its divisions during the year.

In PI, the appointment of a new Partnerships Director and the introduction of new commercial arrangements has seen fewer, yet larger, relationships come to fruition with multiple, innovative commercial agreements to strengthen our position.

In Critical Care, the introduction of a Business Development Manager and an increase in Operations Managers enhancing quality and expanding expertise has seen existing partnerships strengthened and new business opportunities emerge.

In Residential Property, the acquisition of Searches has allowed the division to further support solicitor needs and strengthen partnerships with the searches offering whilst still reaching the Searches customer base of large and small solicitor firms and software houses.

These partnerships are important to our continued development and each division has specialist business development or partnership focused teams to drive this success.

2017

In PI, we will move closer to the claims processing journey via Alternative Business Structures (ABSs), outsourcing activities and innovative commercial relationships. In addition, the NAH Panel, which remains a key distribution channel, will continue to evolve towards a smaller number of efficient PI firms supported by a broader range of longer-term commercial structures.

In Critical Care and Residential Property, focused business development activities and the broadening of services will ensure an increase in revenue.

Three

Product and service development

2016
In PI, focus has been on responding to changing consumer behaviour and during the year the division introduced an innovative digitised claims process for those consumers who have a desire to begin their claim online. A new ATE insurance product was well received by consumers and PLFs alike.

In Critical Care, product development focused on understanding the needs of both solicitors and clients and developing improved reporting formats. Also the Employment Support Service saw a 70% increase in usage by clients during the year.

In Residential Property, Fitzalan launched a new proposition, The Solicitor Finder, for those who would like a comparison service when selecting a solicitor. Additionally, a new offering specifically aimed at the London market, called Capital Conveyancing, was launched.

2017
Regulatory change in the PI sector will present NAH with opportunities to develop its offering. Work on developing the brand to target specific consumer segments will also be a focus. Expanding the digital claims process will improve consumer experience and increase efficiency.

The Critical Care division will see Bush continue to move into the lower claims arena (claims valued at £250,000 - £500,000) and focus on the provision of reporting and a broader set of services, including fixed fee reports.

Enhanced digital marketing and a focus on expanding the end to end services for homebuyers and sellers with extended offerings will be the target for Residential Property in 2017.

Four

Targeted acquisitions

2016
2016 focus has been on consolidating our previous acquisitions and ensuring successful integration into the Group.

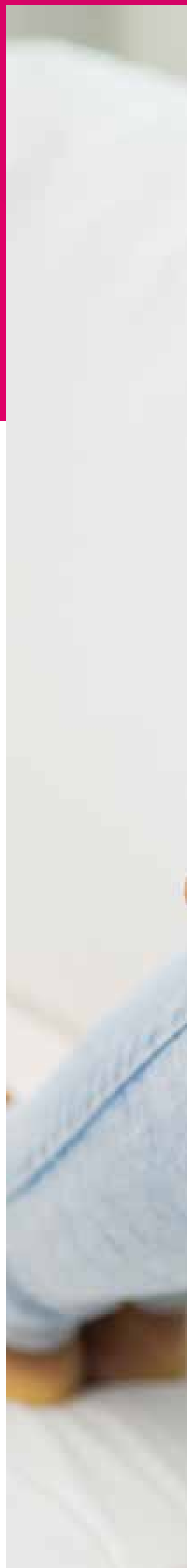
In January 2016, the Group acquired Searches. The acquisition has enhanced the profitability of the Residential Property division.

2017
The Group will be presented with opportunities within the CLS sector as the markets we operate in continue to consolidate.

Whilst we remain open to considering further opportunities for infill acquisitions, the primary focus will be investment in our core business to take advantage of the opportunities provided.

Personal Injury

NAH, the Group's PI division, prepares for change whilst strengthening the leadership team and its strategic partnerships.



Getting ready for change

2016 was a year of preparing for change at NAH; recognising that reforms and a changing market will re-shape the landscape of the PI sector once again. The division has a strong track record of navigating its way through regulatory changes and we remain confident in maintaining our position as the leading provider of access to justice for those seeking redress under the new regulatory regime.

The Executive team at NAH invested significant time and resources in planning and executing a new strategy for the division that will see them operate in the post-reform environment, in an even more progressive and dynamic way.

Developing strategic partnerships

Part of this focus included developing more strategic and deeper long-term relationships with medium to large PLFs. The sector will probably experience greater consolidation during 2017/18 and this strategic move by the division sees NAH aligned to the right PLFs with complementary strategies and end goals.

PLFs are a key distribution channel now and in the future and, as the market evolves, the division will continue to work closely with law firms and partners for mutually beneficial results.

"In 2016 Irwin Mitchell and National Accident Helpline have forged a close and mutually beneficial working relationship which ensures that each party benefits from quality enquiries, improved understanding and valuable Management Information (MI) to forecast and react to both the changing market and consumer needs."

Matt Currie, Irwin Mitchell

New business models

In response to the proposed regulatory reforms, the division has accelerated its plans to be more involved in processing its own cases. Its extensive experience, coupled with new innovative thinking, has seen the NAH team develop a modern and flexible approach to working with fewer, larger firms.

One such example of these new relationships will see the launch of new ABS joint ventures in 2017.

Investing in the consumer experience

The consumer has remained at the heart of NAH's preparations for change. As the needs of the people it serves continued to evolve, the division embarked on projects that saw investment made in the front-end consumer journey around new processes and technology.

In the last quarter of 2016 the division began the roll-out of an online claims assessment process to target consumers who have a genuine claim and a preference for an online experience.

Detailed design and development saw the team launch the new process without compromising on the supportive, empathetic service they provide over the telephone. This was achieved using intelligent questioning and language which ultimately provides reassurance for the consumer and high quality, fully qualified enquiries for the PLFs.

Achieving increased volumes through a targeted brand

The National Accident Helpline brand remains the most searched for and trusted PI brand in the sector[1] and as the division moves into 2017, its focus is firmly in investing in the brand and in developing new marketing initiatives with targeted approaches to different consumer and claim types. This will be further reinforced by expanding the marketing capabilities within the division and the addition of an experienced Marketing Director who joined in January 2017. See the Our People section on page 30.

2017 outlook

Whilst the proposed changes in regulation are likely to come into force during 2018, 2017 remains a critical year as we position ourselves to successfully negotiate the changing market. Continued investment in brand, people, technology and commercial relationships will be core to our success and provide the foundations for 2018 and beyond.

NAH achieved a Trustpilot rating of **9.2** out of 10 in 2016[1].

Mrs T from Lancashire won a case against her employer.

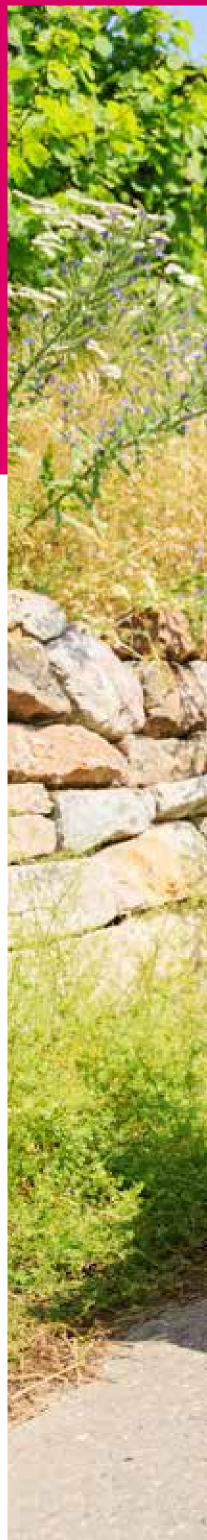
"I was attacked during the course of my duties at work. I was so shocked and upset I didn't know what to do. I wasn't sure if I could claim as it was against the employer and I was only working for them on a temporary basis. It all seemed so daunting. It was a very hard choice to make. Thankfully, a colleague recommended National Accident Helpline to me so I called them and they put me in contact with a no win no fee solicitor.

Initially, I wasn't sure if I had a claim. However, what happened to me had a huge impact on my life and I didn't want anyone else to go through what I had gone through. After having the law and 'no win no fee' explained to me I realised it was my right to make a claim – what happened to me was not my fault. I was entitled to receive compensation. After I received my compensation, I was able to make a few changes in my life which is helping me with my recovery. If I had been asked to pay any money up-front to the solicitor, there is no way I would have made a claim. I just could not have done it. I had no money to pay a solicitor."

1 Brand Tracking and Google – February 2017

Critical Care

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



Strengthening expertise

2016 saw investment at Bush in the expansion of expertise across the senior team introducing a new Managing Director and four new roles of Clinical Governance Director, Operations Director, Head of Expert Witness and Financial Controller. The new structure is a blend of long-standing, knowledgeable industry specialists with professionals who bring new perspectives and experience from complementary backgrounds.

In addition to strengthening senior level expertise, the division has reinforced its high quality reputation by growing the quality team and expanding the number of clinical leads who focus on relevant subject matter areas, e.g. safeguarding.

Service and product development

In 2016, Bush embarked on a strategy with a strong focus on service and product development, all centred on improving client outcomes and creating value for law firms.

The division saw a growth in demand across all sectors including a rise in pre-instruction enquiries as a result of focusing on customer relationships. In addition, the Employment Support Service (ESS) saw a 70% increase in usage. ESS is focused on those clients who need to employ support workers in their home and, through Bush, have access to a dedicated HR team to manage recruitment and training of such 'employees'.

By listening to the needs of customers, plans were initiated to bring an expansion to the range of Expert Witness reports offered as well as a broader range of formatting options. Further developments will see the division focus on Case Management services as the market continues to consolidate.

Evolving Management Information capabilities

Developments across the division are underpinned by MI, enabling the fine tuning of processes and efficiencies as well as providing data as a basis for steering decision making and creating efficiency.

During the year the division made investment in improving data collection and reporting across the business to support the delivery of key KPIs and outcomes for each service. IT capabilities were improved along with increased accountability and ownership.

Quality at the heart

Clinical Governance remained paramount to the running of every service and was further reinforced by the appointment of a Clinical Governance Director to play an instrumental role in quality standards as well as working on a number of business development projects from a quality standpoint.

The division remains governed by the CQC and is compliant with ISO 27001 – Information Governance and Business Continuity, as well as adhering to a number of industry specific standards and best practice as laid down by:

- Case Management Society of the UK
- British Association of Brain Injury Case Managers
- Vocational Rehabilitation Association
- United Kingdom Rehabilitation Council.

2017 Outlook

The market is evolving and pressures on costs and efficiencies driven by changes in lower value PI cases will continue to increase. Bush is well placed, due to its investment in people, process and quality, to enhance its leadership position in a consolidating market that requires efficiency and scale.

90
Case managers

68
Expert witnesses

30
Years delivering expert services

Making a difference

In 2016, Bush helped 1,763 injured people on their recovery journey.

Robbie's Story

Robbie was a 19 year old apprentice decorator when an horrific car accident left him unable to walk, drive or work. Robbie became depressed and felt isolated from other young people. He couldn't concentrate and had no motivation. He was unable to sleep and felt hopeless. He stopped socialising with his friends as he felt embarrassed and ashamed by the changes in his body.

Through physiotherapy and counselling, Robbie was able to begin to manage his limitations and he experienced improvements in his mobility – but his depression remained. The Bush vocational case manager, Sarah, encouraged Robbie to engage in vocational counselling to establish a new career path. Robbie was interested in personal training and fitness and, with the approval of his medical team it was agreed he could cope with the demands of a study programme and career as a personal trainer.

Robbie participated in an intensive residential Personal Training course, staying away from home with other young people to complete a highly structured course over a number of weeks. Sarah coordinated reasonable adjustments with the college to ensure Robbie could participate fully despite his physical limitations. The improvements were stark - Robbie began sleeping much better and he was soon socialising with the other students who were unconcerned by his physical limitations. His mood improved dramatically and he resumed regular daily exercise. Robbie emerged from his course, not only a qualified personal trainer but a changed young man. He went from being depressed, disengaged and demotivated to being a positive, healthy and active young man with his own personal training business.

NB: The names in this case study have been changed to protect identities.

Residential Property

Fitzalan has evolved in a year of external challenges and market pressures and, with its acquisition of Searches UK, now provides a broader product and services offering to the Residential Property sector.

Tailored products and services
In 2016, Fitzalan evolved its product and services offering, introducing new ways to target consumers, serve solicitors and create mutually beneficial partnerships within the residential property sector.

In January 2016, Fitzalan acquired Searches to harmonise solicitor and conveyancer relationships across both businesses, providing key growth opportunities. As a part of Fitzalan, Searches provides products and services to a range of law firms and software houses (those who provide case management services and systems to the legal sector).

The acquisition has proved successful for the division this year, creating scale efficiency, increasing the provision of services to Fitzalan's panel law firms and expanding the offering of risk-based products for consumers such as flood reports.

Capital Conveyancing was launched to specifically target homebuyers and sellers in London. It has a separate brand with the running of cases carried out under a new commercial arrangement with a processing partner. The new brand performed well during the year and the commercial structure has given the division greater access to the consumer journey and a wider understanding of the processing of these transactions, alongside greater continuity and ownership of the customer.

Additional services introduced throughout the year saw the division bring a comparison tool to the conveyancing sector. Despite this route to market being immature in conveyancing, The Solicitor Finder keeps Fitzalan positioned at the leading edge of changing consumer behaviour.

Towards the latter part of 2016, a new probate offering was introduced (Best Value Probate) to extend the offering around conveyancing instructions with probate involved. The division uses this brand to assist consumers with these emotional and sometimes complex processes, providing clarity and assurance.

Responding to change
As mentioned in *Our Market* (page 5), the residential property market suffered as a result of Stamp Duty increases in April 2016, the changes to mortgage interest relief and the EU Referendum outcome that occurred in the summer. These events had a significant impact, however, the division focused on tighter relationships with a smaller number of firms to create lasting partnerships.

In general, the online market has suffered in line with other property sectors. However, tight control of cost and a focus on margin helped the division. Fitzalan also responded to the changes and prepared for 2017 by focusing on building a broader home buyer and seller proposition outside of conveyancing and searches.

The plans will see the division provide consumers with access to a full range of services needed at the point of buying and selling a home and beyond, potentially including removals and utilities services.

2017 outlook
Despite the impact of external changes throughout the year, Fitzalan's 2017 strategy is focused on further growth and continuing to broaden its offering of products, services and expert targeting to attract new consumers.

Comprehensive and tailored provision

The residential property market saw some significant challenges in 2016. During quarter one changes to Stamp Duty on second homes on 1 April meant an increase in activity followed by a reduction in transactions of 15%.

This was later followed by the EU Referendum outcome resulting in some estate agencies reporting significant reductions in customer traffic as people delayed or deferred making property purchases. According to Acumen Conveyancing Market Tracker using data from the Land Registry, in 2016 the number of conveyancing firms in England and Wales rose by 4% to 5,572[1] and property transactions (over £40,000) were in excess of 1.2m[2].

Whilst some recovery in transaction volumes is anticipated into 2017, it is as yet difficult to predict when volumes will return to normal levels. The Residential Property division's strategy of broadening its range of service offerings will mean it is well placed to benefit from any recovery in the market.

Fitzalan Partners

95,000
Consumer contacts in 2016[3]

52,000
Consumers helped in 2016[3]

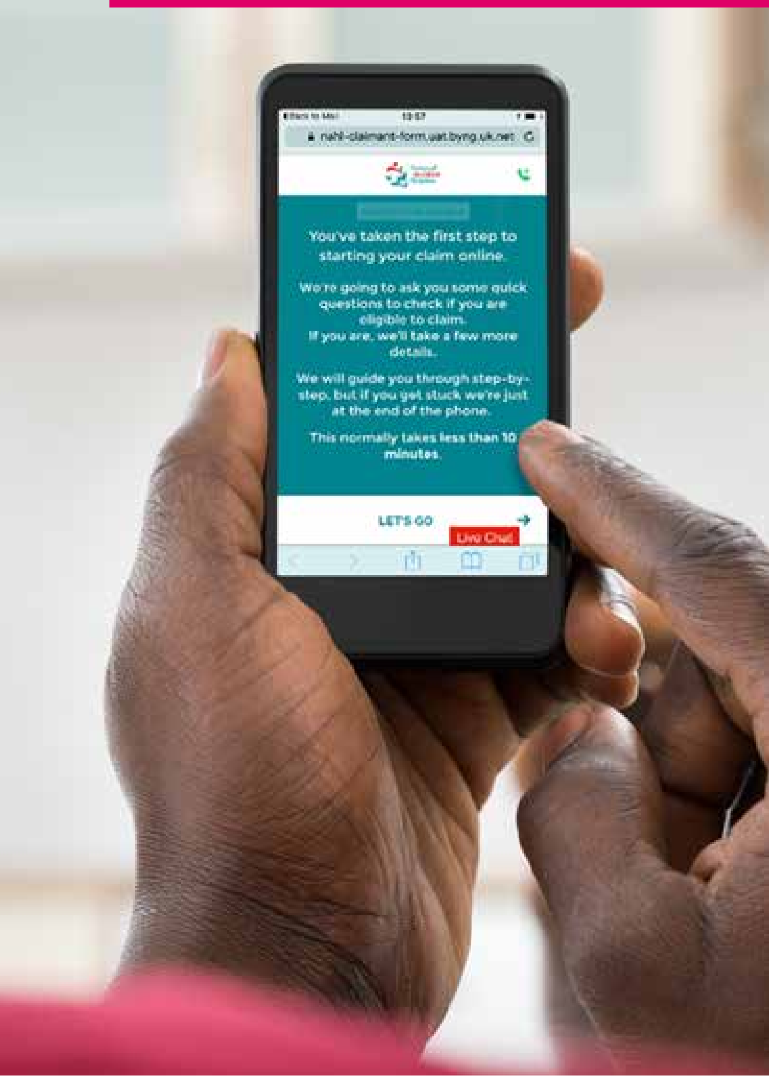
360
Solicitors and surveyors serviced in 2016[3]

1: UK Legal Services Market Report – March 2017
2: HMRC UK Property Transaction Statistics – February 2017
3: Management figures – February 2017

Thought leadership remains a critical part of the work across the Group.

With three established divisions, we are well placed to contribute to industry development and provide robust insight into key external changes and proposals.

All three divisions approach thought leadership in different ways but the commonality is that the consumer and customer remains at the heart of our business and we focus on a consistent set of values across the Group.



Leadership in Personal Injury

The Government's decision to raise the small claims limits for all personal injury claims (and not just whiplash cases) will have a significant impact on the capacity and functioning of the civil justice system. While NAH supports the objectives of these reforms to reduce spurious claims, it is important the implementation of these complex measures is managed smoothly to avoid negative consequences for legitimate claimants' access to justice. Therefore, we will continue our lobbying efforts with a view to ensuring:

- Implementation of all measures together as a package - securing a smooth transition and a reduced administrative burden on the civil justice system
- All reforms only apply to accidents on or after a specific date – providing clarity and fairness to claimants regarding recovery of costs
- Current structures are able to deal with increased litigants in person – providing accessibility to claimants pursuing their own cases
- Improved market standards – implementing the example NAH has shown and advocated for including banning cold calling
- Long-term certainty and clarity on the future of the small claims regime

The Ethical Marketing Charter, launched by NAH in 2015, now has over 60 signatories from across the personal injury and insurance sectors as well as parliamentary support.

The Charter stands firm against inappropriate and misleading advertising, the use of cold calling, spam texts and emails and unethical buying and selling of accident data. It asks the government to:

- ban claims management companies from cold calling people who are not registered with the Telephone Preference Service;
- prevent law firms from accepting leads generated through nuisance calls;
- clamp down on 'phoenixing' – where firms that have ceased trading resume under a different name; and
- give the Information Commissioner's Office and Direct Marketing Guidance legal backing.

ethical marketing charter

STOP NUISANCE CALLS

Setting the standard in Critical Care
Bush is heavily reliant on its reputation within the sector to drive business performance and delivery of its strategy and its standpoint is based on clinical independence and over 30 years of experience within the industry.

In 2016, its Clinical Governance Director, Karen Burgin, was appointed as Chair of Case Management Society UK which oversees standards and practices within the case management arena. Other key senior employees are on a number of forums including The Royal College of Nursing, the Nursing and Midwifery Council and the Association of Brain Injury Case Managers.

Senior Managers and employees at Bush are also active at industry events pertinent to the sector, such as the Association of Personal Injury Lawyers (APIL) conference and the Motor Association Solicitors Society (MASS) conference.

They also host their own annual conference focusing on topics such as clinical expertise, quality, standards and the future of the sector which is attended by over a hundred delegates from across the rehabilitation, critical care and legal industries.

In 2016, Bush appointed a PR firm to raise market profile and accelerate thought leadership activities within the sector and in 2017 this partnership will focus on creating the platform on which Bush helps to shape the sector and reinforce its reputation of quality, independence and clinical expertise.

Expert advice on residential property
Across Fitzalan and Searches, thought leadership is predominantly focused on building industry networks and providing commentary on key industry topics. During the year Fitzalan was visible through sponsorship, judging opportunities and as award nominees at the Moneyfacts Awards and the Conveyancing Awards.

Through Searches, the division owns its own trade publication (Conveyancing Focus), giving it a proactive profile within the industry. Commentary and opinion within the magazine focuses on regulatory changes, changing consumer behaviour and the challenges faced by solicitors with the aim of sharing knowledge and shaping the views of those within the property sector.

This expert advice is supplemented by running continuing professional development sessions in partnership with a number of industry experts, including Groundsure, Landmark, Legal Eye, DevAssist, St Giles and Lexsure, to ensure they are able to keep clients up to date and informed about the latest requirements and developments taking place in the conveyancing sector. Topics include mineral extraction and commercial reports.

The Group showed good growth in underlying operating profit with increased contribution from the Critical Care and Residential Property divisions.

The Group performed well in 2016 and benefited from a full year contribution from Fitzalan and Bush as well as a part year from the acquisition of Searches. As a result, underlying operating profit increased by 15.1% to £18.0m (2015: £15.6m).

With low levels of adjusted net debt and a robust balance sheet we are well placed to continue with a good annual dividend.

Steve Dolton
Chief Financial Officer

Financial results

	2016 £m	2015 £m
Underlying operating profit	**18.0**	15.6
Share based payments	**(1.1)**	(0.8)
Amortisation of intangible assets acquired on business combinations	**(1.3)**	(0.3)
One-off items	**0.6**	(0.4)
Total operating profit	**16.2**	14.1
Financial income	**–**	0.1
Financial expense	**(0.4)**	(0.2)
Profit before tax	**15.8**	14.0

Underlying operating profit before share based payments, amortisation of intangible assets acquired on business combinations and one-off items increased by £2.4m. The increase was driven by additional contributions from Critical Care, £3.8m operating profit (2015: £0.6m) and Residential Property, £1.4m operating profit (2015: £0.8m) offset by a decline in Personal Injury operating profit of £1.4m year on year.

Underlying revenue declined by 2.6% to £49.4m. This was mainly due to a decision to focus on a smaller number of higher value claims in our PI division which saw its revenue decline by 33.4% to £30.0m. However, with a full year of trading at Fitzalan and the acquisition of Searches, the Residential Property division saw its revenue increase by 156.1% to £9.0m. Similarly, a full year of trading at Bush saw the Critical Care revenue increase by 390.0% to £10.4m.

Our underlying gross margin percentage increased by 8.7 percentage points to 57.9% and with ongoing control of costs we have seen an improvement in our underlying return on sales to 36.4% (up from 30.8% in 2015).

After allowing for share based payments, amortisation of intangible assets acquired on business combinations, one-off costs and financial income and expense, the Group returned a profit before tax of £15.8m, a 13.3% increase on 2015.

Taxation

The Group's tax charge of £3.6m (2015: £3.2m) represents an effective tax rate of 22.6% (2015: 22.8%).

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 20 of the financial statements) which resulted in a Diluted EPS.

Basic EPS for the year was 27.0p (2015: 25.6p) and Diluted EPS was 26.5p (2015: 25.0p).

The Board has proposed a final dividend of 12.7p (2015: 12.5p) which, along with the interim dividend of 6.35p (2015: 6.25p) gives a total dividend of 19.05p which is an increase of 1.6% on 2015.

Operating cash generation

	2016 £m	2015 £m
Underlying operating profit	**18.0**	15.6
Depreciation and amortisation	**0.2**	0.2
Working capital movements	**(3.9)**	(0.6)
Net operating cash generated from operating activities	**14.3**	15.2
Net operating cash generated as a percentage of operating profits	**79.7%**	97.4%

Whilst overall operating cash generated as a percentage of operating profit decreased to 79.7% (2015: 97.4%) this still represents a good performance. The Group took the decision to fund certain cases in its PI division during the course of the second half of 2016 and this reduced the second half to 66.4% as compared to 93.7% for the first half. The level of operating cash generated is expected to reduce in future periods as the Group continues to invest in its cases in its new PI business model.

Balance sheet

	2016 £m	2015 £m
Net assets		
Goodwill and intangible assets	**68.8**	67.7
Adjusted net debt:		
Cash and cash equivalents	**4.8**	10.1
Borrowings	**(11.1)**	(14.8)
Other payables relating to discontinued pre-LASPO ATE product	**(1.9)**	(3.6)
Total adjusted net debt	**(8.2)**	(8.3)
Other net liabilities	**(0.8)**	(4.3)
Total net assets	**59.8**	55.1

The Group's net assets at 31 December 2016 increased by £4.7m to £59.8m (2015: £55.1m) which reflects the profits for the financial year, partially offset by dividends paid.

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

Goodwill and intangible assets
The Group's goodwill and intangible assets of £68.8m (2015: £67.7m) arise from the various business acquisitions undertaken by the Group. Each year the Board reviews the goodwill value for impairment and, as at 31 December 2016, whilst the Directors believe there are indicators of impairment, principally in relation to the PI division, they have concluded that goodwill is not impaired. Within the total is £8.5m of intangible assets (2015: £8.5m) and this relates largely to intangible assets identified on business combinations for items such as customer contracts, brands and IT related assets.

Adjusted net debt
The Group considers that its adjusted net debt comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre-LASPO ATE product. At 31 December 2016, adjusted net debt was £8.2m (2015: £8.3m).

Cash and cash equivalents
At 31 December 2016 the Group had £4.8m of cash and cash equivalents (2015: £10.1m). All of the Group's cash is held in its trading entities and the Group takes advantage of short-term deposit rates in maximising its interest returns.

Borrowings
At 31 December 2016 the Group had £11.1m of other interest-bearing loans and borrowings (2015: £14.8m). The current level of borrowings is due for repayment as follows:

Date due	£m
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 £11.1m 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.

The Group has an additional undrawn facility of £5.0m (2015: £5.0m) 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 2016 the Group had £1.9m of other payables relating to a legacy pre-LASPO ATE product (2015: £3.6m). This amount is payable to Allianz for previously received commissions when certain policies either fail or are abandoned. The liability is calculated using actuarial rates and during 2016 £1.25m was released to one-off items as a result of more favourable settlements during the year. The balance of £1.9m is likely to be repaid over the next three years.

Steve Dolton
Chief Financial Officer

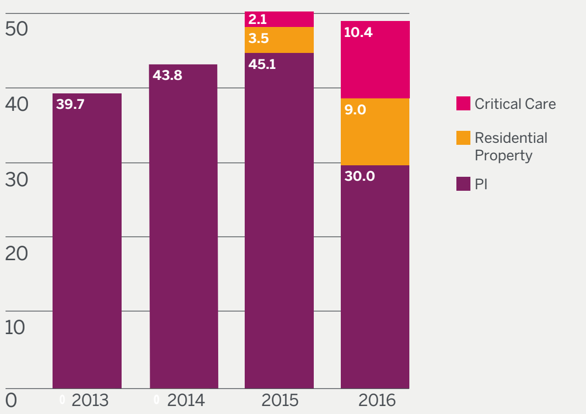
20 March 2017

Key performance indicators

Description

Group underlying revenue £m

£49.4m -2.6%



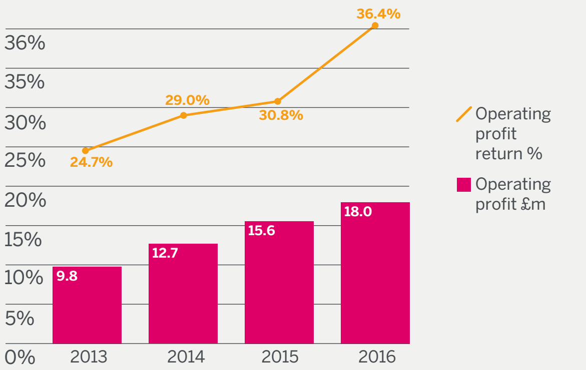
In PI, revenue is generated from PLFs paying for marketing and triage services for the supply of qualified enquiries. Revenue is also generated from commissions received from our product suppliers for each of the products used by the PLFs in progressing cases. Revenue decreased in 2016 as a result of the Group's decision to focus on a smaller number of higher value cases.

In Critical Care, revenue is generated from law firms and insurers for the provision of expert witness reports and case management support within the medico-legal framework for multi-track cases. Revenue increased in 2016 due to organic growth and a full year of trading at Bush.

In Residential Property, 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 sector. Revenue is also generated from the provision of conveyancing searches for solicitors and licensed conveyancers. Revenue increased in 2016 due to a full year of trading at Fitzalan and the acquisition of Searches.

Group underlying operating profit £m and operating profit return %

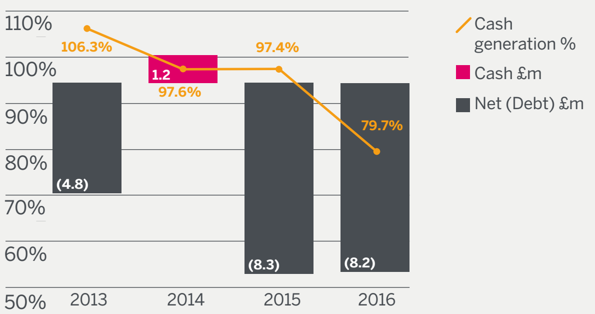
£18.0m +15.1%



Group underlying operating profit increased in 2016 due to increasing contributions from our Residential Property and Critical Care divisions through a full year of trading at Fitzalan and Bush and the acquisition of Searches. The overall operating profit return percentage has also increased as PI focused on higher value cases.

Adjusted net (debt)/cash £m and cash generation %

79.7%



The Group has continued to enjoy good operating cash generation in the year, albeit below previous years, as a result of the Group's decision to fund cases in the PI division. The overall level of net debt reduced by £0.1m in the year.

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 Government's announcement on the increase to the small claims limit and restrictions on compensation for soft tissue injuries in February 2017. In the event either the Group or its customers fail to, or are unable to, change their business models 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. 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. This model will be subject to continued review as to its appropriateness for current regulations.
Market and competition	The Group operates in a competitive market and whilst competitors continue to leave the market, the Group could still face competition from other consumer marketing businesses in the CLS 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 Residential Property and Critical Care divisions demonstrate the Group's strategy to develop into other chosen legal markets through targeted acquisitions. This 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 to their financial situation could have an impact on the financial performance of the Group. During 2016 the Group saw some of its PLFs reduce demand as a result of funding issues. This could become more prevalent.	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 20% of the Group's business each month. The Group continues to explore new relationships to its customer base ensuring it is able to service the needs of the Group. The Group, through its initial trials, is also changing its business model so it is able to offer PLFs different funding models and is also considering new, alternative business structures for its enquiries.
Supply and demand	The Government's announcement in February 2017 contained a number of changes that will impact the PI division. For a period of time we expect there to be uncertainty as the impact of the Government's plans is 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 PLF demand may be permanently affected for specific claim types.	NAH has modeled and considered its strategic response to the forthcoming reforms. We believe that less than 30% of our claims will require processing in the small claims track. 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. This is likely to include ABSs with key parties and a different financial model.

Principal risk	Description	Mitigation
Reliance on online marketing	The Group relies on its marketing strategy to retain its market leading position in both the PI and Residential Property 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 to it 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 the flexibility and 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, the various residential property brands 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 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 materials, its 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 administration 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. These systems are supported by appropriately experienced individuals and third parties and subject to back up and disaster recovery processes. Critical systems fail over and recovery processes have been successfully tested with no issues identified. The Group operates Information Security policies to the principles of ISO 27001.
Dependence on key personnel	The Group's future growth and success depends, in part, on 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 its ability to execute its business strategy successfully which could negatively impact 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.

Enhancing talent, promoting culture and aligning values saw the Group reinforce the strength and capabilities of the people at the heart of its success.

Enhancing talent across the Group

Building on our strong focus on talent, the Group invested further time and resources in 2016 into evolving the workforce within each division through a clear recruitment and development strategy. Fresh perspectives, succession planning and inter-division promotions sat at the heart of these strategies to ensure the sharing of talent and the creation of new opportunities for our people to develop.

Fresh perspectives at a senior level arrived at NAH as the team welcomed Adam Nabozny from Minster Law as Partnerships Director, focused on strengthening and maintaining a partnership ethos between the division and its PLFs. Additionally, we welcomed Debbie Britton as Marketing Director in January 2017. Debbie brings extensive marketing and brand experience gained at The Open University, npower and AXA UK and will lead the team on brand development, in-sourcing of marketing expertise and supporting the business through an ever-changing landscape.

A strategic approach to succession planning saw internal promotions at NAH in the Finance Director role (Tom Fitzgerald), thus allowing for skills and expertise to be moved into the business development arena (Chris Higham) as part of the division's preparations for PI reforms in 2017.

Other divisions in the Group also benefitted from our ability to develop from within. Three promotions saw Helen Jackson and Abid Mahmood move from Group to Bush as Managing Director and Financial Controller respectively, and the Group implemented a new role of Group Head of IT and welcomed Anthony McGuinness (formerly of Fitzalan) to focus on alignment of Group IT policies, IT risk management and infrastructure.

Investing in our people

During the year the benefit of investing in reward and recognition across the whole Group was realised with a more personalised approach to benefits and recognition incentives to reward staff for their commitment and achievements. This has included a number of initiatives celebrating length of service, focusing on wellbeing and creating an engaging working environment.

Particularly pleasing were the significant reductions in turnover seen at the NAH Contact Centre, dropping as low as 26.2% by December 2016 (December 2015: 40.9%). This was achieved through substantial efforts to improve culture, the working environment and leadership skills.

The Group celebrates length of service, with an average service standing at just over three and a half years. During the year, the Group celebrated two employees reaching 17 years' service.

Strengthening our HR team

Mid-way through 2016, following Helen Jackson's promotion, we welcomed Marcus Lamont as Group HR Director. Marcus joined from Everest and was previously at UPS. His focus will continue to be on developing talent and investing in employees, with the addition of aligned people policies and procedures to ensure fair and transparent treatment for all.

The Group further adapted and developed its policies on appraisals, pay review, recruitment, disciplinary and grievances, maternity and paternity, as well as introducing a Modern Slavery Act Statement and employee Code of Conduct that both ensure the fair treatment and respect of people.

2017 outlook

2017 will see the Group further expand the development strategy with the introduction of a Leadership School, accompanying development days and an expansion of the succession planning process. An annual Group-wide Management Conference will be launched to improve communication and knowledge sharing across the Group.

People will continue to be the foundation of success and one of the Group's key competitive advantages.

186
Current employees across the Group

7
Significant leadership appointments/developments in 2016

3.5 years
Average length of service

Adam Nabozny
Partnerships Director (NAH)

Tom Fitzgerald
Finance Director (NAH)

Debbie Britton
Marketing Director (NAH)

Helen Jackson
Managing Director (Bush)

Chris Higham
Business Development Director (NAH)

Marcus Lamont
Group HR Director

Anthony McGuinness
Group Head of IT

Abid Mahmood
Financial Controller (Bush)

Simon Trott
Managing Director (NAH)

Richard Rickwood
Managing Director (Fitzalan)

We are passionate about giving back to our local communities and supporting good causes.

In 2016, the Group adopted the Paul Bush Foundation Trust (PBFT) as its charity to support with fundraising activities and grants.

The PBFT 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 is proud to support the Trust.

The Group's support and employee fundraising raised over £62,000 for the PBFT during the year with events such as bake sales, sporting challenges and social events. During the year, Russell Atkinson was also appointed as Trustee of the PBFT.

Local causes and commitments
Giving something back is important to our employees and they have always been enthusiastic about volunteering. In 2016, NAH employees pledged a number of hours to the local community which included food bank donations and a new partnership with Latimer Arts College. This involved supporting a Dragon's Den Enterprise Day which NAH Managing Director Simon Trott was part of. In addition, we supported student mentoring and the development of a Passport for Success to support the learning outcomes for young people.

"The involvement of local businesses in our student activities throughout the year is of great importance to us. We work hard to provide engaging development opportunities to prepare our young people for working life, right from their first year with us, and enhance the skills that businesses look for. We're delighted to be working with National Accident Helpline and the contributions they have made to our activities so far have been valuable for our enterprise programme. We're very much looking forward to building on this working relationship in 2017."

Jyoti Pankhania, Assistant Principal – Latimer Arts College

Searches has supported a number of local and national charities and organisations throughout the year including Rockinghorse Children's Charity, Chestnut Tree House, Circus Starr, ChildLine, Age UK and the Brighton Housing Trust.

In particular, Searches is proud to host the Property Professionals Lunch each quarter in partnership with Portfolio Magazine. The lunch provides a networking opportunity for professionals in the property industry and each event hosts a prize draw to raise funds for the Rockinghorse Children's Charity – in particular the Royal Alexandra Children's Hospital and the Trevor Mann Baby Unit.

In total in 2016, Searches helped to raise over £3,000 to support local and national causes.

The Group also supported Chief Financial Officer, Steve Dolton, in his quest to drive from Blenheim Palace, Oxfordshire to Le Touquet, France. The Twin Town Challenge raised money for Special Effect, a charity that supports severely injured individuals. Steve's team raised money for the charity through sponsorship, donations and a silent auction and were awarded the Cally Robson Memorial Trophy, the event's outstanding fundraising award for raising the greatest amount of team sponsorship.

Steve Dolton and team taking part in the Twin Town challenge.

Simon Trott addressing students at the Dragon's Den event.

Andrew Stenning of Searches with representatives of Rockinghorse Children's Charity and Portfolio Magazine at the Property Professionals Lunch.

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, ensuring the business regularly reviews its strategic plans.

Steve is currently Chairman of Alcumus Holdings Limited, Ocee International Limited and Safestyle UK PLC, an AIM quoted company. Steve has held various previous board positions, including Chairman at United House, Chairman at GVA and a member of the board of KPMG LLP.

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.

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 following regulatory change in 2013.

His responsibilities include developing and implementing the Group-wide strategy and ensuring delivery of budgeted financial performance, promoting the Group's values and supporting divisional strategies.

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.

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

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, Mothercare plc and Coull Ltd and Chairman at No Agent Technologies Ltd.

Her executive career in the digital and online sectors includes Managing Director of Microsoft's largest online business in the 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).

Tim Aspinall

Non-Executive Director

Tim Aspinall became Non-Executive Director in June 2016 and sits on the Audit, Remuneration and Nomination Committees.

Tim is the CEO of Aspinall Consultants Limited (founded in January 2015), a management consultancy business advising law firms, investors and new entrants on strategy, mergers, business development and performance improvement.

Tim is also a Non-Executive Director of Premier Medical Holdings Limited which acquired a majority shareholding in Capita Medical Limited from Capita plc. The business is one of the UK's leading providers of medical reports.

His senior leadership career in the legal sector includes Managing Partner of DMH Stallard LLP where he led its transformation into one of the UK's most respected mid-market law firms.

Tim is passionate about the arts and is a Non-Executive Director at Brighton Dome & Festival and a Trustee of the Royal Pavilion Foundation.

Executive Management Team

Our divisions are led by experienced professionals who play a critical role in the success of the Group.

Simon Trott

Managing Director – National Accident Helpline (Personal Injury)

Simon was appointed in December 2015 as Managing Director responsible for NAH executive leadership and business operations.

Simon has led the PI division through a year of preparation in light of forthcoming regulatory changes and has executed a number of strategic business initiatives to drive efficiencies, create strong, lasting partnerships and enhance the consumer journey.

Previously Simon spent 20 years within the General Insurance industry in a number of senior executive positions. Most recently at RKH Insurance Group and prior to that 11 years in senior management roles at Towergate Partnership Group, culminating in CEO of Towergate Direct Division.

Richard Rickwood

Managing Director – Fitzalan Partners (Residential Property)

Richard joined the Group in 2011 as Group Operations Director. Following a restructure in 2013, Richard took on the role of Managing Director for PPI Claimline which was demerged prior to listing in 2014.

Richard is now Managing Director at Fitzalan Partners where he has grown the business through the successful acquisition of Searches UK in January 2016 and a number of strategic product and service developments to satisfy both solicitor and conveyancer relationships and meet evolving needs of home buyers and sellers in an ever-changing market.

Previously, Richard worked at BGL Group, Travelex, Thomas Cook and AMP Pearl.

Helen Jackson

Managing Director – Bush & Company Rehabilitation (Critical Care)

Helen was appointed as Managing Director at Bush & Company in July 2016 having spent four years as Group HR Director.

Responsible for overall strategy and leadership within the division as well as business development, quality and clinical independence, Helen has driven a number of business improvements focusing on maintaining clinical independence and addressing the evolving needs of Case Management Services and claimant and defendant solicitors while building on Bush's 30 years of success within the Critical Care sector.

Previously, Helen held HR leadership roles at Everest, BUPA and Tesco.

Marcus Lamont

Group HR Director

Marcus joined the Group as Group HR Director in July 2016.

During his time with the Group, Marcus has embarked on delivering improvements to talent development, embedding our culture and values and enhancing recruitment processes, with significant focus on an aligned approach across all divisions.

Marcus joined from Everest where he was HR Director, taking the lead on talent management, leadership development, employee engagement and change management. Prior to that, Marcus held senior positions at UPS Plc, across the globe.

Directors' Report

The Directors of NAHL Group plc present their Annual Report and audited financial statements for the year ended 31 December 2016.

Results and dividend
The Group's profit after tax for the year was £12.2m (2015: £10.8m).

The Directors propose a final dividend of 12.7p per share (2015: 12.5p) which, subject to approval at the Annual General Meeting, will be paid on 31 May 2017 to shareholders registered on 28 April 2017.

There are no significant events affecting the Company and Group since the balance sheet date. A 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 19 of the consolidated financial statements. The Group has employee share option plans in place, full details of which can be found in note 20 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 22 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 44 to 45.

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 27. 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.

Group response to Modern Slavery Act 2015

- **Organisational structure and recruitment processes**
  The Group's organisational structures include the Board, Senior Management teams across all three organisational divisions, Contact Centres at two of the four locations and standard support functions across all sites.

  Recruitment processes include the monitoring of passport documentation, with all new recruits expected to show their passport as a proof of identity. The Group also reviews shared addresses. In addition, the Group monitors the ongoing wellbeing of its employees through line management relationships and an Employee Assistance Programme.

  Where recruitment agencies are used to employ staff, the Group ensures these agencies also have an approved statement in support of the Modern Slavery Act 2015.

  As these structures and recruitment processes apply to UK-based operations, the Group considers these to be very low risk.

- **Services**
  The services NAHL Group plc provides to its customers and consumers are predominantly UK office-based, with minimal UK field-based services.

  The Group's supply chain in relation to services consists, on the whole, of marketing and processing services across personal injury, critical care and residential property. The Group considers these to be very low risk in relation to slavery and human trafficking so takes no specific action in relation to these relationships.

- **Goods**
  In terms of goods supplied to the Group, the majority of goods will be goods for use in an office environment such as stationery and office equipment. The Group considers these to be very low risk in relation to slavery and human trafficking so takes no specific action in relation to these relationships.

Steve Dolton
Chief Financial Officer

20 March 2017

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 Quoted Companies Alliance (QCA) introduced a simple set of guidelines for corporate governance for AIM companies, which were updated in July 2007, September 2010 and again in May 2013. 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 an Audit Committee, a Remuneration 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, Gillian Kent and Tim Aspinall. 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, Steve Halbert and Tim Aspinall. 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, Gillian Kent and Tim Aspinall. 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)	√	√
Tim Aspinall	1 June 2016	√	√	√

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

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 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 IFRSs 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.

By order of the Board

Russell Atkinson
Chief Executive Officer

20 March 2017

Steve Dolton
Chief Financial Officer

20 March 2017

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 2016.

We presented the 2015 Directors' Remuneration Report, which was subject to an advisory vote by shareholders, at the Annual General Meeting in May 2016. The Committee believes that the Directors' Remuneration Policy remains unchanged and continues to inform our approach to the reward of our Executive and Non-Executive Directors. 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 2016 and how the Directors' Remuneration Policy will be applied for the year commencing 1 January 2017.

Review of the 2016 financial year
As highlighted earlier in the Executive's reports, the Company has performed in line with expectations delivering underlying revenue of £49.4m and an increase in underlying operating profit of 15.1% to £18.0m.

The 2016 annual bonus was subject to stretching financial targets set by the Committee and, notwithstanding the strong financial performance achieved by the Group in the face of uncertain market conditions in PI and Residential Property, the profit threshold for the bonus scheme was not met. As a result, no bonus payouts were made to the CEO and CFO.

Outlook for the 2017 financial year
Details in relation to the application of the Directors' Remuneration Policy in 2017 are set out on pages 43 to 45, however, the key elements will be as follows:

- Executive Directors have been awarded a 2% increase in base salary with effect from 1 March 2017, in line with the percentage increase in base salary awarded to the wider workforce.
- The CEO's annual bonus opportunity for 2017 will continue to be subject to a maximum of 100% of base salary. The CFO's annual bonus opportunity for 2017 will remain at 85% of salary.
- Annual bonus awards for 2017 will be based on operating profit and individual objectives which are aligned to the Company's strategy.
- It is proposed that long-term incentives will be granted to Executive Directors during 2017, the details of which we will determine in due course.
- 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 2017.

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 2017 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

20 March 2017

Directors' Remuneration Report

Single figure of remuneration

The table below details the elements of remuneration receivable by each Director for the financial year ended 31 December 2016 and the total remuneration receivable by each Director for that financial year and for the financial year ended 31 December 2015.

2016	Salary and fees £000	Benefits £000	Annual Bonus £000	Pension £000	Total Remuneration 2016 £000	Total Remuneration 2015 £000
Executive Directors						
J R Atkinson	214	17	–	1	**232**	371
S Dolton[1]	171	16	–	–	**187**	284
Non-Executive Directors						
R S Halbert	83	–	–	–	**83**	81
T J M Aspinall [2]	24	–	–	–	**24**	–
G D C Kent	47	–	–	–	**47**	44
S J Porteous	–	–	–	–	**–**	19

1. S Dolton is contracted to work four days per week and his salary is calculated on a pro-rata basis to reflect this time commitment.
2. T J M Aspinall was appointed to the Board on 1 June 2016.

The taxable benefits received during the financial year ended 31 December 2016 are principally car allowance and private medical insurance.

Individual elements of remuneration

Base salary and fees

The base salaries for 2016 and 2017 are as set out below:

	2016 base salary £000	2017 base salary[1] £000	% increase
J R Atkinson	**214**	**219**	2.0%
S Dolton	**171**	**175**	2.0%

Details of Non-Executive Directors' fees for 2016 and 2017 are as set out below:

	2016 fee £000	2017 fee[1] £000	% increase
Chairman's fee	**83**	**85**	2.0%
Non-Executive Director's fee	**42**	**43**	2.0%
Chair of the Remuneration Committee	**5**	**5**	2.0%

1. Salary/Fee increase with effect from 1 March 2017.

Annual bonus plan

No annual bonus was awarded during the financial year.

Long-term incentives

Awards vesting in respect of the financial year

No long-term incentive awards vested during the year.

Awards granted during the financial year

No long-term incentive awards were granted during the year.

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 2016 and as at 31 December 2015 were as follows:

	31 December 2016	31 December 2015
Executive Directors		
J R Atkinson	**0.77%**	0.75%
S Dolton	**1.48%**	1.44%
Non-Executive Directors		
R S Halbert	**1.42%**	1.42%
T J M Aspinall	**0.00%**	0.00%
G D C Kent	**0.00%**	0.00%

The interests of each Executive Director of the Company as at 31 December 2016 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 2016
J R Atkinson	LTIP (nominal cost options)	–	312,501	–	**312,501**
	EMI	–	124,999	–	**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 2017

Information on how the Company intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2017 is set out below:

Salary/Fees

The Executive Directors were awarded a 2.0% increase to base salary, with effect from 1 March 2017, 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 2.0%, with effect from 1 March 2017.

Annual bonus plan

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

An annual bonus of 75% will be assessed against operating profit performance and 25% will be 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

From 2017 onwards it is proposed that LTIP awards will be made to Executive Directors on an annual basis to ensure they are appropriately incentivised and aligned with shareholder's interests over the longer term. The Committee has yet to determine details of the awards to be made to Executive Directors for 2017 given the recent regulatory announcements following the Government consultation on Personal Injury reforms. Full details of the size of awards made and any performance conditions attaching to the awards will be made at the time of any award and in the Company's 2017 Annual Report on Remuneration.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is composed of the Company's independent Non-Executive Directors, Gillian Kent (Chairman), Steve Halbert and Tim Aspinall. Executive Directors only attend meetings by invitation.

The Committee's key responsibilities are:
- reviewing the ongoing 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 20 March 2017 and signed on its behalf by:

Gillian Kent
Chairman of the Remuneration Committee

20 March 2017

Statement of Directors' Responsibilities

In respect of the Annual Report and Financial Statements

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 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 IFRSs 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.

Independent Auditor's Report

We have audited the financial statements of NAHL Group plc for the year ended 31 December 2016 set out on pages 48 to 78. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. And as regards the parent company financial statements, as applied in accordance with 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 46), 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 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

20 March 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Underlying revenue	1, 2	**49,385**	50,716
One-off items	4	**1,250**	-
Total revenue		**50,635**	50,716
Cost of sales		**(20,809)**	(25,785)
Underlying gross profit		**28,576**	24,931
One-off items	4	**1,250**	-
Total gross profit		**29,826**	24,931
Administrative expenses	3	**(13,665)**	(10,812)
Underlying operating profit		**17,985**	15,622
Share-based payments	20	**(1,052)**	(833)
Amortisation of intangible assets acquired on business combinations	14	**(1,327)**	(259)
One-off items	4	**555**	(411)
Total operating profit	2	**16,161**	14,119
Financial income	7	**43**	59
Financial expense	8	**(403)**	(228)
Profit before tax		**15,801**	13,950
Taxation	9	**(3,577)**	(3,184)
Profit for the year and total comprehensive income		**12,224**	10,766

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

	Note	2016 p	2015 p
Basic earnings per share (p)			
Group	21	**27.0**	25.6
Diluted earnings per share (p)			
Group	21	**26.5**	25.0

The notes on pages 52 to 71 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Goodwill	13	**60,362**	59,238
Intangible assets	14	**8,474**	8,452
Property, plant and equipment	15	**327**	259
Deferred tax asset	10	**38**	68
		69,201	68,017
Current assets			
Trade and other receivables	16	**10,287**	8,044
Cash and cash equivalents		**4,814**	10,056
		15,101	18,100
Total assets		**84,302**	86,117
Current liabilities			
Other interest-bearing loans and borrowings	17	**(3,693)**	(3,693)
Trade and other payables	18	**(7,631)**	(8,949)
Other payables relating to legacy pre-LASPO ATE product	2	**(1,912)**	(3,601)
Tax payable		**(1,937)**	(1,976)
Deferred tax liability	11	**(1,914)**	(1,738)
		(17,087)	(19,957)
Non-current liabilities			
Other interest-bearing loans and borrowings	17	**(7,396)**	(11,089)
Total liabilities		**(24,483)**	(31,046)
Net assets		**59,819**	55,071
Equity			
Share capital	19	**113**	113
Share option reserve		**1,939**	1,121
Share premium		**14,507**	14,262
Merger reserve		**(66,928)**	(66,928)
Retained earnings		**110,188**	106,503
Total equity		**59,819**	55,071

The notes on pages 52 to 71 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:

J R Atkinson
Director

Company registered number: 08996352

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2015	**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	103	288	49,533	(50,000)	47,016	46,940
Transactions with owners, recorded directly in equity						
Bonus issue of capital reduction shares *(note 25)*	16,928	–	–	(16,928)	–	–
Capital reduction shares cancelled *(note 25)*	(16,928)	–	–	–	16,928	–
Capital reduction *(note 25)*	–	–	(49,533)	–	49,533	–
Issue of new Ordinary Shares *(note 25)*	10	–	14,262	–	–	14,272
Share based payments *(note 20)*	–	833	–	–	–	833
Dividends paid	–	–	–	–	(6,974)	(6,974)
Balance at 31 December 2015	**113**	**1,121**	**14,262**	**(66,928)**	**106,503**	**55,071**
Total comprehensive income for the year						
Profit for the year	–	–	–	–	12,224	12,224
Total comprehensive income	**113**	**1,121**	**14,262**	**(66,928)**	**118,727**	**67,295**
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares *(note 25)*	–	–	160	–	–	160
Exercise of share options *(note 25)*	–	(85)	85	–	–	–
Share based payments *(note 20)*	–	903	–	–	–	903
Dividends paid	–	–	–	–	(8,539)	(8,539)
Balance at 31 December 2016	**113**	**1,939**	**14,507**	**(66,928)**	**110,188**	**59,819**

The notes on pages 52 to 71 form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		**12,224**	10,766
Adjustments for:			
Depreciation	3	**170**	175
Amortisation	14	**1,352**	261
Financial income	7	**(43)**	(59)
Financial expense	8	**403**	228
Share based payments	20	**1,052**	833
Taxation	9	**3,577**	3,184
		18,735	15,388
Increase in trade and other receivables		**(1,876)**	(813)
(Decrease)/Increase in trade and other payables		**(1,868)**	226
Decrease in other payables relating to legacy pre-LASPO ATE product	2	**(1,689)**	(2,910)
		13,302	11,891
Interest paid		**(346)**	(216)
Tax paid		**(3,692)**	(3,127)
Net cash from operating activities		**9,264**	8,548
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	**(232)**	(195)
Interest received		**43**	59
Intangible assets acquired	14	**(393)**	(51)
Consideration paid for the acquisition of subsidiaries	12	**(2,090)**	(33,681)
Cash acquired from business combinations		**295**	5,572
Net cash used in investing activities		**(2,377)**	(28,296)
Cash flows from financing activities			
New share issue		**160**	14,272
Repayment of borrowings		**(3,750)**	(5,901)
New borrowings acquired		**–**	15,000
Bank arrangement fees for new borrowings		**–**	(230)
Dividends paid		**(8,539)**	(6,974)
Net cash used in financing activities		**(12,129)**	16,167
Net decrease in cash and cash equivalents		**(5,242)**	(3,581)
Cash and cash equivalents at 1 January		**10,056**	13,637
Cash and cash equivalents at 31 December	22	**4,814**	10,056

1. Accounting policies

Basis of preparation

Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2016 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 March 2018. 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% 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.

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.

Revenue, other than pre and post-LASPO ATE income, is not considered to be a key judgement or estimate.

Intangible assets

When the Group makes an acquisition, management determines whether any intangible assets should be recognised separately from goodwill and what value to attribute to those assets.

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 (CGUs) to which the goodwill is allocated; see note 13.

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 notes 16 and 22.

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:
- *Amendments to IAS 7: Disclosure Initiative – Effective for annual reporting periods beginning on or after 1 January 2017, 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.*
- *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 2018, with early application permitted.*
- *IFRS 16: Leases – Effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15: Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.*

A review of IFRS 16: Leases, which is not yet endorsed and not available for early adoption, will be conducted to determine its impact on the Group. The Group has considered the impact of the other standards and revisions above and concluded that these will not have a material impact on the Group's financial statements.

Use of non-GAAP measures
The Directors believe that underlying operating profit, underlying revenue, underlying operating cash and adjusted net debt provide additional useful information for shareholders on underlying trends and performance. These measures are used for performance analysis and are considered useful as they relate to the core underlying trading activities of the Group i.e. they reflect the current ongoing activities of the Group and do not include any items that relate to significant one-off projects that are not expected to recur or any items that relate to activities that are outside the normal course of trading (e.g. acquisitions or share based costs that are not directly related to the current operating performance of the Group). Underlying operating profit, underlying revenue, underlying operating cash and adjusted net debt are not defined by IFRS and therefore may not be directly comparable to other companies' adjusted profit, revenue, cash or debt measures. They are not intended to be a substitute for, or superior to, IFRS measurements of operating profit.

The adjustments made to reported revenue are:

One-off revenues – fees related to one-off revenues in relation to release of the ATE liability that are not expected to recur and are not related to the continuing core operations of the business.

The adjustments made to reported operating profit are:

IFRS 2 Share Based Payments – non-cash Group Income Statement charge for share based payments and related National Insurance costs. IFRS 2 requires the 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 core trading 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 this 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 core trading performance of the Group.

Other one-off costs/income – these relate to certain one-off costs associated with the Group's acquisition activities including any costs in relation to aborted acquisitions, reorganisation costs associated with one-off projects that are not related to the core operations of the business and one-off income for the release of previously recognised liability for pre-LASPO ATE. These have been excluded from underlying operating profit as they do not reflect the underlying core trading performance of the Group.

Going concern
The Group had cash balances of £4,814,000 (2015: £10,056,000), net assets of £59,819,000 (2015: £55,071,000) and net current liabilities of £1,986,000 (2015: £1,857,000) 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 at least 12 months from the date of approval of the financial statements. 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 forecasts of future trading, profits and cashflows on a CGU by CGU basis 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 Annual Report and Financial Statements.

1. Accounting policies continued

Revenue

Personal Injury – Revenue is from the provision of enquiries to the Panel Law Firms, based on a cost plus margin model, on provision of the lead, plus commissions received from providers for the sale of additional products by them to the Panel Law Firms on sale of that product. Revenue recognised is equal to the cash received with no further clawback or commitments except where solicitor income gives rise to variable consideration, in which case the revenue recognised is equal to managements' best estimate of the future expected cash flows discounted for the time value of money. Where a contract contains elements of variable consideration, the turnover recognised is the amount that is probable and can be reliably estimated, discounted for the time value of money.

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.

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.

Residential Property – 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 a fixed fee basis on the transfer of instruction to Panel Law Firms. Search revenue is recognised as revenue in the period in which the search is delivered on a fixed-fee basis.

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 statement of comprehensive income.

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 – 3 to 10 years
- Brand names – 3 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:

Fixtures and fittings including:

- 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.

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 CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. 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 statement of comprehensive income. 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.

2. Operating segments

	Personal Injury £000	Pre-LASPO ATE £000	Critical Care £000	Residential Property £000	Other segments £000	One-off items £000	Total £000
Year ended 31 December 2016							
Revenue	**30,011**	**1,250**	**10,353**	**9,021**	**–**	**–**	**50,635**
Depreciation and amortisation	**(89)**	**–**	**(44)**	**(147)**	**–**	**(1,242)**	**(1,522)**
Operating profit/(loss)	**14,112**	**1,155**	**3,786**	**1,391**	**(1,304)**	**(2,979)**	**16,161**
Financial income	**14**	**–**	**19**	**–**	**10**	**–**	**43**
Financial expenses	**(1)**	**–**	**(5)**	**–**	**(397)**	**–**	**(403)**
Profit/(Loss) before tax	**14,125**	**1,155**	**3,800**	**1,391**	**(1,691)**	**(2,979)**	**15,801**
Trade receivables	**1,935**	**–**	**3,929**	**343**	**–**	**–**	**6,207**
Segment liabilities	**(5,227)**	**(1,982)***	**(1,035)**	**(765)**	**(503)**	**(31)**	**(9,543)**
Capital expenditure (including intangibles)	**608**	**–**	**96**	**46**	**–**	**–**	**750**
Year ended 31 December 2015							
Revenue	45,081	–	2,113	3,522	–	–	50,716
Depreciation and amortisation	(160)	–	(5)	(22)	(249)	–	(436)
Operating profit/(loss)	15,528	–	644	825	(1,375)	(1,503)	14,119
Financial income	49	–	–	–	10	–	59
Financial expenses	–	–	–	(2)	(226)	–	(228)
Profit/(Loss) before tax	15,577	–	644	823	(1,591)	(1,503)	13,950
Trade receivables	2,646	–	3,351	215	–	–	6,212
Segment liabilities	(6,960)	(3,601)	(884)	(298)	(807)	–	(12,550)
Capital expenditure (including intangibles)	82	–	–	113	–	–	195

*Pre-LASPO ATE liabilities include the balance of commissions received in advance that are due to be paid back to the insurance provider of £1,912,000 and accruals for associated costs of £70,000.

Geographic information

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

Operating segments

The expansion of the Group in the prior year 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.

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.

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

Residential Property (Previously 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.

Other segments – Costs that are incurred in managing Group activities or not specifically related to a product.

One-off items – Costs associated with the acquisition of subsidiary undertakings , reorganisation costs associated with one-off projects that are not related to the core operations of the business, release of ATE liability and including share based payments and amortisation charges on intangible assets recognised as part of business combinations.

Cash flows from operating activities

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

Reconciliation of operating profit to net cash flows from operating activities

12 months ended 31 December 2016	Underlying operations £000	Pre-LASPO ATE £000	Sub-total £000	One-off items £000	Total £000
Operating profit	15,606	1,155	16,761	(600)	16,161
Amortisation of intangible assets acquired on business combinations	1,327	–	1,327	–	1,327
Equity-settled share based payments	1,052	–	1,052	–	1,052
Underlying operating profit	17,985	1,155	19,140	(600)	18,540
Depreciation and amortisation	195	–	195	–	195
Increase in trade/other receivables	(1,876)	–	(1,876)	–	(1,876)
(Decrease)/Increase in trade and other payables	(1,969)	70	(1,899)	31	(1,868)
Decrease in liabilities relating to pre-LASPO ATE product	–	(1,689)	(1,689)	–	(1,689)
Net cash flows from operating activities before interest and tax	14,335	(464)	13,871	(569)	13,302
Interest Paid	(346)	–	(346)	–	(346)
Tax paid	(3,692)	–	(3,692)	–	(3,692)
Net cash from operating activities	10,297	(464)	9,833	(569)	9,264

12 months ended 31 December 2015	Underlying operations £000	Pre-LASPO ATE £000	Sub-total £000	One-off items £000	Total £000
Operating profit	14,530	–	14,530	(411)	14,119
Amortisation of intangible assets acquired on business combinations	259	–	259	–	259
Equity-settled share based payments	833	–	833	–	833
Underlying operating profit	15,622	–	15,622	(411)	15,211
Depreciation	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
Interest Paid	(216)	–	(216)	–	(216)
Tax paid	(3,127)	–	(3,127)	–	(3,127)
Net cash from operating activities	11,869	(2,910)	8,959	(411)	8,548

3. Administrative expenses and auditor's remuneration

Included in the consolidated statement of comprehensive income are the following:

	2016 £000	2015 £000
Depreciation of property, plant and equipment	170	175
Amortisation of intangible assets (not relating to business combinations)	25	2
Amortisation of intangible assets relating to business combinations	1,327	259
Operating leases – land and buildings	361	220
Operating leases – other	63	50
Auditor's remuneration	95	169

The analysis of auditor's remuneration is as follows:

	2016 £000	2015 £000
Audit services – statutory audit	77	69
Other assurance services	–	9
Taxation compliance	18	11
Taxation advisory services	–	6
Corporate finance services	–	74
Total non-audit remuneration	18	100

4. One-off items

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

	2016 £000	2015 £000
Legal and professional fees relating to acquisitions[1]	**78**	570
Release of pre-LASPO ATE liability and associated costs[2]	**(1,155)**	–
Personal Injury reorganisation costs[3]	**522**	–
IPO related costs[4]	**–**	(183)
Vendors' consultancy fees on Fitzalan acquisition[5]	**–**	24
	(555)	411

1. Legal and professional fees paid in relation to the acquisitions of Searches UK Limited (2016) and Fitzalan, BVC and Bush (2015), including due diligence costs and Stamp Duty.
2. Previously recognised liabilities for pre-LASPO ATE commissions received in advance of £1,250,000 have been released in the year as a result of more favorable settlements. These have been offset by associated costs of £95,000.
3. Personal Injury reorganisation costs relate to costs associated with one-off projects that are not related to the core operations of the business.
4. Previously recognised accruals in respect of the IPO of £183,000 were released in the prior year.
5. Fees paid to former senior management of Fitzalan for consultancy services provided in the business post-acquisition.

5. 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	
	2016	2015
Directors	**5**	4
Others	**195**	154
	200	158

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**6,821**	5,969
Share based payments (see note 20)	**1,052**	833
Social security costs	**723**	597
Pension costs	**65**	31
	8,661	7,430

6. Directors' emoluments

	2016 £000	2015 £000
Statutory Directors' emoluments	**573**	799

Statutory Directors' emoluments

	Salary and fees £000	Benefits £000	Annual bonus £000	Pension £000	Total £000
Year ended 31 December 2016					
Executive Directors					
J R Atkinson	**214**	**17**	**–**	**1**	**232**
S Dolton	**171**	**16**	**–**	**–**	**187**
Non-Executive Directors					
R S Halbert	**83**	**–**	**–**	**–**	**83**
T J M Aspinall	**24**	**–**	**–**	**–**	**24**
G D C Kent	**47**	**–**	**–**	**–**	**47**
	539	**33**	**–**	**1**	**573**

	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 Directors					
R S Halbert	81	–	–	–	81
G D C Kent	44	–	–	–	44
S J Porteous	19	–	–	–	19
	522	49	227	1	799

The Group contributed £1,000 to pension schemes in respect of Directors during the year (2015: £1,000).

The emoluments of the highest paid Director were £232,000 (2015: £371,000).

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 26.

7. Financial income

	2016 £000	2015 £000
Bank interest income	**25**	59
Investment income	**18**	–
Total financial income	**43**	59

8. Financial expense

	2016 £000	2015 £000
On bank loans	**340**	216
Bank charges	**63**	12
Total financial expense	**403**	228

9. Taxation

Recognised in the consolidated statement of comprehensive income

	2016 £000	2015 £000
Current tax expense		
Current tax on income for the year	**3,582**	3,175
Adjustments in respect of prior years	**(35)**	–
Total current tax	**3,547**	3,175
Deferred tax expense		
Origination and reversal of timing differences	**30**	9
Total deferred tax	**30**	9
Tax expense in income statement	**3,577**	3,184
Total tax charge	**3,577**	3,184

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

	2016 £000	2015 £000
Profit for the year	**12,224**	10,766
Total tax expense	**3,577**	3,184
Profit before taxation	**15,801**	13,950
Tax using the UK corporation tax rate of 20.0% (2015: 20.25%)	**3,160**	2,825
Income disallowable for tax purposes	**(3)**	–
Non-deductible expenses	**455**	345
Adjustments in respect of prior years	**(35)**	–
Short-term timing differences for which no deferred tax is recognised	**–**	14
Total tax charge	**3,577**	3,184

Changes in tax rates and factors affecting the future tax charge

A reduction in the UK corporation tax rate from 21.0% to 20.0% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19.0% (effective from 1 April 2017) and to 18.0% (effective from 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17.0% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2016 have been calculated based on these rates.

10. Deferred tax asset

	2016 £000	2015 £000
At beginning of year	**68**	77
Recognised in profit and loss (see note 9)	**(30)**	(9)
Deferred tax asset at end of year	**38**	68

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 2015	63	14	77
Recognised in profit and loss	(19)	10	(9)
At 31 December 2015	44	24	68
Recognised in profit and loss	(23)	(7)	(30)
At 31 December 2016	**21**	**17**	**38**

11. Deferred tax liability

	2016 £000	2015 £000
At beginning of year	**1,738**	–
Arising on business combination (see note 12)	**176**	1,738
Deferred tax liability at end of year	**1,914**	1,738

12. Acquisitions

Acquisition of Searches UK Limited

On 11 January 2016 the Group acquired the entire share capital of Searches UK Limited (Searches). Searches is a conveyancing search provider in England and Wales predominantly for residential property transactions.

Acquisition of Bush & Company Rehabilitation Limited

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

Acquisition of Best Value Conveyancing

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

Acquisition of Fitzalan Partners Limited

On 17 February 2015 the Group acquired the entire share capital of Fitzalan. Fitzalan is an online marketing specialist servicing home buyers and sellers in England and Wales.

Fair values

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

	Searches £000	Total 2016 £000	Fitzalan £000	BVC £000	Bush £000	Total 2015 £000
Intangible assets	881	**881**	352	199	8,111	8,662
Revaluation of intangible assets	–	**–**	–	(25)	–	(25)
Tangible assets	6	**6**	–	–	53	53
Trade and other receivables	369	**369**	141	–	3,362	3,503
Cash and cash equivalents	295	**295**	626	–	4,946	5,572
Trade and other payables	(419)	**(419)**	(445)	–	(1,231)	(1,676)
Deferred tax liability	(176)	**(176)**	(71)	(40)	(1,627)	(1,738)
Net assets acquired	**956**	**956**	**603**	**134**	**13,614**	**14,351**
Goodwill arising on acquisition	1,124	**1,124**	3,709	40	15,592	19,341
Fair value of net assets acquired and goodwill arising	**2,080**	**2,080**	**4,312**	**174**	**29,206**	**33,692**
Cash consideration	2,080	**2,080**	3,512	163	28,599	32,274
Fair value of deferred consideration	–	**–**	800	11	607	1,418
Fair value of net assets acquired and goodwill arising	**2,080**	**2,080**	**4,312**	**174**	**29,206**	**33,692**

The Group incurred acquisition related costs of £78,000 (2015: £570,000) related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in one-off items in the Group's consolidated statement of comprehensive income.

At 31 December 2016 £nil (2015: £36,000) deferred consideration remained outstanding in respect of the BVC acquisition. During 2016 the final amount was settled at £11,000 with the resulting £25,000 of the deferred consideration being released.

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

13. Goodwill

	Personal Injury £000	Critical Care £000	Residential Property £000	Total £000
Cost				
At 1 January 2015	39,897	–	–	39,897
Acquired through business combinations	–	15,592	3,749	19,341
At 31 December 2015	39,897	15,592	3,749	59,238
Acquired through business combinations	–	–	1,124	1,124
At 31 December 2016	**39,897**	**15,592**	**4,873**	**60,362**
Impairment				
At 1 January 2015	–	–	–	–
At 31 December 2015	–	–	–	–
At 31 December 2016	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2015	39,897	15,592	3,749	59,238
At 31 December 2016	**39,897**	**15,592**	**4,873**	**60,362**

Where goodwill arose as part of a business acquisition, it forms part of the CGUs asset carrying value which is tested for impairment annually. The Group reassessed the CGUs in the prior year 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, Critical Care and Residential Property, 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 range of pre-tax WACCs of between 10.1% - 12.7% (2015: 8.6%). The range of WACCs represents the different risk profiles of each CGU. For the current year review we have extended the cash flows of Personal Injury for a further three years to take into account the effects of cash flows from deferred term contracts which artificially deflate the cash flows for the first five years of the forecasts. The extended three year period considers cash flows from profits and WIP generated in the initial five year forecast period only and does not include cash flows from further instructions taking place after the initial five years considered. The key assumptions in the value in use calculation are the discount rate and growth rate. The discount rates are based on the Group's pre-tax cost of capital and estimated cost of equity, which the Directors consider equated to market participants rate. The movement in the discount rates compared to the prior year is the result of the increased perceived risk due to the uncertainty over regulatory changes. 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 Government has signalled its intention to increase the small claims limit. As some increase is likely in the small claims limit, it is believed that there is as much opportunity as there is risk as to the impact this could have on the profitability of the Personal Injury CGU. The best estimate of the impact of these changes has been factored into the five year forecasts.

Based on the operating performance of the CGUs, no impairment loss was identified in any of the CGUs and for Critical Care and Residential Property there is sufficient headroom to indicate that no reasonable change to key assumptions would result in an impairment of this goodwill. The key average growth assumptions for years one to five were as follows:

	2016	2015
Personal Injury	**(9.2%)**	0.0%
Critical Care	**10.0%**	10.0%
Residential Property	**10.0%**	10.0%

A decrease has been applied to personal injury to factor in the uncertainty over the small claims consultation.

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

	Discount Rate		Cash Flows	
	2016	2015	2016	2015
Personal Injury	**14.1%**	45.0%	**(4.0%)**	(49.2%)
Critical Care	**19.3%**	14.3%	**(15.4%)**	(10.3%)
Residential Property	**88.6%**	252.3%	**(58.6%)**	(75.3%)

The available headroom for each CGU is as follows:

	2016	2015
Personal Injury	**1,638**	22,672
Critical Care	**2,580**	1,637
Residential Property	**5,742**	9,511

There is limited headroom in the assessment of Personal Injury goodwill impairment. We have considered the effects of this limited headroom and note that:

- A much higher discount rate has been applied than in prior years to take into account the volatility and the regulatory uncertainty that existed at the year end. Following the regulatory announcement the volatility and risk premium is expected to reduce and stabilise. It is, therefore, felt that this is a time of peak uncertainty and hence the WACC used currently is considered to be at a maximum. Once the risk and uncertainty begin to stabilise and the WACC reduces then the current limited headroom will begin to improve.
- The current assessment takes no account of cash flows from profits from instructions generated after the five year forecast period. In reality, there is no reason to believe that Personal Injury will not continue trading for the foreseeable future after this 5 year forecast period and hence the cashflows it would generate over its useful economic life would be much higher than those considered by the forecast period even after the effects of discounting.
- Given the above considerations then the Directors are satisfied that it is appropriate to recognise no impairment against the Personal Injury goodwill.

14. Intangibles assets

	Technology related £000	Contract related £000	Brand names £000	Other £000	Assets under construction £000	Total £000
Cost						
At 31 December 2015	**167**	**7,746**	**749**	**47**	**4**	**8,713**
Revaluation	**–**	**–**	**(25)**	**–**	**–**	**(25)**
Additions	**–**	**–**	**–**	**502**	**16**	**518**
Additions through business combinations	**–**	**720**	**161**	**–**	**–**	**881**
At 31 December 2016	**167**	**8,466**	**885**	**549**	**20**	**10,087**
Amortisation						
At 31 December 2015	**22**	**214**	**23**	**2**	**–**	**261**
Amortisation charge for the year	**–**	**–**	**–**	**25**	**–**	**25**
Amortisation charge on business combinations	**20**	**1,072**	**235**	**–**	**–**	**1,327**
At 31 December 2016	**42**	**1,286**	**258**	**27**	**–**	**1,613**
Net book value						
At 31 December 2015	145	7,532	726	45	4	8,452
At 31 December 2016	**125**	**7,180**	**627**	**522**	**20**	**8,474**

The intangible assets recognised on business combinations were acquired as part of the acquisition of Searches UK Limited.

	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 combinations	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 combinations	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**

15. Property, plant and equipment

	Fixtures & fittings & total £000
Cost	
At 1 January 2016	**1,434**
Additions	**232**
Additions through business combinations	**6**
At 31 December 2016	**1,672**
Depreciation and impairment	
At 1 January 2016	**1,175**
Depreciation charge for the year	**170**
At 31 December 2016	**1,345**
Net book value	
At 31 December 2015	**259**
At 31 December 2016	**327**

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

16. Trade and other receivables

	2016 £000	2015 £000
Trade receivables: due in less than one year	**5,382**	5,526
Trade receivables: due in more than one year	**825**	686
Accrued income	**3,572**	361
Other receivables	**140**	1,140
	9,919	7,713
Prepayments	**368**	331
	10,287	8,044

17. 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 risk, see note 22.

	2016 £000	2015 £000
Current liabilities		
Current portion of secured bank loans	**3,750**	3,750
Less future finance charges	**(57)**	(57)
	3,693	3,693
Non-current liabilities		
Secured bank loans	**7,500**	11,250
Less future finance charges	**(104)**	(161)
	7,396	11,089
Total other interest-bearing loans and borrowings	**11,089**	14,782

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £000	Carrying amount 2016 £000	Face value 2015 £000	Carrying amount 2015 £000
Bank loan[1]	GBP	1.65% above Libor	2019	**11,250**	**11,250**	15,000	15,000
				11,250	**11,250**	15,000	15,000

1. The remaining loan of £11,250,000 is repayable over six instalments of £1,875,000 every six months starting on 30 June 2017. Interest is payable at 1.65% above LIBOR.

18. Trade and other payables

	2016 £000	2015 £000
Trade payables	**2,755**	3,434
Other taxation and social security	**823**	517
Other payables, accruals and deferred revenue	**2,740**	3,455
Customer deposits	**1,313**	1,543
	7,631	8,949

19. Share capital

	2016	2015
Number of shares		
'A' Ordinary Shares of £0.0025 each	**45,349,629**	45,265,000
	45,329,629	45,265,000

	£000	£000
Allotted, called up and fully paid		
45,349,629 (2015: 45,265,000) 'A' Ordinary Shares of £0.0025 each	**113**	113
	113	113
Shares classified in equity	**113**	113
	113	113

20. Share based payments

The Group operates three employee share plans as follows:

SAYE plan

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 35 employees granted by the parent company on 29 May 2014	179,436 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	763,962 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 7 employees granted by the parent company on 11 December 2014	708,330 Ordinary Shares	Performance-based	Announcement of 2016 results
EMI Equity-settled award to 4 employees granted by the parent company on 13 April 2015	257,156 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 2 employees granted by the parent company on 9 October 2015	135,886 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
EMI Equity-settled award to 1 employee granted by the parent company on 28 October 2016	20,964 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 1 employee granted by the parent company on 31 October 2016	61,506 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 1 employee granted by the parent company on 31 October 2016	62,893 Ordinary Shares	Performance-based	Third anniversary of Date of Grant

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

	2016		2015	
	Weighted average exercise price £	Number of options No.	Weighted average exercise price £	Number of options No.
Outstanding at the beginning of the year	**1.69**	**2,621,842**	1.13	1,939,748
Exercised during the year	**(1.90)**	**(84,629)**	–	–
Granted during the year	**1.38**	**145,363**	3.59	709,656
Cancelled during the year	**(1.75)**	**(141,813)**	–	–
Forfeited during the year	**(2.89)**	**(229,941)**	(1.60)	(27,562)
Outstanding at the end of the year	**1.53**	**2,310,822**	1.69	2,621,842
Exercisable at the end of the year	**2.00**	**83,333**	–	–

A charge of £903,000 (*2015: £833,000*) has been made through profit and loss in the current year in relation to the IFRS 2 share option charge and a further £149,000 (2015: £nil) has been charged to the profit and loss account in respect of a provision for Employer's National Insurance contributions that are expected to arise on the exercise of the LTIP options.

The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% (2015: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of 1.0% (2015: 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.

21. Earnings per share

The calculation of basic earnings per share at 31 December 2016 is based on profit attributable to ordinary shareholders of £12,224,000 (2015: £10,766,000) and a weighted average number of Ordinary Shares outstanding of 45,294,877 (2015: 42,040,643).

Profit attributable to Ordinary Shares (basic)

£000	2016	2015
Profit for the year attributable to the shareholders	**12,224**	10,766

Weighted average number of Ordinary Shares (basic)

Number	Note	2016	2015
Issued Ordinary Shares at 1 January	19	**45,265,000**	41,150,000
Weighted average number of Ordinary Shares at 31 December		**45,294,877**	42,040,643

Basic Earnings per share (p)

	2016	2015
Group	**27.0**	25.6

The Group has in place share based payment schemes to reward employees. At 31 December 2016, there were potentially dilutive share options under the Group's share option schemes. The total number of options available for these schemes included in the diluted earnings per share calculation is 775,746 (2015: 938,719). There are no other diluting items.

Diluted Earnings per share (p)

	2016	2015
Group	**26.5**	25.0

22. 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 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.

Trade and other 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 12.7% (2015: 8.6%) is based on market rates.

22. Financial instruments continued

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 2016 £000	Fair value 2016 £000	Carrying amount 2015 £000	Fair value 2015 £000
Cash and receivables					
Cash and cash equivalents		**4,814**	**4,814**	10,056	10,056
		4,814	**4,814**	10,056	10,056
Trade and other receivables (note 16)		**9,919**	**9,919**	7,713	7,713
Total financial assets		**14,733**	**14,733**	17,769	17,769
Financial liabilities measured at amortised cost					
Other interest-bearing loans and borrowings (note 17)	Level 2	**11,250**	**11,250**	15,000	15,000
Trade payables (note 18)		**2,755**	**2,755**	3,434	3,434
Total financial liabilities measured at amortised cost		**14,005**	**14,005**	18,434	18,434

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; and
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 2016 these deposits reflect 21.2% (2015: 24.8%) of the balance of trade receivables.

Exposure to credit risk

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

	2016 £000	2015 £000
Trade receivables	**6,207**	6,212

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

	2016 £000	2015 £000
Customer deposits	**1,313**	1,543

Credit quality of financial assets and impairment losses

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

	Gross: Standard Terms 2016 £000	Gross: Deferred Terms 2016 £000	Impairment 2016 £000	Total 2016 £000	Gross: Standard Terms 2015 £000	Gross: Deferred Terms 2015 £000	Impairment 2015 £000	Total 2015 £000
Not past due	**2,111**	**1,916**	**(48)**	**3,979**	2,789	906	(56)	3,639
Past due (1-30 days)	**679**	**41**	**–**	**720**	1,140	4	–	1,144
Past due (30-120 days)	**862**	**18**	**–**	**880**	929	26	(11)	944
Past due (over 120 days)	**675**	**9**	**(56)**	**628**	584	–	(99)	485
	4,327	**1,984**	**(104)**	**6,207**	5,442	936	(166)	6,212

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

	2016 £000	2015 £000
Balance at 1 January	**166**	71
Allowance (released)/recognised	**(62)**	95
Balance at 31 December	**104**	166

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:

2016	**Secured bank loans £000**	**Trade and other payables £000**	**Total £000**
Non-derivative financial instruments			
Carrying amount	**(11,250)**	**(2,755)**	**(14,005)**
Contractual cash flows:			
1 year or less	**(3,977)**	**(2,755)**	**(6,732)**
1 to 2 years	**(3,895)**	**–**	**(3,895)**
2 to 5 years	**(3,812)**	**–**	**(3,812)**
	(11,684)	**(2,755)**	**(14,439)**

2015			
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)

(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:

	2016 £000	2015 £000
Variable rate instruments		
Financial liabilities	**11,250**	15,000
Total interest-bearing financial instruments	**11,250**	15,000

22. Financial instruments continued

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.

	2016 £000	2015 £000
Profit for the year		
Increase	**(56)**	(75)
Decrease	**56**	75

Market risk – equity price risk

The Group 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.

23. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	2015 £000
Less than one year	**420**	182
Between one and five years	**936**	1,321
	1,356	1,503

The Group leases a number of office buildings under operating leases. During the year £424,000 was recognised as an expense in the income statement in respect of operating leases (2015: £270,000).

24. Commitments

Capital commitments

At 31 December 2016 the Group had no capital commitments (2015: £nil).

25. Transactions with owners, recorded directly in equity

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.

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 October 2015, 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 Group. 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.

Exercise of share options

During the year 84,629 share options were exercised which resulted in the issue of 84,629 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £160,508 for the Group. A charge of £85,093 has been reclassified from the share option reserve to share premium to reflect the crystalisation of previous charges in respect of these options.

26. Related parties

Transactions with key management personnel

Key management personnel in situ at the 31 December 2016 and their immediate relatives control 4.4% (2015: 4.8%) 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.

	2016 £000	2015 £000
Short-term employment benefits	**2,241**	1,794
Termination benefits	**56**	–
	2,297	1,794

27. Net debt

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

	2016 £000	2015 £000
Cash and cash equivalents	**4,814**	10,056
Other interest-bearing loans and loan notes	**(11,089)**	(14,782)
Net debt	**(6,275)**	(4,726)

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

	2016 £000	2015 £000
Net decrease in cash and cash equivalents	**(5,242)**	(3,581)
Cash and cash equivalents net outflow/(inflow) from decrease/(increase) in debt and debt financing	**3,693**	(8,881)
Movement in net borrowings resulting from cash flows	**(1,549)**	(12,462)
Net (debt)/cash at beginning of year	**(4,726)**	7,736
Net debt at end of year	**(6,275)**	(4,726)

Company Balance Sheet

At 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments	2	**52,700**	52,700
Current assets			
Trade and other receivables	3	**26,246**	33,722
Net assets		**78,946**	86,422
Equity			
Share capital	5	**113**	113
Share option reserve		**1,939**	1,121
Share premium		**14,507**	14,262
Retained earnings		**62,387**	70,926
Total equity		**78,946**	86,422

The notes on pages 74 to 78 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 March 2017 and were signed on its behalf by:

J R Atkinson
Director

Company registered number: 08996352

Company Statement of Changes in Equity
for the year ended 31 December 2016

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2015	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 6)	–	833	–	–	–	833
Dividends paid	–	–	–	–	(6,974)	(6,974)
Balance at 31 December 2015	**113**	**1,121**	**14,262**	**–**	**70,926**	**86,422**
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares (note 8)	–	–	160	–	–	160
Exercise of share options (note 8)	–	(85)	85	–	–	–
Share based payments (note 6)	–	903	–	–	–	903
Dividends paid	–	–	–	–	(8,539)	(8,539)
Balance at 31 December 2016	**113**	**1,939**	**14,507**	**–**	**62,387**	**78,946**

The notes on pages 74 to 78 form part of these financial statements.

1. Accounting policies

Basis of preparation

Financial Statements

The Financial Statements for the year ended 31 December 2016 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 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 applied the following judgement that has a significant impact on the amounts recognised in the financial statements.

Impairment of Investment

The Directors have considered the carrying value of the investment and performed an impairment review comparing the carrying amount to both fair value less cost to sell and value in use. It is the Directors' opinion that that value in use represents the higher value and as this value exceeds the carrying amount of the investment then no impairment should be recognised. Further details of the key assumptions used in this judgement are given in note 2.

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:

- *Amendments to IAS 7: Disclosure Initiative* – Effective for annual reporting periods beginning on or after 1 January 2017, 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.
- *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 2018, with early application permitted.
- *IFRS 16: Leases* – Effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15: Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

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 Company's financial statements.

Going concern

The Company had net assets of £78,946,000 (2015: £86,422,000) and net current assets of £26,246,000 (2015: £33,722,000) 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 Annual 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 2016	Ownership 2015
Consumer Champion Group Limited	United Kingdom	Ordinary	Holding company	**100%**	100%
Bush & Company Rehabilitation Limited	United Kingdom	Ordinary	Critical care services	**100%**	100%
Fitzalan Partners Ltd	United Kingdom	Ordinary	Agency services for solicitors	**100%**	100%
NAH Holdings Limited	United Kingdom	Ordinary	Holding company	**100%**	100%
NAH Group Ltd	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	Dormant	**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%
Searches UK Limited	United Kingdom	Ordinary	Agency services for solicitors	**100%**	–
Inside Eye Limited	United Kingdom	Ordinary	Marketing services	**100%**	–
Project Jupiter Limited	United Kingdom	Ordinary	Dormant	**100%**	–

The registered office of all of the above subsidiaries is 1430 Montagu Court, Kettering Parkway, Kettering Venture Park, Kettering, Northamptonshire, NN15 6XR.

At 31 December 2016 the value of the investment in Consumer Champion Group Limited, it's only directly owned subsidiary, was as follows:

Valuation

	Total £000
At 1 January 2016	52,700
At 31 December 2016	**52,700**

Impairment has been assessed on a both a fair value less costs to sell and value in use basis. The key assumption for the fair value less costs to sell basis is the control premium. The Directors believe that if the Group were to be sold then a 30% control premium would be a realistic premium to add. If the control premium were to move by -0.1% then carrying value would be greater than fair value less costs to sell. As the control premium sensitivity is so narrow, the directors have also considered additional indicators such as the earnings ratio of comparable companies and guidance provided in broker reports to conclude that the investment is not impaired on a fair value less costs to sell basis.

On a value in use basis the future cashflows from the investment have been assessed based on the future dividends that could be generated by each CGU (i.e. future retained earnings generated) using the latest budget data for the coming year extrapolated at an annual growth rate for four years and no growth in perpetuity, discounted at a pre-tax WACC of 12.7%. The key average growth assumptions for each CGU are as follows:

	2016
Personal Injury	**(9.2%)**
Critical Care	**10.0%**
Residential Property	**10.0%**
Other segments	**2.0%**

2. Investments continued

The following table shows the percentage to which the discount rate would need to increase and the percentage by which the budgeted cashflows from retained earnings would need to decrease in order for the estimated recoverable amount of the CGUs to be equal to the carrying amount:

	Discount Rate 2016	Growth 2016
Group total	**13.9%**	(8.2%)

Given the above considerations then the Directors are satisfied that it is appropriate to recognise no impairment against the investment at the 31 December 2016

3. Trade and other receivables

	2016 £000	2015 £000
Amounts due from Group undertakings	**26,246**	33,722
	26,246	33,722

4. Financial instruments

The Company has taken an exemption from the requirement to prepare a financial instruments note on the grounds that, as a parent undertaking, it 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 due from 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 believes 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 2016 £000	Fair value 2016 £000	Carrying amount 2015 £000	Fair value 2015 £000
Amounts due from Group undertakings	3	**26,246**	**26,246**	33,722	33,722
Total financial assets		**26,246**	**26,246**	33,722	33,722

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; and
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

	2016	2015
Number of shares		
'A' Ordinary Shares of £0.0025 each	**45,349,629**	45,265,000
	45,349,629	45,265,000

	£000	£000
Allotted, called up and fully paid		
45,349,629 (2015: 45,265,000) 'A' Ordinary Shares of £0.0025 each	**113**	113
	113	113
Shares classified in equity	**113**	113
	113	113

6. Share based payments

The Company operates three employee share plans as follows:

SAYE plan

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 35 employees granted by the parent company on 29 May 2014	179,436 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	763,962 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 7 employees granted by the parent company on 11 December 2014	708,330 Ordinary Shares	Performance-based	Announcement of 2016 results
EMI Equity-settled award to 4 employees granted by the parent company on 13 April 2015	257,156 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 2 employees granted by the parent company on 9 October 2015	135,886 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
EMI Equity-settled award to 1 employee granted by the parent company on 28 October 2016	20,964 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 1 employee granted by the parent company on 31 October 2016	61,506 Ordinary Shares	Performance-based	Third anniversary of Date of Grant
EMI Equity-settled award to 1 employee granted by the parent company on 31 October 2016	62,893 Ordinary Shares	Performance-based	Third anniversary of Date of Grant

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

	2016		2015	
	Weighted average exercise price £	**Number of options No.**	Weighted average exercise price £	Number of options No.
Outstanding at the beginning of the year	**1.69**	**2,621,842**	1.13	1,939,748
Exercised during the year	**(1.90)**	**(82,649)**	–	–
Granted during the year	**1.38**	**145,363**	3.59	709,656
Cancelled during the year	**(1.75)**	**(141,813)**	–	–
Forfeited during the year	**(2.89)**	**(229,941)**	(1.60)	(27,562)
Outstanding at the end of the year	**1.53**	**2,310,822**	1.69	2,621,842
Exercisable at the end of the year	**2.00**	**83,333**	–	–

A charge of £903,000 (2015: £833,000) 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% (2015: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of 1.0% (2015: 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 2016 the Company had no capital commitments (2015: £nil).

8. Transactions with owners, recorded directly in equity

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 Company 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 October 2015, 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.

Exercise of share options

During the year 84,629 share options were exercised which resulted in the issue of 84,629 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £160,508 for the Company. A charge of £85,093 has been reclassified from the share option reserve to share premium to reflect the crystalisation of previous charges in respect of these options.

9. Related parties

Transactions with key management personnel

Key management personnel in situ at 31 December 2016 and their immediate relatives control 4.4% (2015: 4.8%) 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.

	2016 £000	2015 £000
Short-term employment benefits	**2,241**	1,794
Termination benefits	**56**	–
	2,297	1,794

Advisors

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Financial PR:
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200 Aldersgate
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Glossary

ABS	Alternative Business Structure
Adjusted net debt	Net debt including the Pre-LASPO ATE liability
After the Event (ATE) Insurance	An insurance product offered to consumers through Allianz to insure any compensation when the claim is settled
AIM	Alternative Investment Market, part of the London Stock Exchange
Allianz	National Accident Helpline's insurance partner providing After The Event insurance
APIL	Association of Personal Injury Lawyers
Bush	Bush & Company Rehabilitation
BVC	Best Value Conveyancing
CGUs	Cash Generating Unit
CLS	Consumer Legal Services
CMRU	Claims Management Regulation Unit
CODM	Chief Operating Decision Maker
CQC	Care Quality Commission
CRU	Compensation Recovery Unit
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
EMI Options	Enterprise Management Incentive Options
EPS	Earnings Per Share
Fitzalan	Fitzalan Partners
Group	NAHL Group plc
IFRSs	International Financial Reporting Standards
IiP	Investors in People
IPO	Initial Public Offering
ISO 27001- Information Governance	Risk-based information security standard and Business Continuity
LASPO	Legal Aid, Sentencing and Punishment of Offenders Act 2012 (enacted 01 April 2013)
LIBOR	London Interbank Offered Rate
LTIP	Long-term Incentive Plan
MASS	Motor Accident Solicitors Society
Medico-Legal	A claim or similar involving both medical and legal aspects
MoJ	Ministry of Justice
Multi-track	Claims over £25,000 or complex points of law/evidence
NAH	National Accident Helpline
NIHL	Noise Induced Hearing Loss
Non-RTA	Non-Road Traffic Accidents (includes employer, occupier and public liability)
PBFT	Paul Bush Foundation Trust
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 firm selected to sit on our panel
Post-LASPO	After or before enactment of LASPO on 01 April 2013
Pre-LASPO	Before enactment of LASPO on 01 April 2013
QCA	Quoted Companies Alliance
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
Searches	Searches UK
SRA	Solicitors Regulation Authority
Underlying operating cash flow	Cash flows from underlying operating profit and excluding any one-off items
Underlying operating profit	Profit from underlying core trading operations excluding amortisation on intangible assets arising on business combinations, IFRS 2 share option charges and one-off items
Underlying revenue	Revenue from underlying core trading activities excluding any one-off items
WACC	Weighted Average Cost of Capital

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