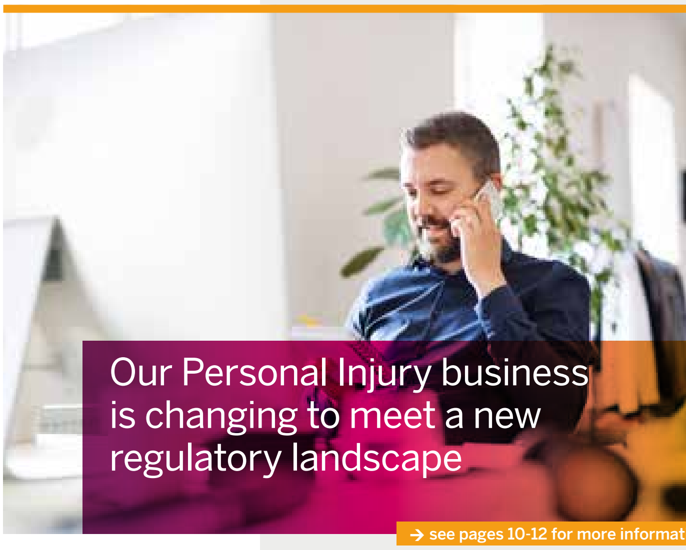
Creating a platform for growth






NAHL Group plc Annual Report and Accounts 2018

We are a group of businesses providing products and services to consumers in the UK legal services market.



see pages 10-12 for more information

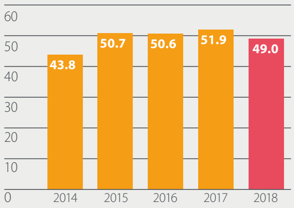
see page 13 for more information

see page 14 for more information

Financial performance

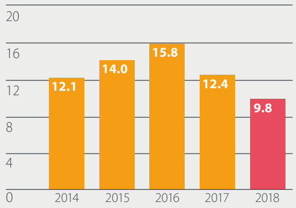
Revenue (£m)

£49.0m -5.7%



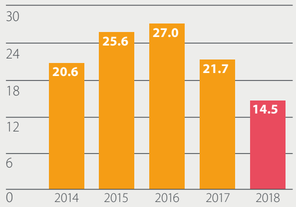
Profit before tax (£m)

£9.8m -21.3%



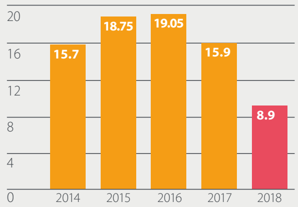
Basic EPS

14.5p -33.2%



Dividend per share (p)

8.9p



Financial highlights

- Revenue of £49.0m (2017: £51.9m)
- Underlying operating profit down 16.3% to £12.1m (2017:£14.5m), primarily as a result of our transformation strategy
- As anticipated, profit before tax of £9.8m (2017: £12.4m)
- Underlying EPS of 18.2p (2017: 25.0p)
- Recommended final dividend of 5.7p, providing a total dividend for the year of 8.9p (2017: 15.9p).

Operational highlights

- Continued progress in transforming Personal Injury division to deliver long-term growth.
- Alternative business structure (ABS) strategy developing well, with both firms trading profitably.
- Licence granted from Solicitors Regulation Authority to launch wholly-owned law firm, National Accident Law, expected to start trading in April 2019.
- Strong performance from Critical Care division, delivering double digit profit growth and increased market share.
- New management team in place at Residential Property division, with initiatives in place designed to return the division to growth.

Investment case

We are primed for new opportunities in evolving markets

Investing in innovative solutions to maximise the growth opportunity across all our businesses.

→ see CEO's Report on page 16

We have a clear brand proposition

Nationally recognised in the market with strong leadership and trust in our individual businesses.

→ see Divisional Reviews on page 12

We are led by a strong, experienced and collaborative leadership team

Dedicated to operational excellence with a track record of delivering sustainable growth when faced with market reforms.

→ see Board of Directors on page 36

We live by a strong set of embedded company values

Our values of Curious, Unified, Driven, Passionate inspire positive behaviours and support business objectives.

→ see Business Model on page 6

We have a robust and sustainable financial model

Long-term revenue streams and developing growth on investor returns through the cycle.

→ see CFO's Report on page 22

AT A GLANCE

Trust in our vision

NAHL Group plc stands alongside consumers at key stages of their lives, when it really matters. When moving house, recovering from an injury or coming to terms with sustaining a life changing injury, you need to know that the people you employ to support you are capable and trustworthy.

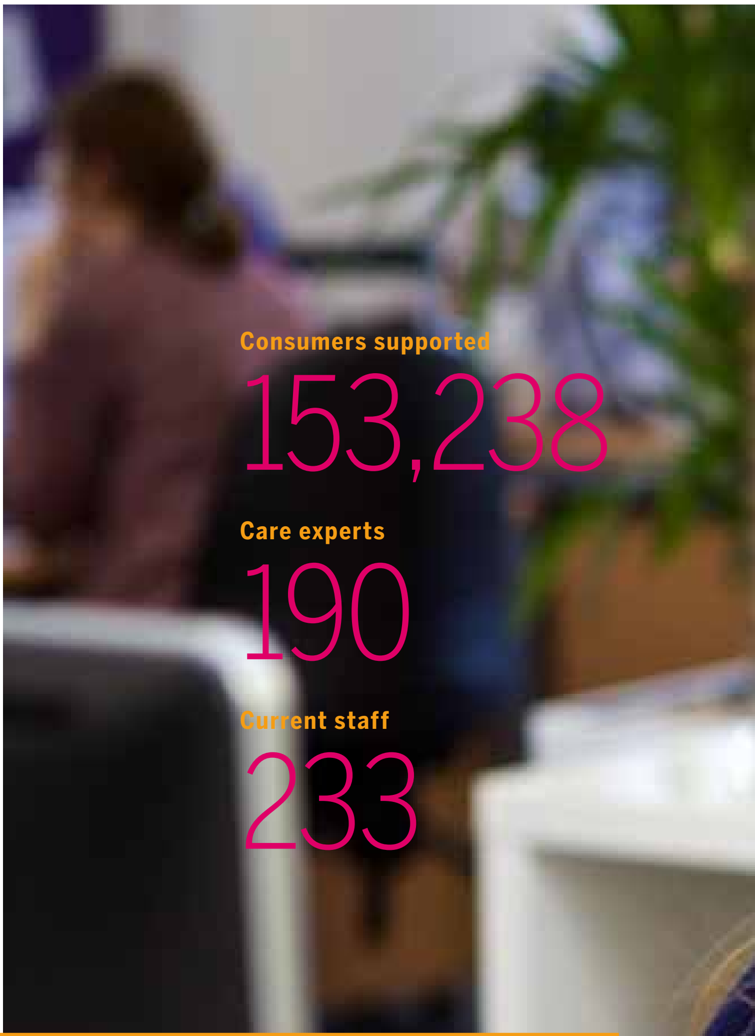
Every one of the businesses within our three divisions is committed to delivering the best possible consumer experience, giving great service to their legal and specialist care partners all while delivering real value to investors. In our Personal Injury division we are breaking new ground in how people who sustain an injury that wasn't their fault are treated. National Accident Law – our new wholly owned law firm - will provide the consistent and timely expert help that we know our customers want. In doing this, we are changing the face of consumer law.

Our Mission

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

I'd like to thank them for everything they've done – it just meant that I could carry on with my life.

– Martin



Consumers supported

153,238

Care experts

190

Current staff

233

Personal Injury

National Accident Helpline, Your Law LLP, National Law Partners (NAH, Your Law, NLP)

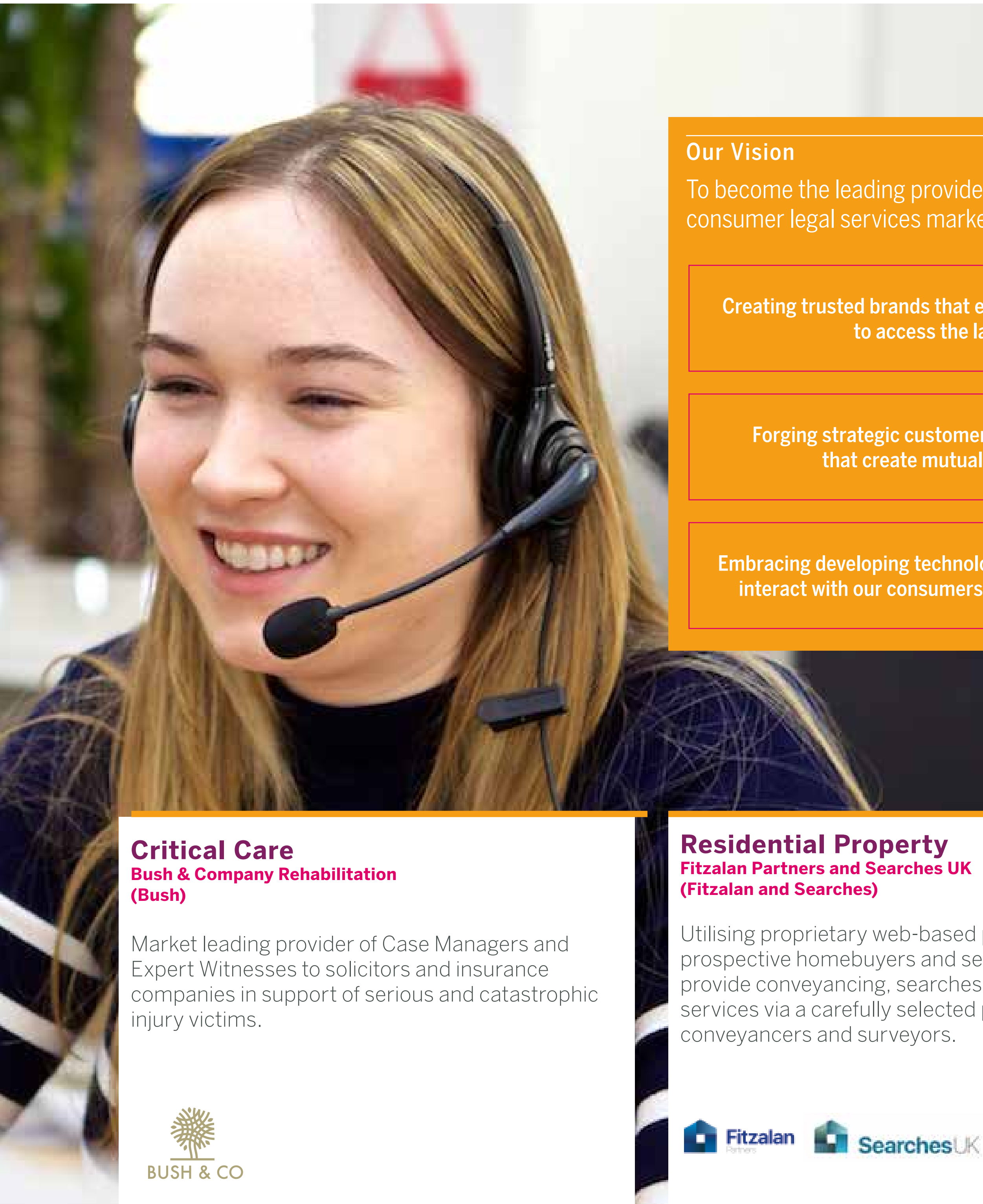
Attracting consumers via its market leading brands, sympathetically validating the legitimacy of their claim and connecting them to an appropriate expert law firm.

Revenue

£29.5m

Underlying operating profit

£8.4m



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

Embracing developing technologies to reach and interact with our consumers and customers

Critical Care

Bush & Company Rehabilitation (Bush)

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

BUSH & CO

Revenue

£12.4m

Underlying operating profit

£4.5m

Residential Property

Fitzalan Partners and Searches UK (Fitzalan and Searches)

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

Fitzalan Partners SearchesUK

Revenue

£6.4m

Underlying operating profit

£0.7m

At the **forefront** of a large and fragmented market

Changes in legislation, negative media commentary and economic volatility are never far away. These factors impact understanding and make it challenging for customers to navigate the Consumer Legal Services market, making it difficult for them to make informed choices when looking for a provider to support their concern.

The rate of change and ongoing sector developments mean the channels for accessing support continue to diversify. We therefore believe that in order to support consumers in making the right choice, there is a need for greater clarity and guidance and a place available for trusted, knowledgeable partners to work with.

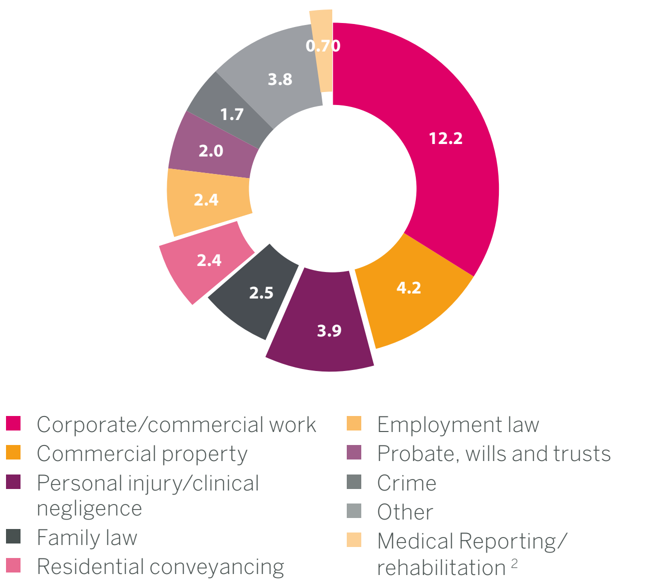
Agile to change, in our 25 years of business we've adapted; always putting our people-first ethos front of mind and ourselves in the best possible position to provide the support and guidance that consumers need in the wake of ongoing changes.

The Group's divisions focus on the Personal Injury, Critical Care (incorporating medical reporting/rehabilitation) and Residential Property markets within the Consumer Legal Services industry. These markets are valued at £7.0bn.

UK Legal Services Market drivers

- Consumer Legal Services is a highly fragmented subset of the UK Legal Services market.
- Consumers are confused by how the legal process works.
- The personal injury market has been impacted by regulatory change with further changes to be implemented in April 2020.
- The volatile residential property market has been challenging in recent years.

UK Legal Services Market by Key Practice Area, 2018 (£bn)[1]

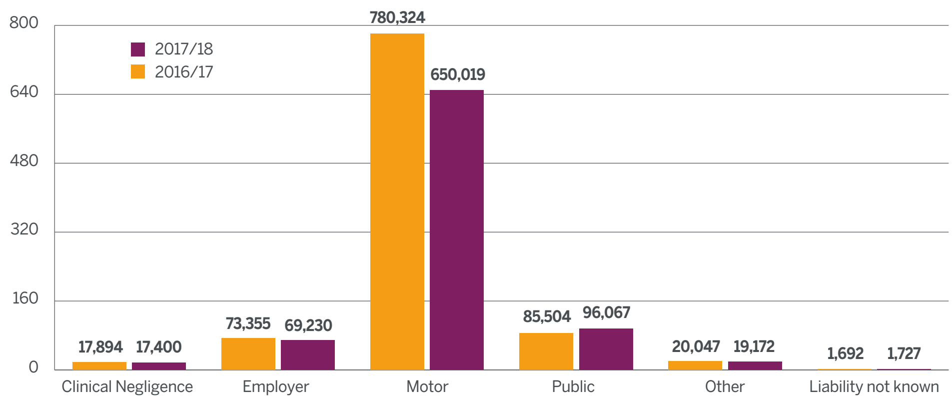


1 Source: IRN Research, UK Legal Services Market Report, March 2019
2 Source: IRN Medico-Legal Insurance Services Report, February 2018

Market Value of UK Legal Service sector serviced by NAHL Group plc

£7.0bn

Number of cases registered to the CRU (Compensation Recovery Unit)



Total 2017/18

853,615

Total 2016/17

978,816

Personal Injury Market

The Personal Injury market has performed much as we predicted. Road Traffic Accidents (RTA) have seen a significant reduction in claims as the previous reforms have begun to have an effect.

However, RTAs are not a core area of business for our Personal Injury division so we are relatively unaffected by this development. This reduction has impacted the figures overall and we expect this trend to continue through 2019.

Similarly, there has been a significant spike in other claims in 2018 and this sector includes holiday illness cases. As a business that leads the field in its ethical operations, this is an area that NAH doesn't actively target as it has been openly criticised for dubious claims. We fully expect a significant reduction in claims in this area due to Government intervention, so this temporary spike and subsequent drop off will not affect our business in any way.

Other than these distinct areas, other sectors of interest to the Personal Injury division have remained relatively flat. Our core market of Employer's Liability and Public Liability claims has remained robust with some marginal growth and this is something we predict to continue for the next 12 months.

Critical Care Market

The catastrophic injury market is a subset of the medical reporting/rehabilitation market and has grown at approximately 1.4% per annum. This sub-sector is valued at approximately £90m.

The consolidation activity which took place in 2017 has slowed down and, despite being a highly fragmented market, it is expected that market share will be moving in favour of the larger organisations who are able to agree contracts with the emerging number of procurement departments in the larger firms.

In addition, the larger case management companies are more likely to become approved suppliers for insurers who value preferred providers with specific commercial terms.

This market remains competitive and we continually focus on retaining and developing our consultants in order to best compete in the ongoing war for talent.

Residential Property Market

2018 was another challenging year for the Residential Property division as the market has become increasingly volatile due to increasing political uncertainty.

In 2018 the residential property market withstood a 2% drop, compared to a 1.9% decline in 2016/17. However, overall volumes remain above one million transactions per year which is relatively high, meaning that opportunities remain to grow our market share.

The market continues to be volatile but there are signs of mitigation which have led to transactions in the second half of the year being on average flat vs 2017, compared to a 4% drop in the first half of the year.[1]

The conveyancing market is consolidating, even the market leader has a relatively small market share. The number of conveyancing firms has decreased 14% since 2012 to approximately 5,500, while transactions per firm have increased from 102 to 171 - an increase of 68% over the same time period. These are big changes but from a low base, and the market is still predominantly made up of small, local firms.[2]

A new generation is now using conveyancing services, many of whom will be First-Time Buyers. This group is becoming increasingly important to the home purchasing market, making up 21% of all mortgage advances by value in 2017.

In contrast to their older counterparts who will solicit recommendations from trusted friends and colleagues, these younger consumers are more likely to shop around, using the internet and online recommendations to inform their decision-making. The emergence of this new generation as the largest cohort in the market will drive a significant shift in market dynamics over the coming years.[3]

1 Source: HM Land Registry
2 Source: IRN Research, Conveyancing Market Briefing 2018; HM Land Registry
3 Source: Office for National Statistics, 2011 Census, England & Wales; Legal Services Consumer Panel Tracker Survey 2018, The Mortgage Lenders and Administrators Return (MLAR) / Bank of England / IRN Research.

Personal Injury Market
£3.9bn

Critical Care Market (based on 2018 figures)
£0.7bn

Residential Property Market
£2.4bn

BUSINESS MODEL

Delivering exceptional service

What we do

We generate enquiries

Personal Injury – We use our extensive reach and brand trust to generate personal injury enquiries which are then passed to partner law firms for a fee.

Residential Property – We use our brands to generate conveyancing enquiries which we then pass on to one of our Panel Law Firms for a fee.

We provide services

Personal Injury – We charge legal and service fees to individual consumers for processing their claim.

Critical Care – We charge fees to law firms for the work performed by our Case Managers in respect of the assessment and management of the care and rehabilitation needs of their clients.

We prepare expert reports

Critical Care – We charge fees for one-off Initial Need Assessments or Expert Witness Reports.

Residential Property – We charge fees for survey or search reports.

We provide ancillary products

Personal Injury – We earn product commissions from insurance and medical providers.

Residential Property – We earn product commissions from insurance providers.

Our opportunity to add more value

NAHL Group plc's marketplace

- We operate in a highly fragmented subset of the UK legal services market.
- The Group's market was valued at £7.0bn in 2018.
- Consumers are confused by how the legal process in this market works.
- The personal injury market has been impacted by regulatory change with further changes to be implemented in April 2020.
- The residential property market has been challenging in recent years and is undergoing a digital makeover.

NAHL Group plc's approach

- Our aim is to provide clarity and guidance for consumers.
- To invest in technological solutions that simplify our business processes and allow consumers easier access to our services.
- Adapting our business models to take advantage of the opportunity provided by dynamic markets and regulatory change.
- To continue to invest in and develop our people who are the core of the services we offer.

Our Values

We are Curious

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

We are Driven

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

Well positioned to address the opportunities

- Consumer focused.
- Technology enabled.
- Efficient digitised processes.
- Existing brand recognition and market presence.
- Small-claims ready through ABS model.
- Expert people across organisation.

How we'll get there

- Grow market share in the larger personal injury market (£7.0bn) rather than just the smaller CMC sub-sector (£157.1m).[1]
- Take an economic interest in the success of the whole claim and capture previously unavailable value.
- Develop technological and end-to-end efficiencies to optimise the consumer experience and deliver profitable growth.
- Grow market share in Critical Care via investment in brand, website and overall marketing activity, capitalising on partnerships entered into during 2018.
- Grow market share in Residential Property, utilising web optimisation and moving into the referrals market through the roll out of its online conveyancing platform for estate agents, The Conveyancing Exchange.

1 Source: Claims Management Regulation Annual Report 2017/18

Value for stakeholders

Shareholders
Attractive dividend yield and long-term value creation.

Dividend paid
£6.4m

Employees
Investing in business growth and development of people.

Investment in training
£192,000

Consumers
Supporting consumers across our three divisions.

Consumers supported
153,238

Our business partners
Maximising the value to our partners and evolving our proposition.

Law firm relationships
754

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 integrity, taking individual responsibility for our actions whilst trusting and respecting each other.

STRATEGY

Building for the future

Strategic priority	Progress in 2018
Business Re-engineering	■ Managed existing ABS law firms as volumes built. ■ Development of new wholly-owned law firm to enable process of own work. ■ Prepared to re-engineer the business to ensure it is small claims ready ahead of reforms in 2020. ■ £5m invested in claims processed through ABSs. ■ Strengthened the Residential Property team and made leadership change to help return the division to growth.
Brand Development	■ Continued to evolve National Accident Helpline brand, building on success of 2017 relaunch. ■ Insourced the marketing capability in our Personal Injury division . ■ Continued to invest in presenting Bush & Company as the quality care provider ■ Securing two high profile strategic partnerships with care charities and obtaining a place on the preferred supplier panel with a major insurer for Critical Care.
Technology Platforms & Digital Solutions	■ Defined and developed case management software for wholly owned law firm. ■ Operation of a number of established digital properties in the consumer conveyancing sector. ■ Improvement of customer experience, focusing on increasing the efficiency and efficacy of our digital marketing spend. ■ Launched 'The Conveyancing Exchange' – our introducer quotation platform, building market penetration amongst introducers to open new routes to market.
Commercial Relationships	■ Managed and evolved Personal Injury panel relationships ahead of market reforms. ■ Maximised opportunity provided by contract wins whilst cultivating existing relationships in Critical Care. ■ Developed new commercial relationships that position our Residential Property division for future growth.
Acquisitions	■ No suitable opportunities aligned to our strategy emerged.

Priorities for 2019

- Continue to evolve ABS partnerships and develop improved commercial relationships.
- Launch wholly-owned law firm in April and scale volume throughout the year.
- Continue small claims development ahead of implementation in 2020.
- Release working capital invested in partner ABSs to invest in wholly-owned law firm.
- Increase investment in technology solutions.

- Deliver a successful brand refresh and continue to position Bush as the market leader with a focus on quality.
- Increased investment in TV advertising.
- Building organic search capability, strengthening team and driving online sales channel.
- Repositioning the Residential Property brand and development of digital channels.

- Developing a customer-centric platform that allows us to tailor our proposition, expand applications and enable volume processing in Critical Care.
- Identify technological solutions to improve efficiency at Bush, providing tools that support our consultant base.

- Evolve the Personal Injury panel proposition to maintain enquiry volumes.
- Consider expanding into adjacent markets in Critical Care, building new strategic relationships.

- Continue to consider small, earnings accretive acquisitions to enhance our existing divisions.

STRATEGY IN ACTION

Creating a new Personal Injury business

Our Personal Injury business is changing to better serve consumers' needs.

Change in regulation
The Personal Injury market is fragmented and, rightly, a highly regulated field. We support the work to improve the reputation of the sector and very proud of the work that we have carried out with Government and other agencies to ensure that both the consumers and the industry are protected from less credible businesses. As these reforms continue to move closer to implementation, we expect to see traditional law firms reduce their appetite for enquiries.

Meeting consumers' needs
Responding to the changing needs of both consumers and Government, the Group is building a new type of law firm which will take responsibility for a claim from the first phone call to its conclusion. This will give consumers the peace of mind they need as well as a timely and customer focused experience. It will also add value through the full cycle of all claims – irrespective of claim size - through the development of digital platforms that will facilitate smaller claims.

Personal Injury Market Value

£3.9bn

We're responding to regulatory changes...

Consumers will still need help and support accessing the legal system and advice on how to get the right help.

...by creating a new kind of law firm...

By creating our own markets for enquiries we can take an economic interest in the success of the claim, participate in the whole PI market and meet our ambitions for growth.

Our ambition is simple and clear - we aim to be the number one PI firm in the UK and we have a plan for how we'll make that happen.

...and optimising the consumer experience

Our platform is intended to grow profitably through modern processes, generating efficiencies and optimising the consumer experience throughout the claims cycle.

- Technology enabled
- Consumer focused
- All claim sizes considered

Two new business units

NAHL GROUP plc
Personal Injury division

NAH Division

- National Accident Helpline

Legal Services Division

- National Accident Law
- National Law Partners
- Your Law

Our regulators

- FCA Financial Conduct Authority
- Solicitors Regulation Authority

Personal Injury

We continue to be a leading provider of products and services to consumers in the personal injury market, now worth £3.9bn. This part of our Group is the largest and is currently transforming its business to ensure we can best serve our consumers' needs and respond to industry-wide reforms.

Number of staff

150

Consumers supported

101,045

Our ambition is simple and clear, we aim to be the number one PI firm in the UK and we have a plan for how we'll make that happen.

A new type of law firm

We believe that a new type of law firm is needed to deal with these contemporary challenges, one that is technologically enabled and focused on the consumer. A firm that recognises the value in supporting consumers with a valid and worthwhile claim, irrespective of its size.

Suzie's story

My name is Suzie, I'm a mother and I work for the NHS. My accident happened when we were walking home from having a meal. We were walking past a building site, the area wasn't lit and I fell on uneven paving. It was agony.

I went to the hospital and had x-rays on both my knees and ankles, and I was given crutches.

I couldn't even get up the stairs or look after my children as normal, and I had to give up work for a while.

We struggled to pay our bills and had to borrow money from family and on a credit card, which was a constant stress and worry.

It was my sister's idea to contact National Accident Helpline. I didn't know what to expect and I didn't think I was going to get anywhere with it.

The phone call initially was really good – I went through everything and they were really easy to talk to, there was no pressure.

When they did take it on, the whole process was all taken care of – I was really surprised.

The relief when the compensation came through was just unreal – I thought 'I can pay that off, I can pay them back'.

It put a smile on the face of my children because I was able to walk and play with them again and I wasn't worrying about where the money was coming from.

National Accident Helpline listened to what I went through and were really understanding, they helped me from start to finish and made everything better.

One that can grow profitably through modern processes generating efficiencies and optimising the consumer experience throughout the entire claim cycle.

It's clear to us that consumers risk being disadvantaged by these reforms. We believe that we are uniquely placed to deliver a solution based on the strength of our brand, our deep knowledge of PI, and the high trust that we enjoy with our consumers.

Prior to 2017 we placed all our enquiries into partner law firms to process. However, due to the reforms, the appetite for this service will reduce and so in 2017 we began our strategy to transform the Group by adding specialist personal injury law firms in ABS partnerships.

Our new ABS law firms allow us to take ownership for the consumer journey using our experience and knowledge of the legal system to ensure the best consumer experience possible.

In addition, we will continue to service our panel who remain an important part of our strategy. As long as demand exists, we will ensure our partners receive high quality enquiries from us.

By creating our own markets for enquiries we can take an economic interest in the success of the claim, participate in the whole PI market, and meet our ambitions for growth. So far, we've outsourced the legal processing tasks in our ABS firms to a partner.

In 2019 we will launch a third law firm where we'll deliver the entire process ourselves, optimising the consumer experience and creating maximum value for our shareholders. In building our new law firms, we're challenging market norms and responding to the opportunities presented by regulatory change.

We're excited about the proposition for our consumers and the long-term growth opportunity this presents for our business in what continues to be a highly valuable market.

Evolving to meet a new regulatory landscape

Critical Care

2018 has been a year of significant growth for Bush & Company. Maintaining a focus on our position as catastrophic injury experts, we have also strengthened our marketing, business development finance and operations teams. Our network of case managers and expert witnesses has also grown to its biggest size to date and we now boast 114 case managers and 76 expert witnesses.

Case managers

114

Expert witnesses

76

The power of expertise

In 2018 we welcomed nine new specialist case managers - each joined us having accumulated a minimum of seven years' experience within clinical roles and have subsequently undertaken further, robust in-house training to ensure optimal standards. Furthermore, with our expert witness service, we continue to produce a high number of exceptional quality reports.

Robert's* story

At eight, life seemed simple and fun. My acquired brain injury shattered that norm and life changed forever. I was angry and frustrated. Suddenly my life was full of people telling me what to do. As I grew up things became harder. People told me how good I'd been before my accident – I knew I wasn't the same, which upset me. I needed help with everything, at a time when I should have been gaining independence.

I hated school; I was bullied for being different. My behaviour therapist and case manager from Bush & Company saw how upset I was and found me a new school placement. I could learn in practical ways, including on a farm looking after sheep and chickens. I felt much calmer outdoors and achieved NVQ qualifications which I am really proud of.

I'm also proud I have learned to control my anger. I have a partner and am a dad, which never seemed possible. My hopes and dreams are for my son to be happy and for me to help and support him and others.

My case manager and behaviour therapist helped me be me again. They understood my emotions and helped me to recognise my own behaviour and others'. I don't know what I would have done without them. Today, I am more settled and it's reassuring to know they're there if I need them."

*Name has been changed to protect the anonymity of the client

This investment in expertise has had a direct impact on all areas of the business, not least the securing of a tender to work with the Thalidomide Trust in 2019. The subsequent feedback we received described a competition that simply could not match our capability and expertise.

Collaboration

This year has seen us launch two partnerships with large, established charities, the Spinal Injuries Association and the Child Brain Injury Trust. These represent the only partnerships of their kind in our sector and are helping to promote our expertise and commitment to the catastrophic injury space.

The two services provide clients with reassurance that they are supported by the very best, and give us the opportunity to help shape future support for people following acquired brain injury and spinal cord injury.

Moving forward

2019 looks set to be a year of significant investment and a broadening of activity. Further increases in investment are planned for a number of key areas including technology to ensure the systems we use are ready for growth and are able to deliver efficiencies.

Investment in our brand is already underway having initiated a project that will see us redefine our brand value and which will further set us apart from the competition. Our website's improved search capability will enable our customers to easily find the perfect consultant for their needs based on their strengths and experience.

Our joint ventures

The Thalidomide Trust

sia spinal injuries association

Child Brain Injury Trust

Residential Property

2018 was not a vintage year for the UK housing market. Fewer people moved house with the number of transactions down from 2017. Our businesses in this market, Fitzalan Partners and Searches UK, are small players in the sector, however this presents a large opportunity.

Fresh leadership
In 2018 we welcomed Will Herbertson as Managing Director of our Residential Property division. Will is an experienced business leader who shares our drive and is committed to our values and culture.

Over the course of the year, the division supported over 50,000 customers with their transactions. In addition, it delivered more than £6.4m of revenue and has done so while being awarded more than 250 ‘five-star-reviews’ for service on Trustpilot and achieved an average score of 8.7.

5 star Trustpilot reviews:
“I found Homeward Legal gave me an honest, trustworthy service. I found them helpful and informative about the fees and process. When I had queries about my conveyancing they were dealt with in a straightforward, reassuring way, and I was pleased with the outcome. No hassles. Very good service.”

“After my internet enquiry I was contacted and from that moment on with their obvious expertise in this field they took every worry that I had explaining in terms I understood off my shoulders, taking time to listen to my concerns and putting my mind at rest. To top this all off the money that I saved was unbelievable. I am absolutely delighted with the service I have received.”

Next year there will be a refocus of Business Development and Product Management Teams, and we’ll continue to strengthen our external presence through 2019 with a greater focus on digital marketing.

Digital opportunities
Fitzalan Partners and Searches UK are small players in a large market. Though not currently market leaders, their smaller size presents advantages such as an agility to react more quickly to market forces and an ability to differentiate themselves with a more personal service.

However, it is the increasing digitalisation of the property buying chain which presents the most compelling opportunities. It is now commonplace for people to search for properties and indeed sell them, online. The next big step will be the process of arranging mortgages being transferred to fully digitised systems. The Residential Property division intends to position itself at the forefront of this development.

Both Fitzalan Partners and Searches UK are successful, dynamic businesses with great people and outstanding reputations. We are confident that by capitalising on their agility and personalised services whilst working hard to prepare for the onset of greater digitalisation, when the market inevitably picks up again, we can win more market share and establish ourselves as a major player.

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Residential conveyancing Market Value

£2.4bn

Preparing for better market conditions

CHAIR'S STATEMENT

Identifying opportunity, delivering success

This is my first Annual Report with NAHL Group plc having joined the business in December 2018.

We are midway through a significant transition and it is obvious to me that there is a realistic and achievable strategic plan in place against which the management team are executing well and making great progress.

Events in 2018 once again validated the strategic approach we are taking and the regulatory and competitive landscapes are developing as we had anticipated. Our businesses are facing into significant market change but are adapting to this and embracing the opportunity that it brings.

Financial Results and Dividend

As we have previously announced, the Group experienced a challenging fourth quarter's trading. Consequently, our profit before tax fell marginally short of the Board's expectations for the year at £9.8m (2017: £12.4m).

The Group's strategy requires investment in both working capital and infrastructure and as such, during this transitional period, profits and cash flow will be lower. This deferral in profits will support future earnings and provide the basis for a sustainable and growing earnings stream in our Personal Injury division.

Basic earnings per share declined 33.2% to 14.5p (2017: 21.7p). The Group has continued to carefully manage its balance sheet and net debt at the end of 2018 was £15.5m (2017: £12.1m).

The Board proposes, subject to the approval of shareholders at the Annual General Meeting to be held on 21 May 2019, a final dividend of 5.7p per share be payable on 31 May 2019 to ordinary shareholders registered on 26 April 2019. This gives a total dividend for the year of 8.9p, which equates to a cover of 2.0x earnings.

Strategic Progress

Our strategy is to become the leading provider in our chosen consumer legal services markets by leveraging our trusted brands; forging strategic partnerships that create mutual value; and embracing developing technologies to reach and interact with our consumers and customers.

As part of this strategy, our Personal Injury business is creating a new type of law firm that will allow us to put the consumer at the centre of the process and take an economic interest in the whole value of the claim. Through a combination of our panel, our joint-venture partnerships and our own market-leading law firm we aim to be the number one personal injury specialist in the UK.

Progress to date has been encouraging with a positive contribution from our ABS partners, and the development of our own law firm, scheduled to launch in April 2019, is on time and on budget.

In Residential Property, our new management team is putting in place strategic initiatives designed to return the business to growth in 2019; in Critical Care our strategy has already delivered double-digit profit growth and market share gains.

Board changes

I'm grateful for the contribution that Steve Halbert has made to the Group over the last nine years. Steve has successfully guided NAHL Group plc through two significant regulatory reforms, four acquisitions and the IPO in 2014.

The Group is now more diverse and resilient and is well positioned to move forward with confidence. I'd like to thank Steve for his efforts and look forward to working with the Board as we continue the Group's exciting strategy for growth.

Our people

Reflecting on my time in the business to date, I can see a team that is driven, and one that is underpinned by its values and its people. I have seen first-hand the people, the processes and commitment in place to helping the Board achieve its growth ambitions.

I would like to take this opportunity to thank all of our colleagues for their continued support and dedication.

Outlook

Whilst market pressures persist, trading during the early part of 2019 has improved.

We remain confident in our outlook for the remainder of the year.

Caroline Brown
Chair
18 March 2019

Bold decisions to deliver growth

Russell Atkinson
Chief Executive Officer

Overview

During 2018 the Group continued to focus on its long-term strategy of re-engineering its core personal injury business. Simultaneously, we sought to further grow our Critical Care division and navigate significant market uncertainty in Residential Property caused by a turbulent housing market.

Overall the Group traded well during the year but had a disappointing fourth quarter as we updated in January.

As we have previously stated, the ongoing funding of work within Personal Injury impacts short-term profit recognition and cash conversion and this is clearly reflected in year on year comparisons. However, we have managed that aspect of our business well and are pleased with the overall contribution from our ABS operations.

We remain confident that the Group is well positioned to capitalise on the forthcoming regulatory changes and that our transformation strategy is progressing well.

Results

We have delivered underlying operating profit of £12.1m from revenue of £49.0m.

As anticipated, the PI division has seen an ongoing decline in Panel Law Firm demand as a result of the forthcoming regulatory changes. From a marketing perspective, heightened competitor activity depressed enquiry volumes in November and December and a significant Google algorithm change increased consumer acquisition cost. Encouragingly, our ABS operations scaled well and are already making a positive contribution to the Group's results.

Furthermore our Critical Care division continued to perform strongly, growing profits by 16.4% year on year. Strong underlying trading growth was supported by contributions from our commercial relationships with the Spinal Injuries Association and the Child Brain Injuries Trust. Although Residential Property continued to be impacted by a persistently difficult housing market, it continues to trade profitably and in combination with Critical Care, these two divisions make an important contribution to our overall results.

The Group has continued to carefully manage its balance sheet and net debt at the end of 2018 of £15.5m was lower than expected.

Market overview

The Group is a leader in the large and fragmented £7.0bn consumer legal services market and continues to focus on Personal Injury, Critical Care and Residential Property.

The overall PI market has fallen from its recent level of one million claims per annum with volumes decreasing primarily in RTA. The main claim types that make up the PI division's focus have remained broadly static, with reductions taking place in sectors such as travel sickness claims which are not part of our core personal injury target market. These changes come partly as a result of the cumulative impact on law firms of previous legislation which has led to a reduction in investment in the market. The effect of previous legislation combined with continued lack of clarity surrounding regulatory reforms has resulted in many smaller and mid-sized firms questioning their ongoing profitability. We remain the UK's leading marketing services provider in the Personal Injury sector but are positioning ourselves to grow into a large scale volume processor opening up opportunities in the wider Personal Injury market.

Critical Care is the brand leader in the catastrophic injury segment of the medical reporting and rehabilitation market, where we provide expert witness and case management services. We estimate the catastrophic injury sector is mature and growing at between 1 and 2% per annum.

Residential Property operates within the context of the wider residential housing market and as such the division has not been immune to the well-documented challenges faced by this sector in recent years. Transaction volumes have declined by 2% in each of the last two years and we have experienced more cancellations than is typical as the uncertainty of the UK's exit from the European Union continues. However, as the market remains sizeable with over one million transactions recorded by HM Land Registry annually and the value of associated property legal services exceeding £1.8bn per annum, we are well-placed to grow market share from a small base.

Personal Injury regulatory update

From a regulatory perspective the Civil Liabilities Bill received royal assent on 20 December 2018 with implementation still planned for April 2020. No material alterations were made to the bill and the broad principles were as anticipated, namely increasing the small claims limit to £5,000 and £2,000 for RTA and non-RTA respectively, as well as a significant reduction in the compensation available to victims of whiplash injuries. The Group now awaits clarification around the detail of how the legislation will be implemented which will allow us to validate the assumptions in our small claims processing business model. However, it is already clear that the impact on traditional personal injury law firms is taking hold with a number already announcing that they are withdrawing from the market or moving away from lower value claims. This clearly validates our long-term strategy of developing our own processing capability to run alongside our existing panel model allowing us to capture more value and grow market share.

In addition, preparations continue to transfer regulation of claims management companies from the Ministry of Justice to the Financial Conduct Authority (FCA) from April 2019. This means that, within the Personal Injury division, National Accident Helpline (NAH), our lead generation business, will be regulated by the Financial Conduct Authority (FCA) while our legal services business will be overseen by the Solicitors Regulation Authority (SRA).

Strategic development in Personal Injury

We are midway through our transformation process and during 2018 we accelerated our investment in our ABS initiatives and began the process of establishing our own, wholly owned law firm. This has extended our processing capability and given us the opportunity to re-engineer our business model in order to take advantage of the opportunities provided by regulatory change as well as broadening the market available to us.

Progress in this area has been very encouraging with significant headway made. Our first ABS, Your Law, is trading profitably and reaching scale with £9.2 million in damages recovered for non-fault accident victims.

Progress on our own processing capability has also been pleasing. National Accident Law (NAL) has been granted its licence from the SRA and is scheduled to launch in April 2019, at which point we will have a state of the art, consumer focused, technologically enabled volume processing capability which has been designed to enable us to become the UK's leading volume PI processing provider.

The Group has restructured its operations in the PI division, creating two business units: National Accident Helpline, our marketing services business, and Legal Services, which incorporates NAL and the Group's two ABS businesses. Work on the core technology platform is well advanced, recruitment completed and office space secured.
The project is anticipated to launch on time and on budget and this marks a critical milestone in our transformation journey.

As previously announced, this ongoing investment in self-processing means a continuing deferment of profit and cash flow that is realised in future years as cases settle. However, as the model matures both profit and cash flow will normalise, enabling us to absorb the impact of regulatory changes and grow our market share without further significant disruption to the business.

Brand

The successful relaunch of the NAH brand in 2017 enabled us to build on a strong foundation. National Accident Helpline remains the most trusted brand in the personal injury sector and continues to garner excellent customer reviews.

We continued our strategy of using a lower weight of TV advertising supported by enhanced digital marketing activity including SEO and social media activity. We have invested in our in-house marketing team adding significant capability during the year and reducing our dependency on external agencies. This will help us to become more efficient and reactive in future years as we navigate the changing competitive landscape in the run up to the implementation of the reforms.

In response to competitive pressure, we have increased investment in brand recognition and undertaken further digital marketing activity, which has enhanced competitiveness and stimulated enquiry volumes in the early part of 2019. It is likely that the competitor landscape will continue to be challenging until the reforms are implemented but our brand leading proposition positions us well to adapt and respond.

Critical Care has been building on its reputation for clinical excellence and our charity partnership initiatives have further enhanced our brand positioning. During 2018 we conducted a full brand audit and are currently working through a brand refresh which will include upgrading our website. Our centrepiece annual clinical conference was a great success in 2018, bringing together over 210 lawyers, consultants and partners from across the industry and this will be repeated in July 2019.

In Residential Property, our new management team are undertaking a full review of our approach to the brand portfolio and are introducing some exciting initiatives that are designed to return the division to growth in 2019.

Strategic relationships

Whilst much of the focus in our PI division has been on the development of our self-processing capability, the panel remains a central part of our ongoing strategy. As demand has eroded for our existing model we have seen the panel shrink in size. During 2018 we announced the loss of one of our biggest customers who took the decision to focus on higher value PI claims. We also experienced one of our panel firms going into administration and had three further smaller resignations. However, despite the challenging market, we have been able to add new panel firms to our portfolio and are in discussion with several partners about potential new relationships. Additionally, we also have strong panel demand for our medical negligence claims and other specialist enquiry types. As long as demand exists, we will continue to support our panel partners with high quality enquiries.

The addition of two charity partnerships in Critical Care has been supplemented by new business relationships including a contract with a leading insurer. We have continued to invest in business development and seen healthy organic business growth from our existing customer portfolio.

In Residential Property we have experienced a reduction in core conveyancing volumes as a result of market conditions and also seen a reduction in market share as competition for remaining consumers intensifies. In Searches, the number of firms ordering has remained relatively consistent, however the volume of orders has decreased. In September we recruited a new divisional Managing Director who joined us from moneysupermarket.com and he has a remit to increase market share and return the division to growth. We are confident that the initiatives that have been identified will help achieve this objective.

Operations and IT

The establishment of National Accident Law has seen us invest significantly in our operational infrastructure, particularly in IT. We have partnered with Peppermint Technologies to implement its CX Cloud Solution creating a highly flexible and legally focused case and document management system. This is built on the Microsoft Dynamics platform which enables us to integrate with our customer facing processes and systems, thereby creating a unique consumer proposition underpinned by innovative technology. We have identified additional office space next door to our head office in Kettering which will become the initial base for National Accident Law.

In Critical Care we have continued to progress the improvement of our data and MI systems to allow us to better interrogate data and provide information and support to our clients.

People and values

In a time of great change it is critical that we have a well-motivated and capable team who can guide us through the change programme and continue to support our clients and customers with first class service. I am delighted to report that 2018 was a year of great progress in our people agenda with a number of notable achievements including:

- NAH being recognised by the Sunday Times as one of the 100 best small companies to work in for 2019;
- Significant improvements in our employee engagement scores across the Group, well ahead of national averages;
- nine out of ten staff who undertook our Pathway to Leadership development programme gaining promotions or new roles;
- 21 new staff joining our Group to establish our legal services operation;
- Investors in People Gold status awarded to NAH to go alongside our Silver award in Critical Care; and
- the establishment of our learning academy in the PI division.

Our people and values make us who we are and our 233 staff across the Group supported by 190 consultants in Critical Care are the cornerstone of our future growth. We are involved in a number of charitable and CSR initiatives (see page 32) that demonstrate the caring culture that is central to the services that we offer.

Outlook

After an extended period of uncertainty, the regulatory landscape in personal injury is finally becoming clearer. There are still details outstanding surrounding implementation that will help to validate the assumptions on our post reform small claims model and core technology platform but we expect clarity during 2019, giving us better visibility for 2020 and beyond.

What is clear is that the strategy we have followed to re-engineer our PI division is the right one. Without the ability to place enquiries into different distribution models we would undoubtedly have a much smaller and less profitable PI business. Clearly, changing our operating model in the current environment is challenging but it is a challenge that we have adapted to well.

Although we are in the midst of a short-term period of lower returns during this investment cycle, the cash and profits from cases that are processing will begin to return over the next 18 months. The progress we are making with our ABSs, when aligned with our own processing capability and panel, will create one of the UK's leading volume PI processing businesses. Linking that to the strength of the NAH brand, giving us control of the end-to-end process, gives me great confidence that we will be able to navigate the significant regulatory changes in our sector and grow a substantial, sustainably profitable, industry leading Personal Injury business in years to come.

Critical Care has once again performed very strongly increasing its market share and growing profits by continuing to offer clinical excellence. The outlook for this division continues to be good and we will be investing in the technology platform during the next 12 months to create the foundation for further growth.

Whilst the challenges I have already outlined in Residential Property have been difficult to manage, this division remains a profitable part of the Group and the new management team have already instituted a number of initiatives that I am confident will return us to growth.

There still remains a great deal to do but I am confident that we have the strategy and people in place to achieve our aims and I am excited by the challenge of the forthcoming year.

Russell Atkinson
Chief Executive Officer
18 March 2019

Our values are at the heart of what we do

Q Why are the Group's values so important to the business?

A They are, quite simply, the bedrock upon which the Group sits. They influence every decision we make and every direction we steer the business. Without constant reference to our values, we could easily lose sight of the reason we exist, which is to help alleviate the pressures of people experiencing hardship.

Were we to abandon our values, there's a risk our key motivations would stray from helping to improve lives. We will never allow that to happen.

Q Does being values-driven make a difference to the Group's success?

A We'd go even further than that and say it is arguably the key driver to our success. Ours is an industry in which unscrupulous practice still persists and we are conscious of how damaging it is, not just to customers' experiences, but also to companies' reputations.

Adhering tightly to our values allows us to offer a level of service hard to find anywhere else and keeps us at the forefront of our sector.

Q Is it difficult motivating your people to observe the Group's values?

A On the contrary, our people regularly inform us that they love working for a company so committed to doing the right thing and fully support our vision. Our recruitment process is also heavily geared towards bringing in professionals who want to work for a company that cares.

We also maintain open and transparent lines of communication with our employees and they often provide ideas as to how we can further align our values with our practice.

Q How do you measure the effect of being so values-driven?

A It's difficult to measure the effect of something that is both intangible and subjective. However, we have seen many examples of how our commitment to our values is both celebrated and shapes our sector.

The Group and individuals within it, regularly win awards for providing service levels underpinned by our values and we have even influenced standards at a Governmental level aimed at improving customer experiences of our industry as a whole.

Q How will the Group's values evolve over time?

A The four pillars of our value-set are to always be Curious, Driven, Passionate, and Unified. Going forward, it's unlikely that these values will change, but what might begin to evolve is how we put them into practice.

Emerging technologies coupled with an uncertain economic climate may alter how we interpret our values whilst ensuring they are upheld. What will never alter though, is how robustly they will apply to all levels of the business and to every interaction we have with our customers.

Our key competitive advantages position us well to meet near-term challenges and realise long-term opportunities.

The Trusted Executive Framework

The world is going through a period of profound change.

As well as the widespread presence of technology and constant regulatory change, one of the biggest changes we are seeing is that of personal attitudes.

Power, once the epicentre of decision-making for business leaders and customers, has been replaced with the concept of trust and a desire to see the 'right thing' being done.

For NAHL Group plc, it's a period of change we have been able to absorb better than most. I firmly believe that is underpinned by the strong values we work and live by – something I am incredibly proud of.

The Trusted Executive Framework

Though our values have always sat at the heart of what we do, and despite having always maintained a philosophy built around openness to change, the Group remains hungry for and excited by new ideas.

It's for these reasons that when I was introduced to The Trusted Executive Framework, I knew I'd found something that chimed with the very essence of our business, something I've recently launched and shared with colleagues across the Group.

I had been searching for a framework compatible with the personality, values, and ethos of NAHL Group plc. So it was something of a 'Eureka!' moment when I was introduced to John Blakey and his Trusted Executive leadership model.

The model is based on the belief that the traditional concept of 'power' as a method for leading a successful organisation is no longer fit for purpose.

Blakey bases his model on the three pillars of integrity, ability and benevolence, and nine positive behaviours: Coach, Be Consistent, Be Honest, Be Open, Be Humble, Evangelise, Be Brave, Be Kind and Deliver.

Ultimately, the framework is used to promote deeper thinking about how executives operate, how they process their thoughts, and how they act as individuals.

Dealing with change and uncertainty in a rapidly evolving world

We have transitioned into a world where business success is now about dealing with change and uncertainty at high speed, and doing it in an ethical manner. Equipping ourselves to deal with these changes is crucial to our continued success as an organisation. It means being open to change and evolution while, at the same time, retaining our core values.

We've all seen how trust has been lost in established institutions, from finance and politics, through to the charity sector – with ethics called into question and reputations left in tatters. What's more, no organisation is immune.

And it's not just the change and uncertainty itself that businesses today need to deal with; it's the sheer pace of it.

It's a reality which our business has not been immune to. We are actively working and evolving to meet the demands of the Government's Civil Liability Bill and are setting our businesses up for the future. Having an engaged workforce that believes in and is on the journey is key to its success.

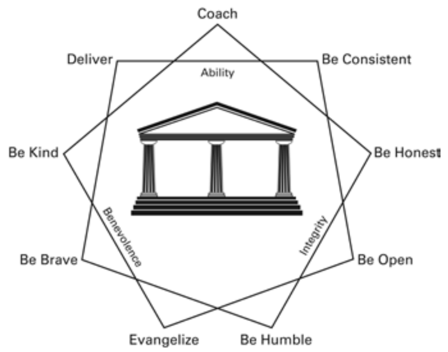
Why 'The Trusted Executive'?

I am deeply proud of our values – the emphasis we place on them makes the Group unique as a business. We reward against them and they are embedded into every level of our organisation. They really are at the heart of what we do.

Supporting our values, I believe the Trusted Executive model that we are now rolling out is going to further enhance our business, and support our future success.

I invited John Blakey himself to come in and do a workshop with the senior team and it proved to be a most worthwhile exercise. Following that session, the team is utilising the framework to share feedback, learnings and proposed changes, each taking one or two habits, going back into their areas of the business and taking the opportunity to strengthen and demonstrate the nine positive traits.

As this journey progresses, we will go on to identify areas for improvement and further support our people, helping them and equipping them for a changing workplace and a changing world.



Ultimately, the Framework is used to promote deeper thinking about how executives operate, how they process their thoughts, and how they act as individuals.

2018 saw the Group create a stronger business despite operating in challenging markets

Overview

Whilst the results reflect that 2018 was a year of planned transition for the Group, I am pleased with the progress we have made towards our strategic objectives. We have made great strides in transforming the personal injury business to one that can generate significant value post the regulatory reforms.

We have also delivered double digit profit growth in Critical Care with minimal investment, and made important leadership changes in Residential Property to address the decline in market share we suffered in 2018 and the early signs are encouraging. Throughout the year, we carefully managed our net debt whilst delivering a meaningful dividend to investors that was consistent with our stated dividend policy.

Some commentary in this report uses alternative performance measures, denoted by the prefix "underlying". Definitions and reconciliations to the IFRS measures are included in note 1 to the financial statements.

In 2018 the Group invested £5m in generating enquiries processed in our ABSs.

Statement of comprehensive income review

Revenue

Revenue decreased in the year by 5.7% from £51.9m to £49.0m. As we anticipated, the Personal Injury division saw an ongoing decline in Panel Law Firm demand as a result of the forthcoming regulatory changes and the Residential Property division saw revenues fall by 23.4% as a result of the well documented challenges in the UK housing market. I was pleased with the performance of the Critical Care division, which, through organic growth, generated an increase in revenue of 12.2% (2017: 6.6%).

I was also pleased with the contribution made by our ABSs in the year, where revenue has only been recognised where a claim has had liability admitted by the defendant. This is consistent with our policy on revenue recognition set out in note 1 to the financial statements and our business model. Revenue on successful cases that are yet to reach this milestone will be recognised in future years.

An analysis of revenue by division is set out in the operating segments note on page 70. Further commentary on the performance of each division is included in the Chief Executive's Report on page 16.

Underlying operating profit

Underlying operating profit decreased in the year by 16.3% from £14.5m to £12.1m. A temporary reduction in profit levels was anticipated as the Group transitions to its strategy of processing personal injury claims through its ABSs and 2018 also saw us face into a number of headwinds in Personal Injury and a challenging market in Residential Property. This is explained in detail in the Chief Executive's Report. Operating profit decreased by 20.5% from £12.6m to £10.0m.

I am particularly pleased to see both ABSs return a profit for the year, after deduction of non-controlling interests.

As a result, underlying operating margin - defined as underlying operating profit divided by revenue - decreased from 27.9% in 2017 to 24.8%.

Exceptional and non-underlying items

The Group separately identifies exceptional costs, share-based payment charges and amortisation on intangible assets acquired in business combinations and excludes them from underlying performance measures to provide readers of the financial statements with a consistent basis on which to track the core trading performance. We have set out our policy for Exceptional Items in note 1 to the financial statements.

The Group incurred a number of exceptional credits and costs in the year, set out in note 4, which resulted in a net exceptional cost of £0.4m (2017: £0.4m). These comprise restructuring costs associated with the strategic transformation of the Personal Injury division, one-off costs associated with changes to the management team in the Residential Property division, and a revaluation of the pre-LASPO ATE liability and associated costs. The latter relates to a legacy product that has not been sold by the Group since its listing on AIM in 2014. Whilst this liability has been very significant in previous years, it has been gradually reducing as previous customers' personal injury claims settle and the Directors anticipate that this will not be material to the Group's results in 2019. Accordingly, it will no longer be shown as an exceptional item.

Taxation

The Group's tax charge of £1.4m (2017: £2.5m) represents an effective tax rate of 14.2% (2017: 19.9%). The effective tax rate is lower than the standard corporation tax rate of 19.0% for the reasons set out in note 9 to the financial statements. The most significant of these is that the Group does not account for the non-controlling interests' share of tax. This results in a reduction in effective tax rate of 3.3% (2017: nil).

Earnings per share and dividend

Basic earnings per share (Basic EPS) for the year was 14.5p (2017: 21.7p) and the diluted EPS was 14.3p (2017: 21.6p). The dilution in EPS derives from a number of share options that the Group has outstanding. This is explained in note 22 to the financial statements.

In order to compare EPS year on year, earnings have been adjusted to exclude exceptional items (net of the standard rate of corporation tax), amortisation of intangible assets acquired on business combinations and share-based payments. This is explained in note 1 to the financial statements. On this basis, underlying EPS was 18.2p (2017: 25.0p).

The Board is recommending a final dividend of 5.7p per share in respect of 2018 (2017: 10.6p). When added to the interim dividend of 3.2p (2017: 5.3p), this gives a total dividend for the year of 8.9p (2017: 15.9p). This equates to a dividend cover of 2.0x the underlying EPS, which is in line with the Board's stated policy. If approved by shareholders at the AGM on 21 May 2019, it will be paid on 31 May 2019 to shareholders on the register on 26 April 2019.

Balance sheet review

I consider the significant balance sheet items are net debt and working capital, defined as trade and other receivables less trade and other payables.

Net debt

The Group had net debt at year-end of £15.5m (2017: £12.1m), comprised of £1.6m of cash (2017: £0.9m) offset by borrowings of £17.1m (2017: £12.9m).

The borrowings represent a balance of £17.2m (2017: £13.1m) on the revolving credit facility (RCF) less pre-paid loan arrangement fees of £0.1m (2017: £0.2m), which are being written off over the term of the facility.

The Group has access to a £25m RCF with Yorkshire Bank which runs to 31 December 2021.

Working capital

Working capital increased £4.5m during the year (2017: £7.0m). This was primarily as a result of an increase in receivables associated with the Group's transition to self-processing. The total trade and other receivables balance of £28.8m (2017: £22.3m) includes the following items:

- £3.6m of recoverable disbursements (2017: £0.9m) on personal injury claims. These amounts relate to medicals and insurance products and are recoverable from the defendant where cases are won; and from After The Event (ATE) insurance policies where a case is lost. A corresponding liability, payable to the product provider, is within trade and other payables.
- Provisions for doubtful debts of £0.9m (2017: £1.1m).
- £8.4m (2017: £4.6m) of accrued revenue, comprising the following:-
- £1.4m (2017: £0.2m) of work in progress recognised within the ABSs on personal injury claims which have not reached the settlement stage yet. Work in progress and the corresponding revenue is only recognised once the defendant has admitted liability on a claim. This is explained in our accounting policy for revenue in note 1 to the financial statements.There is a significant element of uncertainty in estimating the WIP recognised in the ABSs, as discussed in note 1 to the financial statements.The Directors believe that the assumptions adopted are appropriate and based on historical experience of claims processed in our ABSs and by our panel. These assumptions will be updated with actual results as claims settle.
- £3.2m of accrued income (2017: £0.0m) of contractually guaranteed revenue on claims processed in the ABSs. A further £2.7m (2017: £2.2m) is included within trade debtors;
- £1.6m (2017: £3.4m) relating to legacy profit share share deals with our panel law firms. Of this amount, £1.3m is contractually guaranteed.

Cash flow review

The Group increased cash and cash equivalents by £0.7m in the year (2017: reduction of £4.0m). The significant items in the consolidated cash flow statement are net cash from operating activities; new and repaid borrowings; dividends paid to shareholders; and non-controlling interest drawings.

Net cash from operating activities is primarily driven by operating profit and working capital movements, both of which are discussed above.

	2018 £m	2017 £m
Underlying operating profit	**12.1**	14.5
Depreciation and amortisation	**0.4**	0.3
Working capital movements	**(4.5)**	(6.9)
Underlying operating cash flow	**8.0**	7.9
Underlying cash conversion	**65.6%**	54.8%
Cash flows from exceptional items	**(0.8)**	(1.8)
Interest paid	**(0.5)**	(0.2)
Tax paid	**(2.2)**	(3.1)
Net cash from operating activities	**4.5**	2.8

Underlying cash conversion for the year was better than the Board's expectations at 65.6% (2017: 54.8%) due to better than planned collection of receivables in the second half of the year. Prior to 2017, the Group has achieved higher levels and a reduction was planned as the Group invests in self-processing and builds a book of claims as part of its strategic transformation of the Personal Injury division. The Group anticipates returning to higher levels of cash conversion as these claims mature.

The Group made £6.4m of dividend payments to shareholders during the year (2017: £8.2m), which represented the 2017 final dividend and the 2018 interim dividend. £0.9m of drawings were paid to the ABS partners during the year under the terms of our agreements. This was the first year of payments.

The Group drew down £4.1m on its RCF during the year.

New accounting standards

The Group has adopted two new accounting standards during the year – IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of IFRS 15 did not result in any adjustments to the financial statements in either the current or prior years.

The adoption of IFRS 9 required a change in the accounting policy for receivables and a revision to the calculation of provisions for doubtful debts, which are now performed on an expected credit loss basis. As a result of this change, an adjustment of £0.8m (net of deferred tax) was made to retained earnings, which is explained in note 30. The resulting provisions for doubtful debts at 31 December 2018 was £0.9m (2017: £1.1m).

On 1 January 2019, the Group will adopt IFRS 16 Leases. After conducting an impact assessment, the Group does not believe that adoption will result in a material impact on the financial statements. See note 1 to the consolidated financial statements for further details.

In conclusion, the Group's financial position remains robust. We have strengthened the business in 2018 and remain on track to create a sustainable financial model to capitalise on the opportunities available to us.

James Saralis
Chief Financial Officer
18 March 2019

Key Performance Indicators

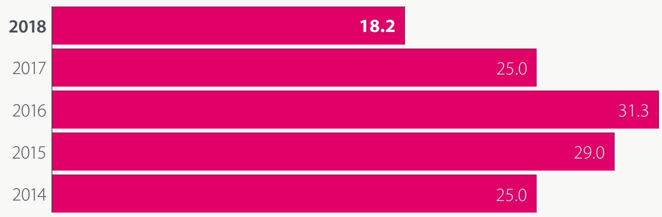
The Board monitors a number of key performance indicators (KPIs) to assess the Group's performance against its strategic objectives. These KPIs comprise financial and non-financial measures and include alternative performance measures, as defined in note 1 to the financial statements. The non-financial KPIs are not directly reflected in the Group's financial statements but are assessed on a regular basis and managed by the respective divisional management teams.

A number of these KPIs are presented on this page as the Directors believe that they provide additional insight into performance from the perspective of shareholders and other stakeholders.

Profitability

Underlying EPS (Basic) (p)

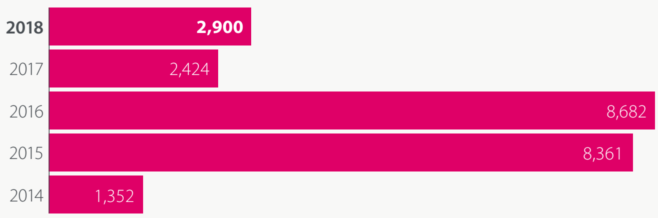
This profit metric, excludes exceptional and non-underlying costs; and the profit attributable to non-controlling interests; and is presented on a per share basis. It is defined in note 1 to the financial statements.



Cash generation

Free cash flow (£m)

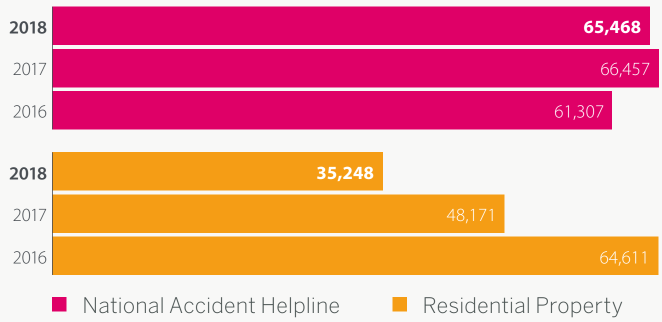
Free cash flow comprises the cash that the Group has generated from operating activities, less cash used in investing (including capital expenditure), less payments made to non-controlling interests. As free cash flow grows, the Group has more resourced to pay down debt and make dividend payments to investors.



Marketing services

Enquiries/Instructions generated

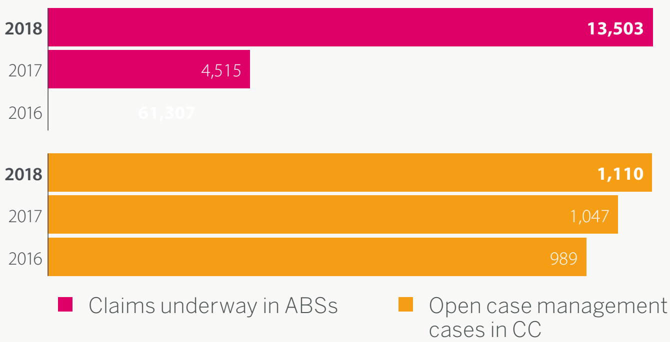
Our ability to generate personal injury enquiries and conveyancing instructions are a core competency and demonstrate the strength of our brands. These represent leading indicators of our ability to generate revenue.



Service provision

Claims underway/Cases managed in the year

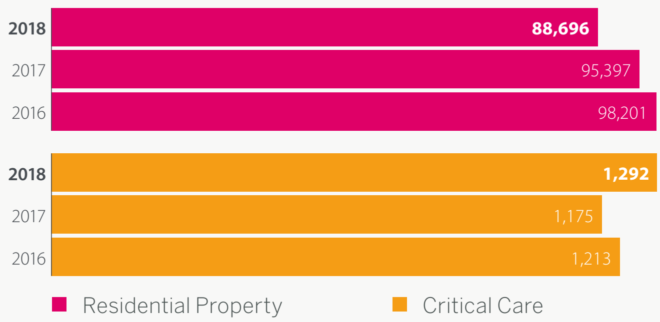
We generate revenue through processing claims in Personal Injury and through managing cases in Critical Care.



Expert reports

Reports issued in Critical Care/Residential Property

We charge fees for expert reports. In Critical Care we issue expert witness reports and initial needs assessments and in Residential Property we issue surveys and search reports.



The Board has ultimate responsibility for risk management

Senior management lead an ongoing identification and assessment process of the key risks (both financial and non-financial), which is reviewed quarterly by the Executive Directors and presented annually to the Board. The review process includes an evaluation of the detailed risk registers and is designed to ensure that significant risks are identified and prioritised according to the likelihood of the event occurring and the impact of that event. Once the risks have been assessed, appropriate mitigation actions are implemented. The principal risks identified are as follows:

Principal risk	Description	Mitigation
Impact of regulation	The Group operates in a number of regulated markets. In Personal Injury, this includes the need to comply with the provisions of the LASPO Act 2012 and regulation by both the Claims Management Regulation Unit (CMRU) of the Ministry of Justice (MOJ) and the Solicitors Regulation Authority (SRA). Non-compliance could result in additional costs and/or reputational damage. Regulatory oversight for claims management companies will transfer from the CMRU to the Financial Conduct Authority (FCA) in April 2019. If the Group were to fail to adapt to this change then the risk of non-compliance could increase. Regulations and laws are open to change as demonstrated by the Government's decision to change the small claims limit and restrict compensation for soft tissue injuries in the Civil Liabilities Bill, due to be implemented in April 2020. The main consequences of this Bill are well documented, however, some key details of implementation still need to be clarified. 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 future prospects.	The Group monitors regulatory and legal developments closely and this informs our strategic plans and consumer proposition. Management continue to work with the Regulators to ensure compliance and are already working closely with the FCA as it plans its transition. The business model has proven to be adaptable and resilient to change in the past and continues to develop in response to regulatory change including our current re-engineering of our Personal Injury division. The Group is working closely with the MoJ and other stakeholder groups to get clarification of the key aspects of regulatory implementation. The Board will continue to review the model for appropriateness as the regulatory environment develops and adapt accordingly.
Brand and reputation	Corporate Profile and Brands The Group's success and results are dependent, in part, on the strength and reputation of the Group and its brands. These brands, which include National Accident Helpline, a number of residential property brands and the Bush & Co brand, are exposed to the risk of being tarnished by any significant adverse publicity, including being falsely accused of using unethical marketing techniques such as cold-calling, which could adversely impact the Group's financial performance. Quality and Independence The Group's success in the Critical Care sector is largely dependent on the quality of its consultants and expert reports; and the preservation of high standards of clinical governance. Failure to maintain such quality and independence exposes the business to a tarnished reputation for handling and processing cases which could result in a deterioration in financial performance.	The Group engages external advisors to help protect its corporate profile and advise on public relations. The performance of the Group's brands are tracked and actions taken to ensure they remain effective and ahead of competitors. In Personal Injury, our brands operate in regulated environments, which provides additional protection against unethical marketing practices. False attribution of cold-calling is mitigated through our clearly documented ethical approach to marketing; our work with the Government's Insurance Fraud Task Force and the Department of Culture, Media and Sport to ban cold-calling; and through supporting consumers making complaints to the Regulator where they have suffered from cold-calling. 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 protects its brand and its reputation. Quality is maintained by a clinical supervision process supported by highly trained case administrators. Clinical governance is the cornerstone of Bush's business and all consultants have a mixed caseload of claimant and defendant instructions.

Principal risk	Description	Mitigation
Market disruption	**Online marketing** The Group relies on its marketing strategy to retain its market leading position in Personal Injury and Residential Property. Any significant change in technology, cost of acquisition, or changes to search engine algorithms could impact the Group's ability to maintain its rankings on search results and increase the cost to achieve its revenue targets. **Panel Demand in Personal Injury** The Group is partially dependent upon its Panel Law Firm customers in order to maintain a flexible distribution strategy. The forthcoming regulatory reforms have prompted some law firms to review their level of investment in personal injury cases and seen some close their doors to new business altogether. If this is more prevalent in our panel than we have planned, there is a risk that it could have an impact on the financial performance of the Group, specifically a reduction in short-term profits due to an increase in the working capital required to process additional enquiries in our ABSs. **Residential Property Market** A significant and prolonged deterioration in the UK residential property market could result in a reduction in house prices and a reduction in the volume of instructions sourced by our Residential Property division. This would limit our ability to achieve our financial forecasts. This could include, but not be limited to, the impact of Brexit on the market. Whilst a positively received outcome on Brexit could boost the market with an increase in supply of houses to sell, a no-deal outcome or delay to the leave date could result in further uncertainty and a slower market as buyers and sellers retrench and delay planned moves. This could result in lower levels of instructions and have a financial detriment to our plans.	The Group has extensive experience of managing its marketing strategy through a combination of internal marketing experts and external agencies. The Group strengthened its internal competencies during 2018 and reduced its reliance on agencies to ensure it has the flexibility and capability required to react to the potential risks outlined. The Group also transitioned to a leading digital search agency during the year to support its paid search activity in Personal Injury. The Group continues to provide its customers with high quality enquiries that ensures they maximise their financial return. In order to secure stability of distribution, the Group has provided a limited number of panel firms with enhanced credit terms, which are managed very carefully. In recent years, the composition of the panel has changed and the Group seeks to ensure that no single customer accounts for a disproportionate amount of the Group's business each month. Whilst the Group sees flexibility of distribution as an important part of its strategy, the development of the Group's ABSs has ensured that it can manage the placement of its enquiries strategy and reduce the concentration risk. The Group are continually monitoring market trends and adjust our forecasts accordingly. Revenues derived from conveyancing, surveys and searches are largely linked to the volume of instructions processed rather than house prices. The risk of a house price 'crash' would be mitigated through our focus on the first-time buyer market, which would likely be less impacted, and our value proposition, which may be more important to home owners in a distressed market. The Directors believe that the impact on the property market is the only material exposure to Brexit risk and is mitigated as above.

Principal risk	Description	Mitigation
Business model	**ABS Performance** An increasing volume of personal injury claims are now processed in our ABSs, which exposes us to financial risk based on case performance. Performance levels that are lower than forecast could impact the quantum and timing of revenue recognition and cash conversion thereby having a material impact on the Group's financial prospects. For our joint-venture ABSs, we rely on the ability of our ABS partners to process work in a way that is consistent with the assumptions we have made in our business models.	Our assumptions have been produced in conjunction with our ABS partners, who are themselves experienced and successful PI law firms, and using our 25 years of experience of working with panel law firms. We update our assumptions regularly to reflect actual performance. This gives us confidence that the assumptions are realistic and achievable. We maintain control over our wholly owned ABS and have in place a comprehensive set of metrics to help manage the performance of each cohort of claims. In our joint-ventures, we work closely with our ABS partners to manage performance through weekly performance reviews, contractual SLAs and monthly Board meetings. We also exercise audit rights over the book.
	Demand for consultants in Critical Care Competition for the best case managers and expert witnesses remains high within the sector. A failure to attract and retain high quality consultants could constrain our capacity and limit our ability to hit our financial forecasts.	In Critical Care, we offer our consultants a chance to be part of an award winning, supportive and growing team with extensive training to support their CPD requirements; access to clinical specialists; and opportunities to network with their peer group. Consultants value the scale of the business, which provides geographical benefits, and the level of back office support that smaller competitors cannot match. In 2019 we are investing to enhance our consultant proposition and further differentiate ourselves from our competitors.
Transformation	In pursuing its transformation strategy within Personal Injury, the Group may incur substantial unforeseen costs and issues which could divert management attention from the day-to-day business.	The Board closely monitors the execution of the strategy through a programme governance group, chaired by a Non-Executive Director (Tim Aspinall) and includes the Executive Directors and management. Detailed project plans and risk registers are maintained for each element of the transformation programme, with a focus on technology and people, and costs are subject to budgetary control.
Financial	The regulatory changes discussed above along with the high acquisition cost of personal injury claims is resulting in consolidation among small and medium sized personal injury firms, with some firms ceasing to take on new business or trade entirely as a result. This presents an increased credit risk, including the risk of insolvency among panel firms.	Within Critical Care, settlements are made from client funds which are held in trust account under SRA rules. This provides protection against credit risk. Within Personal Injury, smaller panel firms are required to provide deposits to limit the financial exposure of the Group. A small number of firms are permitted extended credit terms, but these are limited and carefully controlled. Firms are credit checked and financial information is regularly reviewed by management to ensure ongoing credit-worthiness. The Group operates a delegated authority list, which includes approval of extended credit terms by the Board for significant exposures. The Group has adopted IFRS 9 Financial Instruments during the year and provides for debts on an expected credit-loss basis. At 31 December 2018 the Group had provisions for doubtful debts amounting to £0.9m.

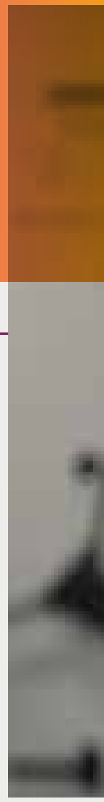
Principal risk	Description	Mitigation
IT, systems and data security	The Group utilises various IT systems in support of the business, including website and call centre technologies. It depends on these systems to deliver the various service offerings to customers and consumers. A major IT or system failure, or a malicious attack, data breach or viruses could interrupt our ability to provide those services. In Personal Injury and Residential Property, technology is becoming an increasingly important part of the consumer proposition and is used to reach out to consumers and differentiate the business from its competitors. Should this technology fail, it could result in reputational as well as financial risks. Through the normal course of its business, the Group handles personal data and it commits to consumers that this data will be protected and only used for the purposes for which it was provided. If this data is not safeguarded, there is a risk that it could be used for malicious purposes, including identity theft, which could result in reputational damage for the Group and/or a significant fine if the Group was found to have not complied with the regulations.	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. Regular assessment of vulnerability to malicious attacks is performed and any weaknesses are rectified. All employees sign up to the Group's IT policy which, along with various anti-virus tools, is designed to protect the business from attack. The Group continues to invest heavily in optimising the consumer journey through the use of technology, to ensure it remains competitive and attractive to its consumer base. The Group takes data security very seriously and has put in place robust data protection procedures to ensure it is compliant with the Data Protection Act 1998, GDPR and other relevant regulations.
People	The Group's future growth and success depends, in part, on the leadership and performance of its Executive Directors and senior leadership team. The loss of a 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. In addition, high employee turnover in operational areas of the business could risk successful delivery of key operations, which could result in reputational damage and an impact on financial 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 performance-related pay in the short-term and through share options for medium and long-term retention. The Group enjoys low employee turnover compared to its peers and high levels of employee engagement. This is achieved through the development of its values-led culture with strong leadership, high levels of organisational capability and a focus on employee development. The Group operates learning and development initiatives to increase job satisfaction and promote the opportunity for internal succession.

This strategic report was approved by the Board on 18 March 2019 and signed on its behalf by:

Caroline Brown
Chair
18 March 2019

Proud of our service

We've helped nearly 2,000 people make official complaints about cold calls in the last four years and this ethical approach will remain part of our foundation as a business.[2]



At NAHL Group plc, we take pride in the service we deliver and the manner in which we deliver it. We believe our approach to our customers, our investment in our people, and our methodologies for achieving success make us more than just another legal services provider.

We maintain a passionate commitment to improving the lives of everyone connected with our brand and believe we have a duty to care for our colleagues as well as the wider community. It's a belief underpinned by the four key values of our brand; to always be Passionate, Driven, Curious and Unified.

Working tirelessly to improve the life experience of our employees, our clients and those people who have suffered misfortune, we also push back against an industry plague of cold-calling and dishonest marketing.

An impressive 83.4% of our people agree or strongly agree that 'Our values guide the way we work.[1]

Social Purpose

Standing firm in a turbulent industry
When we began our mission to bring justice to those affected by accidents back in 1993, we did so with a people-first ethos that has remained steadfast.

Upcoming changes to legislation such as the Civil Liability Bill look set to change the industry in ways we are unconvinced are in the interests of the injured. This is partly the reason we are making significant investment into a dedicated, digitally-enabled, small claims-ready law firm in the first half of 2019.

Accidents will still happen, and people will still suffer physically, mentally and financially as a result. We need to be prepared to maintain access to justice for all.

Championing a more ethical approach
We possess both a commitment and duty to protect the public from some of the more aggressive, intrusive practices which emanate from our industry.

In 2012, we tabled amendments to the Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) and made our stance clear on nuisance calls which continue to afflict the PI claims industry.

Following extensive work with the Government's Insurance Fraud Task Force and the Department of Culture, Media and Sport, we were pleased to see a number of regulations introduced that should reduce cold calls in our sector.

To now support effective enforcement, the Group has established processes with the Information Commissioner's Office (ICO) and Claims Management Regulator (CMR) allowing us to provide an exceptional level of data to support our sector in the fight against cold calls.

We've helped nearly 2,000 people make official complaints about cold calls in the last four years and this ethical approach will remain part of our foundation as a business.

1. Assessment Report, PI Division 2018 – Investors in People
2. National Accident Helpline complaints data log

"The amazing opportunity to have a work experience placement with a high-quality law firm is an honour and will allow to me to develop my understanding of the practical work that takes place in a legal environment."

– Gbemisola Martha Obolo, Future Legal Mind winner, 2018

Communities

We believe that it's within the strength of local communities that lives can be improved. When people of all backgrounds come together, the potential for positive change is limitless.

As such, we invest heavily in local communities by providing charities with the resources they need to perform their outstanding and vital work.

Supporting young adults

We have a strong belief that the success of our communities depends on the engagement of young people.

Members of the Executive Team from NAH have, for several years now, taken part in a Dragon's Den event at a local senior school, providing advice, support and feedback to Year 7 students as they work to develop a new product for pitching to the Dragons in hope of a fictional cash injection. We also sponsor one of the school's end of term awards and attend the awards evening to congratulate the winners and show commitment to the school and all it is hoping to achieve with its students.

Future Legal Mind

The Personal Injury division is also committed to supporting young professionals looking to enter this area of the legal sector and does this through its annual Future Legal Mind competition. We believe it is crucial to have the very best people engaged in the legal sector, so this competition aims to give the brightest minds the support they need today to make a difference tomorrow.

The competition – now in its fifth year – challenges entrants to show their expertise with a short essay response to a given statement.

In 2018 the award was won by Gbemisola Martha Obolo who said of her big win; "I feel encouraged and more confident in myself. I am grateful that my hard work and the skills that I have cultivated have been recognised. The amazing opportunity to have a work experience placement with a high-quality law firm is an honour and will allow to me to develop my understanding of the practical work that takes place in a legal environment."

Communities

Ongoing commitment to charity
Supporting local charities has been a constant endeavour throughout our history. We earmark a day each year for a Family Fun Day where colleagues and those who support them come together for fun and food alongside fundraising activities. This year the Group acted as main sponsor for the local Rotary Dragon Boat Race which saw over 40 boats take to the water. The Group's sponsorship of and fundraising for this event raised £6,000 for the local Rotary organisation which this year is supporting two hospices from the region.

Our calendar is full of additional charity events led by our people. Events just this year have raised over £1,200 for charities including the local food bank and Breast Cancer Research.

THE Paul Bush FOUNDATION TRUST

The Paul Bush Foundation Trust
For three years the Group has supported the Paul Bush Foundation Trust, donating over £180,000. Paul himself sadly passed away in 2017 but his passion lives on in the values and principles by which Bush & Company operates.

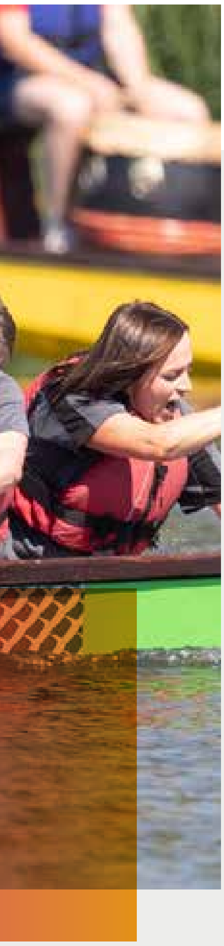
Para Dance UK
In 2018, Bush & Company became a supporter of Para Dance UK, the national governing body for Para Dance Sport in the UK.

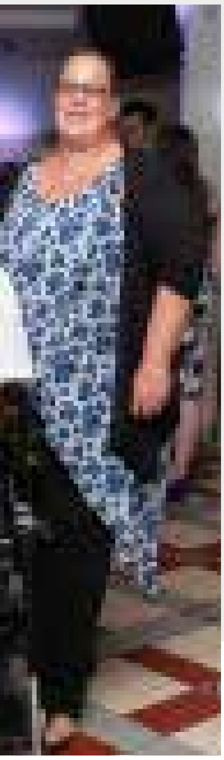
Its aim is to develop and promote dance as a sport and an inclusive leisure activity across the country for those who would otherwise be excluded. This fits perfectly with Bush's belief that engagement with dance and movement not only has a positive affect on physical health, but also a persons ability to engage with rehabilitation following catastrophic injury.

74.6% of our people agree that 'My organisation has a possitive impact on society for 2018.'[3]

One of the ways that Para Dance UK benefited this year was from Bush's charity auction at its Gala Dinner in July. Over the course of the year Bush raised £4,940 which is the equivalent of 494 props or musical instruments for the organisation to use in its lessons. Bush is looking to extend this work in 2019 with renewed commitment to the aims and objectives of Para Dance UK.

Across the company 79.7% of our people say 'The Company encourages community and charitable activities' – up from 65.6% in 2017.[4]





Though we invest in marketing and communicating our brand through an attractive website, advertisements and strong messaging, ultimately it is our people and their talents, dedication and vision which has created a company which continues to grow and touch the lives of others.

This fact shapes how we interact with our employees and how we can support them to achieve their full potential. Rigorous training and robust people development equips our staff with the skills they need to deliver the very best for our customers and consumers.

Our leadership training focuses on giving current and future leaders the tools to get the best from their people, understand personal strengths, and deliver on our mission and values.

In our Legal Support Centre, the training never stops. With a full suite of KPIs monitored daily, we react quickly to training needs with new modules and 1-2-1 coaching. This targeted approach means that every member of the back-office team has a development programme tailored to their individual development needs.

A new approach to wellbeing

The wellbeing of our employees is paramount to our business and we are determined to ensure they have access to the support they need to achieve optimal mental and physical health.

As a result of our efforts across all our charitable endeavours, in this year's annual survey, 79.2% of our people agreed with the statement that 'The company cares about the community it operates within' – up from 53.2% in 2017.[5]

3. Assessment Report, PI Division 2018 – Investors in People
4. OwnIt! Group Staff Engagement Survey, 2018
5. OwnIt! Group Staff Engagement Survey, 2018

Employees

We formalised a new approach to wellbeing following a review in 2017 which includes:

- **Wellbeing Hub –** Our internal communications platform SourceIt! now includes a specialist area where colleagues can access everything from healthy eating recipes to information on applying for a loan or mortgage alongside exercise videos for every level of fitness.
- **Employee Assistance Line –** Our employee assistance line is open 24/7 and available to all staff allowing them to discuss any issues in complete confidence.
- **Mental Health First Aiders –** We recognise that mental health should be held in equal regard to physical wellbeing and so have introduced Mental Health First Aiders to the business, ensuring colleagues have a safe place to discuss any issues and get signposting to further support.
- **Added wellbeing extras –** We know the 'little things' are important to our colleagues which is why we provide free parking and breakfast.

Reward and recognition

Ultimately, the best way to ensure our workforce feels valued and engaged with our mission, is by recognising and rewarding their efforts - and give them the opportunity to recognise and reward one another.

In 2018, as part of the relaunch of SourceIt!, our internal communications platform, we revisited our offering and launched eCards across the business so that colleagues could welcome, congratulate and thank one another for a job well done. These cards sit alongside Hero cards (where recipients can receive a tangible gift from the office Hero Store) and Star cards, awarded quarterly by the Executive teams of each business to those who have gone above and beyond to deliver.

We have also created an electronic 'Wow Wall' where team members can see one anothers' eCards and messages as well as add their own, amplifying the colleague's recognition further.

Going for Gold

In 2018, following a period of research and assessment, National Accident Helpline was awarded Gold standard by Investors In People. This was an incredible achievement, celebrating the excellent levels of staff engagement that the business enjoys. The key strengths highlighted through the assessment process included:

- **Involvement of people –** Communications have improved in terms of information cascade, within and across teams, and via SourceIt!.
- **Learning and development –** There are extensive and innovative opportunities to develop for anyone demonstrating drive and potential.
- **Company values –** Are well embedded across the organisation and used effectively in performance management and recognition and reward.
- **Future vision –** There is a very clear view about where the organisation is headed that people are finding exciting and engaging.
- **Using influence for good –** The organisation is applying itself to driving positive change in the sector; people are proud of this stance and the efforts to date.

When asked in 2017 'Is there is a strong feeling of team work, co-operation and fun across the Company', only 63.6% of our people agreed or strongly agreed with the statement. Our determination to make ours the best place for people to grow saw that figure rise to 83.9% this year.[6]

83.4% of our people agreed or strongly agreed with the statement ‘I value my organisation’s benefits package’ and an impressive 78.1% agreed or strongly agreed with the simple but powerful statement; ‘I feel appreciated for the work I do’.[7]

Hitting the Top 100

National Accident Helpline was also delighted to be named in the Sunday Times Top 100 Small Companies to Work For - an impressive achievement, especially as it was the first time it had entered.

This accomplishment puts the business on a par with many major businesses like Beaverbrooks and Toyota who value their staff and are keen to give them a superior workplace experience.

As usual, the business celebrated with the staff who made it happen and 16 colleagues from across the business attended the black tie celebration at the Battersea Evolution.

Obviously, all staff weren’t able to attend so the business celebrated the following week by decorating the office and presenting each member of staff with a gift box.

In addition to the business’s success in the Top 100, it was also placed number 13 in the Top 25 businesses in the Midlands. This placement takes into account companies of all specialisms and sizes and so to place so highly represents what a truly excellent company National Accident Helpline is.

78.6% of our employees agreed or strongly agreed with the statement ‘I am given praise and recognition when I do a good job’.[8]

Statements to which employees agreed or strongly agreed were based on assessment against the 6th Generation of the Investors in People Framework from April to June 2018. The assessment was conducted with staff in the PI division in line with international Investors in People assessment methodology. Assessment activities included online assessment, interviews, observations and desk top review.

6. OwnIt! Group Staff Engagement Survey, 2018
7. Assessment Report, PI Division 2018 – Investors in People
8. OwnIt! Group Staff Engagement Survey, 2018

Trust in our leadership


Caroline Brown
Non-Executive Chair

Caroline became Chair in January 2019 having joined the Board on 18 December 2018. She is a Non-Executive Director and commercially focused business leader with 20 years' main Board experience driving strategic growth and leading high performing teams in the media, professional services, energy, and technology sectors.

She has delivered business strategy across EMEA, the Americas, former-CIS, India and the Far East in commercial leadership roles for FTSE100 groups, mid-cap companies, and innovative small and medium-sized enterprises.

Caroline is also a Non-Executive Director of Georgia Capital plc, Luceco plc and Earthport plc

Her early career was in corporate finance with Merrill Lynch (New York), UBS and HSBC advising global corporations and governments. Caroline's current portfolio is supported by a strong interdisciplinary background. She is a Fellow of the Chartered Institute of Management Accountants and an MBA.

We believe that good corporate governance is vital to support long-term growth in shareholder value.

Chair's Introduction to Governance

Dear Shareholder,

On behalf of the Board, I am pleased to introduce our Corporate Governance statement for the year ended 31 December 2018. The purpose of this section of the Annual Report is to set out our commitment to good corporate governance, which should be read in conjunction with our website which provides further detail.

The Board is ultimately responsible for Corporate Governance, which is the way in which companies are directed and controlled. We believe that good corporate governance is vital to support long-term growth in shareholder value and to achieve this, companies require an efficient, effective and dynamic management framework that is accompanied by clear communication, which helps to promote confidence and trust.

Corporate Governance Code

Companies listed on the main market of the London Stock Exchange are required to comply with the Financial Reporting Council's UK Corporate Governance Code. NAHL Group plc's shares are traded on AIM and as such are not subject to the same level of regulation. However, on 30 March 2018 the London Stock Exchange implemented new rules for companies listed on AIM, which required all companies to adopt a recognised corporate governance code.

The Board has decided to adopt the Quoted Companies Alliance (QCA) Corporate Governance Code (April 2018 edition). We believe that the QCA code is a pragmatic, principles-based tool that enhances the Group's ability to explain its approach to corporate governance and is appropriate for the needs and circumstances of small and mid-sized quoted companies on a public market, such as ourselves. It is based around a set of ten principles to which the Group must either comply or explain why it does not comply.

Compliance with the QCA Corporate Governance Code

The ten principles of the code are set out in the table on page 41 to 42.

I can confirm that we are in compliance with the requirements of the code and the table provides signposts to the relevant disclosures and explanations.

Shareholder engagement

An important part of the QCA code concerns engagement and communication with our shareholders. Our Investors section of our website explains how we have sought to do this, including meeting investors at our Annual General Meeting. I would like to extend an invitation to all shareholders to attend our AGM which will be held on 21 May 2019, and to engage with the Board and other members of our senior leadership team who will be in attendance.

Russell Atkinson
Chief Executive Officer

Russell Atkinson became Chief Executive Officer of the Group, following its admission to AIM in 2014.

He joined NAH in 2012 as Managing Director 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 Lebara Mobile Limited and Blackhawk Network (UK) Limited, a division of Safeway Inc. as well as 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.

James Saralis
Chief Financial Officer

James Saralis is Chief Financial Officer of the Group, which he joined in January 2018.

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

James brings with him a wealth of experience both operationally and of the AIM market. Previously, he spent over 10 years in the general insurance industry, most recently as CFO of the Direct & Partnerships and Employee Benefit divisions of Jelf, part of Marsh & McLennan Companies.

James has also held various finance roles in Clearspeed Technology plc, HBOS plc and RAC plc.

He is a Chartered Accountant and a fellow of the ICAEW, having been a member since 2003. He holds a Bachelor of Science from the University of Bristol.

Tim Aspinall
Non-Executive Director

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

Tim runs Aspinall Consultants Limited, a management consultancy business advising professional services firms on strategy, performance management and mergers and acquisitions.

Tim is also a Non-Executive Director of Premier Medical Holdings Limited which is one of the leading providers of medical reports in the UK. His senior leadership career in the legal sector includes Managing Partner of DMH Stallard LLP where he led its transformation into an award winning and highly respected mid-market law firm.

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 Chair 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).

EXECUTIVE MANAGEMENT TEAM

Simon Trott
Chief Executive Officer – Personal Injury

Simon is the Chief Executive Officer responsible for the Personal Injury division's executive leadership and business operations.

This includes; National Accident Helpline, Your Law LLP & National Law Partners in addition to our new wholly owned law firm, National Accident Law.

Simon is leading the division through a period of transformational change ensuring the Group capitalises on the changing personal injury market alongside preparing for future regulatory changes. He has executed a number of strategic business initiatives to drive efficiencies and create strong lasting partnerships, created our new law firm, relaunched the NAH brand and developed enhancements in the consumer journey.

Previously, Simon spent 20 years in senior positions within the general insurance industry, most recently at Towergate Partnership Group, culminating in his roles as CEO of Towergate Direct Division & RKH Group.

Helen Jackson
Managing Director – 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.

More recently of note, Helen led Bush in launching two industry leading ventures with the Spinal Injuries Association and Child Brain Injury Trust (both prominent charities in the sector), reinforcing the Company's market positioning as the leader in catastrophic injury in case management, building on Bush's 30 years of success within the Critical Care sector.

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

Will Herbertson
Managing Director – Residential Property

Will Herbertson joined the Group as Managing Director of the Group's Residential Property division in September 2018.

Will is responsible for managing the Fitzalan Partners Ltd (conveyancing and surveys) and Searches UK Limited (property searches) businesses.

Will brings extensive commercial, marketing and digital leadership experience to the division. Prior to joining the Group, Will was a Commercial Director at MoneySupermarket where he had responsibility for one of the Company's three product verticals. Will has also held both UK and international sales and marketing positions at Procter & Gamble, where he started his career.

He has a Bachelor's Degree in Management Science from the University of Warwick Business School.

Marcus Lamont
Group HR Director

Marcus joined as Group HR Director in July 2016.

During his time with the Group, Marcus has embarked on delivering improvements to talent development, embedding the Group's culture and values and enhancing recruitment processes, with significant focus on an aligned approach across all divisions. Passionate about staff engagement and recognition, Marcus recently delivered Gold Standard Investors in People status for the Personal Injury division as well as ensured its inclusion for the first time in the Sunday Times Top 100 Best Small Companies to work for.

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.

THE BOARD

Board composition
The Board comprises the Non- Executive Chair, two independent Non-Executive Directors and two Executive Directors. Their biographies can be found on page 36.

There is a clear separation of the roles of Non-Executive Chair and Chief Executive Officer. The Chair, Caroline Brown, is responsible for the running of the Board and for ensuring that all Directors are fully informed of matters, sufficient to make informed judgements. As Chief Executive Officer, Russell Atkinson has responsibility for implementing the strategy agreed by the Board and managing the day-to-day operations of the Group. He is supported in this role by the Chief Financial Officer, James Saralis, and other senior leaders in the Group.

As Company Secretary, James Saralis, who is also an Executive Director, supports the Board with compliance and governance matters. The Board believes this is appropriate given the size and complexity of the Group and he reports directly to the Chair on governance matters and where any potential conflicts between the two roles arise.

The Board has determined that the Non-Executive Directors are independent, experienced and influential individuals with complementary skill sets. Members of the Board maintain memberships of a number of professional bodies and ensure their skill sets are constantly developed. As part of our ongoing commitment to staff development, Executive Directors and senior leaders have personal development programmes which include mentoring, attendance at high level leadership programmes and individual support for specific and identified development needs and to ensure they are kept up to date on relevant legal developments or changes in best practice.

The Nomination Committee is responsible for considering the makeup of the Board and identifies any succession planning requirements.

No individual or group dominates the Board's decision-making processes.

The role of the Board
The Board sets the strategic aims of the Group and its values, provides the leadership required to put them into effect, supervises and constructively challenges management, who are responsible for the day-to-day running of the Group, and reports to shareholders on their stewardship. The Board is also responsible for risk management, and we have set out our approach to risk management in the Principle Risks and Uncertainties section of the Annual Report on page 26.

The Board met nine times during 2018 and the meetings last for approximately half a day. In addition to this, all Directors attend an annual strategy planning day, which was held on 2 October 2018, and the Group's Annual General Meeting, which is usually held in May. Additional meetings or conference calls are convened as required. Members of the Board also chair and sit on the Board Committees and these each have their own time commitments.

Non-Executive Directors are contracted to the following minimum time commitments:
- Caroline Brown (Chair) – 35 days per annum
- Gillian Kent – 20-24 days per annum
- Tim Aspinall – 20 days per annum

Executive directors are contracted on a full time basis to the Group.

The following table shows the Directors' attendance at Board and Committee meetings during the year:

	Board	Audit	Remuneration	Nomination
Caroline Brown*	–	–	–	–
Steve Halbert	11/11	4/4	3/3	2/2
Russell Atkinson	11/11	–	–	–
James Saralis	11/11	–	–	–
Gillian Kent	11/11	4/4	3/3	2/2
Tim Aspinall	11/11	4/4	3/3	2/2

* Caroline Brown was appointed as a Director on 18 December 2018.

The Group's Annual General Meeting is held in May and all Board members attend in addition to senior leaders from across the business.

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.

Board effectiveness
The Chair annually reviews the contributions of Board members, with a focus on ensuring effectiveness and relevance. The Board periodically reviews its effectiveness and performance as a unit to ensure that it is operating collectively in an efficient, informed, productive and open manner. The Board intends to undertake its next review in the first half of 2019.

Internal control
The Group has implemented 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 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.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available. The Board considers that the introduction of an internal audit function is not appropriate at this juncture.

Board Committees

To assist it in carrying out its duties, the Board has set up three committees comprising the Audit Committee, the Remuneration Committee, and the Nomination Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. An explanation of the responsibilities and composition of these committees is set out below and the terms of reference can be downloaded from our website.

Audit Committee

The Audit Committee consists of:

Caroline Brown Chair
Gillian Kent
Tim Aspinall

Steve Halbert chaired the Audit Committee during 2018 and 2019 until his resignation from the Board on 30 January 2019.

The Audit Committee is expected to meet formally at least twice a year and otherwise as required. It has responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Remuneration Committee

The Remuneration Committee consists of:

Gillian Kent Chair
Caroline Brown
Tim Aspinall

Steve Halbert was a member of the Remuneration Committee during 2018 and 2019 until his resignation from the Board on 30 January 2019.

The Remuneration Committee is expected to meet not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive, the Chair, the Executive and Non-Executive Directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for:

i. determining the total individual remuneration package of the Chair, each Executive Director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and
ii. determining the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Group's policy and in consultation with the Chair of the Board and/or the Chief Executive Officer. No director or manager may be involved in any discussions as to their own remuneration.

Nomination Committee

The Nomination Committee consists of:

Caroline Brown Chair
Gillian Kent
Tim Aspinall

Steve Halbert chaired the Nomination Committee during 2018 and 2019 until his resignation from the Board on 30 January 2019.

The Nomination Committee is expected to meet not less than once a year and at such other times as required. It has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

CORPORATE GOVERNANCE STATEMENT

The QCA Corporate Governance Code

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. Set out below are the ten key principles of the code and a brief explanation as to how we currently comply with each.

	Governance principles	Explanation	Further reading
Deliver growth	1. Establish a strategy and business model which promote long-term value for shareholders	Our vision is to become the leading provider in our chosen consumer legal services markets; and to provide exceptional service to our consumers and customers by being outstanding at everything we do. Our investment case explains why we believe we can deliver long-term value to shareholders.	→ See page 1 (Investment Case) and pages 2 to 3 (At a Glance) → See our Group website (About Us)
	2. Seek to understand and meet shareholder needs and expectations	The Group aims to maintain an ongoing dialogue with shareholders throughout the year, to manage their expectations and understand the motivation behind shareholder voting decisions. Our Investors section of our website explains how we have sought to do this, including meeting investors at our AGM.	→ See our Group website (Investors)
	3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	The long-term success of the Group depends upon our interaction with our wider stakeholder base – consumers, our partners, employees, regulators and the wider community. The Corporate and Social Responsibility section of our annual report sets out how we engage with employees and our communities; and our Divisional Reviews explain the interaction with our consumers. We are regulated by the CMRU (who are transferring responsibility for regulation to the FCA from April 2019), the SRA and CQC. Given the nature of the work we undertake, an effective relationship with our regulators is an important aspect of our operations. The Principle Risks and Uncertainties section of our annual report sets out how we manage that engagement. Feedback from our stakeholders is encouraged through regular meetings including with senior leaders from each division and the Group who evaluate this on a case by case basis.	→ See pages 12 to 14 → See pages 30 to 35 → See page 26
	4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board has ultimate responsibility for risk and has embedded a process to identify and seek to mitigate key risks within the business. This process, along with the key risks, are described on pages 26 to 29.	→ See page 26 to 29
Maintain a dynamic management framework	5. Maintain the Board as a well-functioning, balanced team led by the Chair	The Chair leads the Board and is ultimately responsible for all matters of Corporate Governance. The composition and role of the Board are described on page 39, including the number of meetings held by the Board and its committees and the time commitment of Directors. The Board considers that there is an appropriate balance between Executive and Non-Executive Directors and has determined that the Non-Executive Directors are independent. There is a regular and timely information flow to all Directors concerning the Group's operational and financial performance ahead of scheduled Board meetings. In addition, all Directors have access to the advice and services of the Company Secretary and are able to take independent professional advice in the execution of their duties, at the Company's expense.	→ See page 39 → See our Group website (Maintaining an effective Board, Meet the Board, Meet the Senior Leaders, and Our Committees)

	Governance principles	Explanation	Further reading
Maintain a dynamic management framework continued	6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board considers that there is currently an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. Biographies of Board members are on pages 36 and 37. Directors maintain their knowledge and skills sets by attending relevant seminars and role or industry specific events and the Executive Directors each have tailored development plans to support their needs. The Nominations Committee is responsible for considering the makeup of the Board and identifies any succession planning requirements. Where new appointments are necessary, the Committee leads a search process; seeks advice from the Group's advisers and considers other matters, such as diversity, including gender balance. No individual or group dominates the Board's decision-making process.	→ See pages 37 to 39 → See our Group website (Maintaining an effective Board and Meet the Board)
	7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Chair reviews the contributions of Board members, as well as the Board Committees and conducts effectiveness reviews. The next review is due to be undertaken in H1 2019. Executive Directors have personal development programmes and the Nominations Committee is responsible for considering the makeup of the Board and identifying any succession planning requirements.	→ See page 39 → See our Group website (Maintaining an effective Board)
	8. Promote a corporate culture that is based on ethical values and behaviours	The Group has a strong corporate culture that is embedded in the business and underpins our strategy. This is described in the Chief Executive's Q&A on page 20 and can be demonstrated in our Corporate and Social Responsibility section on pages 30-35. Our employees value and are attracted by our culture and this helps us to mitigate the people risk described on page 29.	→ See pages 20, 29 and 30 to 35 → See our Group website (Our Culture and Our Values)
	9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	The governance structure adopted by the Group is set out in the Governance section of this annual report and on our Group website. This includes, but is not limited to, the composition and role of the Board; roles and responsibilities of the Board; the roles of Board Committees and the compliance with our chosen corporate governance code. The terms of reference of our Board Committees is available on our Group website. The Board believes our governance framework is consistent with our culture and appropriate to our size and requirements. We will continue to evolve our governance framework, as necessary.	→ See pages 36 to 53 → See our Group website (Governance)
Build trust	10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group aims to maintain an ongoing dialogue with shareholders throughout the year, to manage their expectations and understand the motivation behind shareholder voting decisions. The Board's primary contact with shareholders is through the Chief Executive and Chief Financial Officer, who aim to develop an understanding of the views of major institutional shareholders by meeting with them at least twice a year, normally as part of a roadshow after the announcement of the full year and interim results. They also attend certain private shareholder events throughout the year and ensure reports on any meetings are made to the Board. In addition, major shareholders are invited to raise any company matters of interest to them at meetings with the Chair of the Board and the Chair of the Remuneration Committee. Private shareholders are invited to write to the Chair or any other Director and express their views on any issues of concern at any time and the AGM provides an opportunity for private shareholders to put their questions in person.	→ See pages 36 and the reports from the Audit and Remuneration Committees on pages 36 to 53 → See our Group website (Investors)

DIRECTORS' REPORT

The Directors of NAHL Group plc present their Annual Report and audited consolidated financial statements for the year ended 31 December 2018.

Results and dividend
The Group's profit after tax for the year was £8.4m (2017: £10.0m).

The Directors propose a final dividend of 5.7p (2017: 10.6p) per share which, subject to approval at the Annual General Meeting, will be paid on 31 May 2019 to shareholders registered on 26 April 2019.

There are no significant events affecting the Company and the Group since the balance sheet date. A review of the business, including future developments, is included in the Strategic Report on pages 1 to 29.

Substantial shareholdings
The Group was notified of the following interests amounting to 10% or more of its issued share capital at the financial year end:

Schroder Investment Management - 14.35%.

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

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

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

Directors
Biographies of the present Directors of the Company are listed on pages 37 to 38.

Details of the remuneration of the Directors is disclosed in the Remuneration Report on pages 48-49.

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

Disclosure of information to the Auditors
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 Group's Auditors are unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Group's Auditors are 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
PricewaterhouseCoopers LLP has 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 29.

Going concern
The Group's business activities, together with risk factors which impact these activities are included within the Strategic Report on pages 26 to 29. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Chief Financial Officer's report. Having regard to the matters above, and after making reasonable enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operations for the foreseeable future.

For that reason, they continue to adopt the going concern basis in the preparation of the accounts approved by the Board of Directors and signed on behalf of the Board.

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 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.

James Saralis
Chief Financial Officer
18 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 company and of the profit or loss of the group and company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRS as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Caroline Brown
Chair of the
Audit Committee

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31 December 2018.

The composition and responsibilities of the Committee are set out on page 40. The Chief Executive Officer, Chief Financial Officer and external auditors attend the Committee by invitation if required.

The main items of business considered by the Committee during the year included:

Appointment of the external auditor

The Committee considers a number of areas when reviewing the external auditor appointment, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity, and remuneration. The Committee concluded that after four years with KPMG as the Group's external auditors, a competitive tender process should be conducted and as a result of that process, PricewaterhouseCoopers (PwC) were appointed as the Group's new external auditor on 31 October 2018.

KPMG LLP resigned by notice to the Company and confirmed that there are no matters connected with it ceasing to hold office that need to be brought to the attention of members or creditors of the Company for the purposes of section 519 of the Companies Act 2006. PwC conducted the audit of the Group's financial statements for the financial year to 31 December 2018.

The Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 3 of the financial statements. The non-audit fees relate to tax compliance for the Group.

The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of PwC and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting.

Financial reporting council letter

The Group received a letter from the Financial Reporting Council's (FRC) Corporate Reporting Review team on 18 October 2018, in which it stated that it had carried out a review of the Group's annual report for the year ended 31 December 2017. This was further to informing us during 2017 that the Group had been selected to take part in the FRC's thematic review of smaller listed and AIM company reports and accounts.

In its letter the FRC sought clarification on the basis for the impairment assessment performed on the investment held by the Parent Company and made some recommendations to enhance the disclosures around revenue recognition and critical judgements and estimates. Whilst there was no suggestion that the figures or disclosures in 2017 were inaccurate, the Committee accepts that fuller disclosure would enhance the readers' understanding of the financial statements. Accordingly, the accounting policy for revenue and the critical judgements and estimates in note 1 have been updated this year to reflect this advice along with note 2 to the Parent Company financial statements on page 90. There has not been a requirement to restate any prior period amounts. The FRC subsequently issued a closure letter and has ended its review.

External audit process

The external auditor prepares a plan for its audit of the full year financial statements, which is presented to the Committee in November. The audit plan sets out the scope of the audit, areas of significant risk to focus their work on and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee.

Following its external audit process, the auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the external auditor during the year, however, areas of significant risk and other matters of audit relevance were discussed.

Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements considered by the Committee during the year are set out in note 1 to the financial statements on page 62. In consideration of these judgements, the Committee reviewed the recommendations of the finance function and received reports from the external auditors on their findings. These judgements comprised the following.

- The decision to consolidate the results and net assets of two Limited Liability Partnership (LLP) law firms in the financial statements. The committee considers that Your Law LLP and National Law Associates LLP, trading as National Law Partners, are controlled through the Group's 100% subsidiary, Project Jupiter Limited who is entitled to appoint the majority of members to the management Boards and so the Group are correct in consolidating these entities within the financial statements with a corresponding non-controlling interest recognised for our partner firms' share of profit, total comprehensive income and net assets.

The Committee has also considered the key sources of estimation uncertainty which comprise three items as follows.

- The revenue recognition on provision of legal services. The Group recognises revenue in its ABSs using the expected value method provided by IFRS 15 Revenue from Contracts with Customers. There is uncertainty in determining the transaction price, which is dependent on the stage at which a claim settles and the quantum of final damages, but management use historical experience and average fee history in order to calculate an estimated price. The estimate is revised as the claim progresses and assumptions are updated to reflect actual experience. The Committee considers that management adopt a conservative approach to recognition as no revenue is recognised until liability is admitted on a claim and, as a result, there is less risk of significant revenue write offs in future. See note 1 on page 62 for further details.

- Recoverability of trade receivables. The Group recognises trade receivables and accrued income in the financial statements net of an estimated provision for impairment losses. This has been calculated using an expected credit loss methodology, in line with the guidance in IFRS 9 Financial Instruments, along with individual provisions for balances where management has specific concerns. The Committee has reviewed the basis for the calculation of the provision and the underlying assumptions (explained in note 1 on page 62), and is satisfied that the provision is appropriately valued.
- Impairment of goodwill. Management conducted a review of the carrying value of goodwill in the consolidated financial statements to determine whether there was any requirement for an impairment charge, in accordance with IAS 36 Impairment of Assets. This was an area of focus for the Committee given the size of the balance and the results in the year. Having reviewed the assumptions used in the calculation of carrying value, and the sensitivity analysis performed, the Committee were satisfied that sufficient headroom to the carrying value existed. Accordingly, the Committee concluded that this did not warrant disclosure under the key estimates in note 1.

New and forthcoming accounting standards

The Group has adopted two new accounting standards during the year – IFRS 9 Financial Instruments; and IFRS 15 Revenue from Contracts with Customers. The Committee has reviewed accounting papers presented by the finance function that describe how the provisions of these standards have been applied to the Group and have also received reports from the external auditors on their review of these papers. The Committee has concluded that these standards have been appropriately applied in the financial statements.

The Group has adopted IFRS 16 Leases from 1 January 2019, although this standard was not effective for the year ended 31 December 2018 and so not reflected in financial statements. Management have conducted an impact assessment of this standard and the results are reported in note 1 to the financial statements on page 63. In summary, this standard is not expected to have a material impact on the statement of comprehensive income for the year ended 31 December 2019 but the impact of bringing the Group's operating leases onto the balance sheet will require the recognition of a right-of-use asset of £0.6m and a lease liability of £0.6m This change in accounting does not have any impact on the Group's financial covenants associated with its borrowing facility.

Risk management and controls

As described on page 26 of the Strategic Report and page 41 of the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee has reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

At present the Group does not have an internal audit function. During 2018, the finance function conducted quarterly reviews of the financial controls operating within each of the businesses and reported the outcomes to management and the Executive Directors.

The Committee believes that in view of the current size and nature of the Group's businesses, management is able to derive sufficient assurance as to the adequacy and effectiveness of internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business evolves.

Caroline Brown
Chair of the Audit Committee
18 March 2019

Gillian Kent
Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2018. The composition and responsibilities of the Committee are set out on page 40.

We presented the 2017 Directors' Remuneration Report in two sections: the Directors' Remuneration Policy and the Annual Report on Remuneration. Both the Directors' Remuneration Policy and Annual Report on Remuneration were subject to an advisory vote by shareholders at the Annual General Meeting in May 2018. The Committee believes that the Directors' Remuneration Policy remains appropriate and will continue to apply it in 2019. Accordingly, we have not included the Directors' Remuneration Policy in this Directors' Remuneration Report, however, a copy is available in our 2017 Directors' Remuneration Report. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 December 2018 and how the Directors' Remuneration Policy will be operated for the year commencing 1 January 2019.

Review of the 2018 financial year

2018 has been a strong year of execution against strategy in our 3 divisions, with the continued investment and delivery of the transformation of the Personal Injury division, the strengthening of the management team and business model in Residential Property and the continued growth in Critical Care.

While the Group traded well over the year we closed on a disappointing fourth quarter with revenue of £49m for the year ended 31st December 2018 and profit before tax of £9.8m. The 2018 annual bonus was assessed against operating profit performance as regards 75% of the award and individual objectives as regards 25% of the award. The operating profit target threshold for 2018 was not achieved and in line with the rules of the annual bonus Executive Directors were not eligible for a bonus.

There were no long-term incentive awards eligible to vest based on performance to 31 December 2018, with the next awards vesting in 2020.

All eligible employees were once again invited to participate in the Group's Sharesave plans, which gives employees the opportunity to benefit from the business success they help to create.

Board changes

We welcomed our new CFO James Saralis on 1 January 2018. The remuneration package offered to James is fully in line with the recruitment requirements of our Remuneration Policy. James joined us on an annual base salary of £150,000, lower than that paid to his predecessor, a reflection that this is James' first public company CFO role. The Committee granted James an LTIP award following his appointment subject to the same terms and performance measures as those awards granted to the CEO on 31 October 2017, details of which are on page 57.

On the 17 December 2018 we also announced the appointment of Caroline Brown to succeed the Group's Non-Executive Chairman, Steve Halbert, who notified the Board earlier in the year of his intention to step down from the Board after nine years. Caroline joined the Board as Non-Executive Chair designate with immediate effect and took on the Non-Executive Chair role, as well as Chair of Audit and Nomination Committees from the 30 January 2019. Caroline's fees on appointment are £80,000 as Non-Executive Chair and £5,000 for Chair of Audit.

We thank Steve for his outstanding service and welcome Caroline as our new Non-Executive Chair.

Outlook for the 2019 financial year

Details in relation to the application of the Directors' Remuneration Policy in 2019 are set out on page 53 however, the key elements will be as follows:

- The CEO has been awarded a 2% increase in base salary with effect from 1 March 2019, in line with the percentage increase in base salary awarded to the wider workforce.
- The CFO has been awarded an increase in base salary of 13% to £170,000 in recognition of how well he has settled into the role and his performance.
- The CEO's annual bonus opportunity for 2019 will continue to be subject to a maximum of 100% of base salary and the CFO's to 80% of base salary.
- Annual bonus awards for 2019 will be based on underlying operating profit and individual objectives which are aligned to the Company's strategy.
- It is proposed that LTIP awards will be granted to Executive Directors during 2019, the details of which will be provided at the time of grant.
- Non-Executive Directors' basic fee were increased by 2% with effect from 1 March 2019.
- An additional fee of £10,000 per annum is to be paid to Tim Aspinall in recognition of the increasing time requirement of his role as Chair of the Personal Injury Law Firm Governance Committee. This is not a Board Committee but a temporary oversight Committee for the establishment of our own law firm. The fee will be pro-rated based on its duration.

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 2019 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.

I hope you find the Remuneration Report useful and the Committee looks forward to your continued support.

Gillian Kent
Chair of the Remuneration Committee
18 March 2019

Single figure of remuneration

The table below details the elements of remuneration receivable by each Director for the financial year ended 31 December 2018 and the total remuneration receivable by each Director for that financial year and for the financial year ended 31 December 2017.

	Salary and fees £000	Benefits £000	Annual Bonus £000	Pension £000	**Total Remuneration 2018 £000**	Total Remuneration 2017 £000
Executive Directors						
J R Atkinson	223	17	–	1	**241**	789
J D Saralis[1]	150	17	–	1	**168**	N/A
Non-Executive Directors						
R S Halbert	87	–	–	–	**87**	85
C Brown[2]	4	–	–	–	**4**	–
T J M Aspinall[3]	48	–	–	–	**48**	43
G D C Kent	49	–	–	1	**50**	48

1 J D Saralis was appointed as a Director on 1 January 2018.
2 C Brown was appointed as a Director on 18 December 2018.
3 T J M Aspinall received an additional annual fee of £10,000 pro-rated for his additional contribution as Chair of the Personal Injury Law Firm Governance Committee in 2018. This amounted to £5,000 for 2018 and forms part of the £48,000 disclosed above.

The taxable benefits received during the financial year ended 31 December 2018 are principally car allowance and private medical insurance.

Individual elements of remuneration

Base salary and fees

The base salaries for 2018 and 2019 are as set out below:

	2018 base salary £000	**2019 base salary[1] £000**	% increase
J R Atkinson	**223**	**226**	2%
J D Saralis	**150**	**170**	13%

Details of Non-Executive Directors' fees for 2018 and 2019 are as set out below:

	2018 fee £000	**2019 fee[1] £000**	% increase
Chair's fee	**82**	**82**	0%
Non-Executive Directors' fee	**44**	**45**	2%
Chair of the Audit Committee	**5**	**5**	0%
Chair of the Remuneration Committee	**5**	**5**	0%

1 Salary/Fee increase with effect from 1 March 2019. The Chair's fee for 2018 of £82,000 relates to fees paid to Steve Halbert. Caroline Brown's fees on appointment were £80,000 and are due to increase by 2% in March 2019.

Annual bonus plan

The maximum annual bonus opportunity for the CEO was 100% of salary and for the CFO was 80% of salary in respect of the year ended 31 December 2018. Of these amounts, 75% of the annual bonus was assessed against operating profit performance and 25% was assessed against individual objectives. However, the threshold operating profit for bonus payments was not achieved and in line with the annual bonus rules the CEO and CFO were not eligible for a bonus payment.

The following table sets out the bonus criteria for the CEO and CFO and how this reflects performance for the year.

CEO Russell Atkinson

Performance measure	Proportion of bonus determined by measure	Performance	Bonus earned £000
Underlying Operating profit	75%	Operating profit threshold was not achieved.	0
Personal objectives[1]	25%	These included the re-engineering of the Personal Injury division, and supporting the strategic and operational plans to support growth in Residential Property and Critical Care and the seamless induction of the new CFO.	0

CFO James Saralis

Performance measure	Proportion of bonus determined by measure	Performance	Bonus earned £000
Underlying Operating profit	75%	Operating profit threshold was not achieved.	0
Personal objectives[1]	25%	These included a transition into the CFO role, establishing investor relations, supporting the re-engineering of the Personal Injury division, and Residential Property and Critical Care in the delivery of their plans.	0

1 Both the CEO and CFO performed strongly against their personal objectives. However, no bonus was payable against the individual element as the operating profit threshold was not achieved.

Long-term incentives

Awards vesting in respect of the financial year

No awards vested in respect of the financial year 2018. No other options were exercised, hence no gains or losses were made by the Directors.

Awards granted during the financial year

The following awards were granted during the year under the LTIP:

Awards granted on 24 May 2018

Director	Date of grant	Type of award	Number of shares	Face value at grant[1] £	Performance period
J R Atkinson	24 May 2018	Nominal cost share option	152,498	194,435	3 years
J D Saralis	24 May 2018	Nominal cost share option	91,463	116,615	3 years

1 The mid-market closing share price on the date immediately prior to the grant date (£1.275) was used to determine the face value of the awards.

50% of the award vests subject to EPS performance and 50% of the award vests subject to absolute TSR performance. The targets are as follows:

EPS for the year ending 31 December 2020	Vesting (% maximum)
Less than 17.1p	0%
17.1p	50%
19.6p	100%

TSR[1]	Vesting (% maximum)
Less than 201p	0%
201p	25%
234p	100%

1 TSR is defined as the average mid-market closing share price for the month to 24 May 2021 plus total dividends declared between the grant date and 24 May 2021 or such other date as the Remuneration Committee determines.

2 Vesting percentages accrue on a straight-line basis between 50% - 100% and 25% - 100%.

Awards granted on 11 January 2018

Director	Date of grant	Type of award	Number of shares	Face value at grant[1] £	Performance period
J D Saralis	11 January 2018	Nominal cost share option	33,898	59,999	3 years

1 The mid-market closing share price on the date immediately prior to the grant date (£1.77) was used to determine the face value of the awards.

50% of the award vests subject to EPS performance and 50% of the award vests subject to absolute TSR performance. The targets are as follows:

EPS for the year ending 31 December 2020	Vesting (% maximum)
Less than 15.7p	0%
15.7p	60%
17.3p	100%

TSR[1]	Vesting (% maximum)
Less than 220p	0%
220p	25%
250p	100%

1 TSR is defined as the average mid-market closing share price for the month to 31 October 2020 plus total dividends declared between the grant date and 31 October 2020 or such other date as the Remuneration Committee determines.

2 Vesting percentages accrue on a straight-line basis between 60% - 100% and 25% - 100%.

Statement of Directors' shareholding and share interests

The interests of the Directors and their immediate families in the Company's Ordinary Shares as at 31 December 2018 and as at 31 December 2017 were as follows:

	31 December 2018	31 December 2017
Executive Directors		
J R Atkinson	**1.12%**	1.12%
J D Saralis	**0.00%**	N/A
Non-Executive Directors		
R S Halbert	**1.39%**	1.40%
C Brown	**0.00%**	0.00%
T J M Aspinall	**0.02%**	0.00%
G D C Kent	**0.00%**	0.00%

The interests of each Executive Director of the Company as at 31 December 2018 in the Company's share schemes were as follows:

Director	Plan	Exercised during the year	Vested but unexercised during the year	Unvested and subject to performance measures	Unvested and not subject to performance measures	**Total as at 31 December 2018**
J R Atkinson	LTIP (nominal cost options)	–	–	240,050	–	**240,050**
	EMI	–	124,999	–	–	**124,999**
	SAYE	–	–	–	14,913	**14,913**
J D Saralis	LTIP (nominal cost options)	–	–	–	–	**–**
	EMI (nominal cost options)	–	–	125,361	–	**125,361**
	SAYE	–	–	–	10,514	**10,514**

Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2019

Information on how the Company intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2019 is set out below:

Salary/Fees

The CEO was awarded a 2% increase to base salary, with effect from 1 March 2019, in line with the percentage increase awarded to the wider workforce. The CFO was awarded a 13% increase in base salary, with effect from 1 March 2019, in recognition of how well he has settled into the role and his performance.

Non-Executive Directors' basic fee were increased during the year by 2%, with effect from 1 March 2019.

Annual bonus plan

The maximum bonus opportunity for the CEO will be 100% of salary and the CFO 80% of salary for the 2019 financial year.

75% of the annual bonus will be assessed against operating profit performance and 25% will be assessed against 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 the continued restructure of the Personal Injury division and the delivery of the wholly owned law firm, the return to growth of the Residential Property division and the continued development of the market leading Critical Care division. The actual performance targets are not disclosed as they are considered to be commercially sensitive.

Long-term incentives

LTIP awards are made to Executive Directors on an annual basis to ensure they are appropriately incentivised and aligned with shareholders' interests over the longer term. The Committee has yet to determine details of the awards to be made to Executive Directors for 2019. Details of the awards will be disclosed at the time of grant and in the Company's 2019 Annual Report on Remuneration.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is composed of the Company's Non-Executive Chair (Caroline Brown) and Independent Non-Executive Directors Gillian Kent (Chair) 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 18 March 2019 and signed on its behalf by:

Gillian Kent
Chair of the Remuneration Committee
18 March 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, NAHL Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 December 2018; the Company balance sheet as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated and Company cash flow statements, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £505,000 (2017: £580,000), based on 5% of profit before tax before exceptional items.
- Overall Company materiality: £651,310 (2017: £460,000), based on 1% of total assets.

- We performed full scope audits of the four financially significant components: Searches UK, Fitzalan Partners, National Accident Helpline and Bush & Company Rehabilitation.
- In addition we performed an audit of the Company financial statements and the financial statement line items that are managed at head office, including goodwill, intangible assets, tax, borrowings and directors' emoluments.
- This scoping provided coverage of 92% of revenue, 85% of profit before tax and 93% of total assets.

Our assessment of the risk of material misstatment also informed our views on the areas of particular focus for our work which are listed below:

- Recoverability of trade receivables and accrued income (Group).
- Carrying value of goodwill (Group) and investments (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and accrued income Refer to the Audit Committee Report on page 46 and 47, the critical accounting estimates and judgements within the Accounting Policies in note 1 and page 63 for recoverability of trade receivables. A provision of £0.9 million is recognised against trade and accrued receivables of £24.5 million. The provision involves judgement in determining the expected loss to the Group. The Group enters into contracts with the customers on varied credit terms, some of which are extended credit terms of up to two years as a result of commercial negotiations. There is a risk that customers are unwilling, or unable, to meet their payment obligations. In addition, accrued income includes an element of revenue based on estimated final damages awarded to the client.	We performed enquiries with management to ascertain their assessment of the recoverability. We targeted specific customer balances to test and then tested a sample of other customer balances and sought evidence to support recoverability, either directly from the customer or using information provided by management, as noted below. Our procedures for each customer included a combination of the tests below: ▪ Requesting and obtaining independent confirmation from the customer of their accounts receivable and accrued income balances; ▪ Where cash had been received from customers subsequent to the year-end, vouching this cash to the bank statement; ▪ Verifying a sample of underlying contracts, invoices and instruction letters to ensure that the performance obligation had been delivered by the company to the customer; ▪ Reviewing a right of offset, where in place, for receivable and payable balances with the same customer; ▪ Confirming actual payments received during the year against agreed payment plan; ▪ Agreeing guaranteed amount per claim to the contract; ▪ Obtaining a signed contractual agreement confirming amounts due and dates of repayment; ▪ Reviewing total enquiries passed to the customer, as well as their average value, together with historic success rates, to determine the estimated recoverable amounts from customers compared to receivables recognised; and ▪ We also tested management's estimate of the expected credit loss provision by performing a 'lookback' test of the aged receivable balances. Using actual experience of collection, we challenged the assumptions used by the management to determine this estimate using the historical pattern of debt write-offs and expected losses arising. We found that the provisions recorded by the management were consistent with the evidence obtained.
Carrying value of goodwill (Group) and investments (Company) Refer to the Audit Committee Report on page 46 and 47, note 13 of the consolidated financial statements for goodwill and note 2 of the company financial statements for investments. The carrying value of goodwill in the consolidated statement of financial position is £60.3 million. The carrying amount of investments in the Company balance sheet is £52.7 million. Recoverability of these assets is assessed using the 'Value-In-Use' (VIU) methodology. The calculation of VIU includes assumptions such as growth rates, future cash flows and discount rate, and these inherently involve estimation.	The valuation methodology used for the impairment assessment has been reviewed to ensure that the methodology is in line with the principles of IAS 36 Impairment of assets. We challenged management's determination of Cash Generating Units. We tested the mathematical integrity of the cash flow model. The key assumptions used by management in the calculation have been tested in the following manner: ▪ Cash flows – We agreed forecasts to Board-approved budgets and extrapolations of budgets if less than five years. We also performed a 'lookback' analysis to determine management's forecasting accuracy against budget. ▪ Discount rate and other assumptions – We challenged the key inputs used for the determination of discount rates, such as cost of debt, cost of equity, beta factor, risk free rate, company specific return, as well as growth rates against company performance, market data and our own benchmarks, with assistance from our valuation experts. We performed sensitivity analysis on the key estimates within the model such as growth rates, discount rates and cash flows to determine the extent to which these would need to change to cause an impairment. The sensitivities required to be applied to cause an impairment were significant, indicating the risk of impairment is low. We found the carrying values stated were consistent with the evidence obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has four wholly owned trading subsidiaries, two controlled but not wholly owned trading subsidiaries and a number of intermediate dormant holding companies. We have defined a component to be an individual entity for which Group or component management prepares financial information that is included in the Group financial statements. Accordingly, the parent Company and each subsidiary is considered as a component.

Scoping of components for the purpose of auditing the Group's financial statements is primarily based on the financial performance of the subsidiaries and including their balance sheets, and any qualitative risks associated with the component. Accordingly, the engagement team performed full scope audits on the four wholly owned trading subsidiaries, as these are considered most significant to the Group's overall financial performance. The engagement team also audited the Company financial statements and performed desk top reviews of the controlled but not wholly owned trading subsidiaries.

In addition we performed an audit of financial statement line items that are managed at head office, including goodwill, intangible assets, tax, borrowings and Directors' emoluments.

This scoping provided coverage of 92% of revenue, 85% of profit before tax and 93% of total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	£505,000 (2017: £580,000).	£651,310 (2017: £460,000).
How we determined it	5% of profit before tax before exceptional items.	1% of total assets.
Rationale for benchmark applied	Profit before tax before exceptional items is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. We have applied a rule of thumb of 5% to this benchmark which is appropriate for a profit oriented entity.	NAHL Group plc is an investment holding company and has no trading operations. The benchmark for this entity is based on total assets of the entity as this is the entity's primary value and relates to investment in subsidiary companies. We have applied a 1% rule of thumb which is appropriate for this asset based entity.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £30,000 and £480,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,250 (Group audit) (2017: £29,000) and £32,570 (Company audit) (2017: £29,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Mark Skedgel (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
18 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Revenue	1,2	**48,957**	51,912
Cost of sales		**(24,254)**	(25,224)
Gross profit		**24,703**	26,688
Administrative expenses	3	**(14,683)**	(14,086)
Underlying operating profit	1	**12,132**	14,491
Share-based payments	21	**(457)**	(182)
Amortisation of intangible assets acquired on business combinations	15	**(1,270)**	(1,307)
Exceptional items	4	**(385)**	(400)
Operating profit	2	**10,020**	12,602
Financial income	7	**222**	150
Financial expense	8	**(470)**	(331)
Profit before tax		**9,772**	12,421
Taxation	9	**(1,389)**	(2,467)
Profit and total comprehensive income for the year		**8,383**	9,954
Profit and total comprehensive income is attributable to:			
Owners of the Company		**6,674**	9,876
Non-controlling interests		**1,709**	78
		8,383	9,954

	Note	2018 p	2017 p
Earnings per share (p)			
Basic earnings per share	22	**14.5**	21.7
Diluted earnings per share	22	**14.3**	21.6

The notes on pages 62 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Non-current assets			
Goodwill	13	**60,362**	60,362
Other intangible assets	15	**6,400**	7,217
Property, plant and equipment	16	**195**	267
Deferred tax asset	10	**177**	34
		67,134	67,880
Current assets			
Trade and other receivables (including £6,603,000 (2017: £7,280,000) due in more than one year)	17	**28,806**	22,261
Cash and cash equivalents		**1,598**	858
		30,404	23,119
Total assets		**97,538**	90,999
Current liabilities			
Trade and other payables	19	**(15,111)**	(12,415)
Other payables relating to legacy pre-LASPO ATE product	2	**(301)**	(676)
Current tax liability		**(975)**	(1,513)
		(16,387)	(14,604)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	**(17,122)**	(12,922)
Deferred tax liability	11	**(1,342)**	(1,662)
		(18,464)	(14,584)
Total liabilities		**(34,851)**	(29,188)
Net assets		**62,687**	61,811
Equity			
Share capital	20	**115**	115
Share option reserve		**2,578**	2,121
Share premium		**14,595**	14,507
Merger reserve		**(66,928)**	(66,928)
Retained earnings		**111,380**	111,893
Capital and reserves attributable to the owners of NAHL Group plc		**61,740**	61,708
Non-controlling interests		**947**	103
Total equity		**62,687**	61,811

The notes on pages 62 to 85 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18 March 2019 and were signed on its behalf by:

J D Saralis
Director

Company registered number: 08996352

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Capital and reserves attributable to the owners of NAHL Group plc £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2017		**113**	**1,939**	**14,507**	**(66,928)**	**110,188**	**59,819**	**–**	**59,819**
Total comprehensive income for the year									
Profit for the year		–	–	–	–	9,876	9,876	78	9,954
Total comprehensive income		–	–	–	–	9,876	9,876	78	9,954
Transactions with owners, recorded directly in equity									
Issue of new Ordinary Shares	26	2	–	–	–	–	2	–	2
Member capital		–	–	–	–	–	–	25	25
Share-based payments	21	–	182	–	–	–	182	–	182
Dividends paid	27	–	–	–	–	(8,171)	(8,171)	–	(8,171)
Total transactions with owners, recorded directly in equity		2	182	–	–	(8,171)	(7,987)	25	(7,962)
Balance at 31 December 2017		**115**	**2,121**	**14,507**	**(66,928)**	**111,893**	**61,708**	**103**	**61,811**
Adjustment on initial application of IFRS 9, net of tax	30	–	–	–	–	(814)	(814)	–	(814)
Adjusted balance at 1 January 2018		**115**	**2,121**	**14,507**	**(66,928)**	**111,079**	**60,894**	**103**	**60,997**
Total comprehensive income for the year									
Profit for the year		–	–	–	–	6,674	6,674	1,709	8,383
Total comprehensive income		–	–	–	–	6,674	6,674	1,709	8,383
Transactions with owners, recorded directly in equity									
Issue of new Ordinary Shares	26	–	–	88	–	–	88	–	88
Member drawings		–	–	–	–	–	–	(865)	(865)
Share-based payments	21	–	457	–	–	–	457	–	457
Dividends paid	27	–	–	–	–	(6,373)	(6,373)	–	(6,373)
Total transactions with owners, recorded directly in equity		–	457	88	–	(6,373)	(5,828)	(865)	(6,693)
Balance at 31 December 2018		**115**	**2,578**	**14,595**	**(66,928)**	**111,380**	**61,740**	**947**	**62,687**

The notes on pages 62 to 85 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		**8,383**	9,954
Adjustments for:			
Depreciation	16	**173**	171
Amortisation of intangible assets (not relating to business combinations)	15	**187**	130
Amortisation of intangible assets relating to business combinations	15	**1,270**	1,307
IFRS 9 provision movements		**206**	–
Financial income	7	**(222)**	(150)
Financial expense	8	**470**	331
Share-based payments		**457**	182
Taxation		**1,389**	2,467
		12,313	14,392
Increase in trade and other receivables		**(7,564)**	(11,974)
Increase in trade and other payables		**2,775**	4,963
Decrease in other payables relating to legacy pre-LASPO ATE product		**(375)**	(1,236)
		7,149	6,145
Interest paid		**(474)**	(178)
Tax paid		**(2,202)**	(3,139)
Net cash generated from operating activities		**4,473**	2,828
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(145)**	(111)
Acquisition of intangible assets		**(640)**	(305)
Disposals of property, plant and equipment		**42**	–
Interest received		**35**	12
Non-controlling interest member capital		**–**	25
Net cash used in investing activities		**(708)**	(379)
Cash flows from financing activities			
New share issue		**88**	2
Repayment of borrowings		**–**	(11,250)
New borrowings		**4,125**	13,125
Bank arrangement fees for new borrowings		**–**	(111)
Dividends paid		**(6,373)**	(8,171)
Non-controlling interest drawings		**(865)**	–
Net cash used in financing activities		**(3,025)**	(6,405)
Net increase/(decrease) in cash and cash equivalents		**740**	(3,956)
Cash and cash equivalents at 1 January		**858**	4,814
Cash and cash equivalents at 31 December		**1,598**	858

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 Accounting policies

Basis of preparation

Consolidated Financial Statements

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

Going concern

The Group had cash balances of £1,598,000 (2017: £858,000), net assets of £62,687,000 (2017: £61,811,000) and net current assets of £14,017,000 (2017: £8,515,000) 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 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.

The Directors have prepared cash flow forecasts for the period until 30 June 2020. 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 risks successfully.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and 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 for which the Group meets these three criteria for control 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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Critical accounting judgements and key sources of estimation uncertainty

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

In accordance with IAS 1 the Group is required to disclose critical accounting judgements and key sources of estimation uncertainty.

Critical accounting judgements

Control over an investee

Within its Personal Injury division the Group has interests in two Limited Liability Partnerships (LLPs) in conjunction with third party law firms. The LLPs are called Your Law LLP and National Law Associates LLP which trades as National Law Partners. Each LLP is run by a management board, which is responsible for the day-to-day operations, decision-making and strategic development of the LLPs. Through its 100% subsidiary, Project Jupiter Limited, the Group has determined that it exercises control over these LLPs as it is entitled to appoint the majority of members to each of the management Boards, with the remainder being appointed by the respective third-party law firm.

In accordance with IFRS 10 Consolidated Financial Statements and given that the Group has overall control, the results and net assets of the LLPs have been consolidated within these financial statements with a corresponding non-controlling interest recognised for the other member firms' share of profit, total comprehensive income and net assets.

Key sources of estimation uncertainty

Revenue recognition – provision of legal services

There is a significant element of judgement in determining the transaction price for revenue in relation to the provision of legal services for personal injury claims. Due to the nature of personal injury claims, the revenue the Group earns from a case is variable and dependent upon a) the stage at which a claim settles as this will determine the fixed fee and b) the final damages awarded to the client, of which the Group recognises a percentage as revenue. The Group must therefore estimate the revenue it expects to earn from a case once the first milestone is achieved (admission of liability). This estimation is based on an expected value method and assumes that cases can be grouped into categories of a similar nature (i.e. RTA vs. Non-RTA) that have similar characteristics. This assumption is considered appropriate as ultimately all cases follow one of a number of routes in the claims process. Management uses historical experience of the likelihood of claims settling at each stage and the average fee earned when a claim settles at each stage to estimate the transaction price. This estimate is revised as a claim moves through the process. No revenue is recognised until the first milestone is reached, being admission of liability, as it is at this point that it becomes highly probable that a case will succeed and therefore there is less risk of significant revenue write-offs in the future. Profits and losses arising from the differences in the estimated fee and the final fee are recognised on settlement of a case.

At the year-end, the Group has accrued revenue balances of £1,379,000 calculated using this estimation technique.

Recoverability of trade receivables

Trade receivables are reflected net of an estimated provision for impairment losses. In line with IFRS 9, the Group uses an expected credit loss model to determine the provision for doubtful debts and also specific provisions for balances for which it has specific concerns over recoverability. The expected credit loss model involves segmenting debtors into groups and applying specific percentages to each of these debtor groupings. The Group has considered the profile of its debtor balance and has determined that a grouping based on credit terms is considered to be appropriate given the significant level of deferred debt. These groupings are based on those debtors due on standard terms, 6-12 month terms, 12-18 month terms and 18-24 month terms with higher percentages being applied the longer the term with the view that there is a greater risk of unforeseen circumstances arising the further away the settlement date. Standard debtors are also then reviewed for those past due and a percentage applied to those that are current, between 30-60 days, 60-90 days and 90+ days overdue. See notes 17 and 23 for further information. At the year end, the Group had provisions for receivables of £909,000 (2017: 1,115,000) calculated using this method. The percentages applied to each grouping of debtors ranged from 1.4% to 20.0% with the final provision equating to 3.8% of the total gross trade receivables and accrued income balances. If the percentages used for each grouping were to be increased/decreased by one percentage point, this would result in an increase/decrease to the bad debt provision of £102,000.

New standards and amendments adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from Contracts with Customers*

In light of these new standards, the Group revised its accounting policies and made the necessary opening balance adjustments following the adoption of IFRS 9 and IFRS 15. The changes as a result of adopting IFRS 9 are disclosed in note 30. The adoption of IFRS 15 did not have any significant impact on the amounts recognised in prior periods.

New standards, interpretations and amendments not yet effective

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

- *IFRS 16 Leases* – Effective for annual reporting periods beginning on or after 1 January 2019.

A review of IFRS 16 Leases has been conducted to determine its impact on the Group. The standard will affect the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of £980,000 (see note 24). In transitioning to IFRS 16 the Group expects to recognise right-of-use assets of approximately £0.6m on 1 January 2019 and lease liabilities of approximately £0.6m. Overall net current assets will be approximately £0.4m lower due to the presentation of a portion of the liability as a current liability. The Group expects that there will be no material impact on the net profit after tax for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately £0.4m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Statutory and non-statutory measures

The financial statements contain all the statutory measures and disclosures required under IFRS, which is the financial reporting framework adopted by the Group. In addition to these measures, management monitors a number of non-statutory, alternative performance measures (APMs) as part of its internal performance monitoring and when assessing the future impact of operating decisions. The APMs allow a year-on-year comparison of the underlying performance of the business by removing the impact of items occurring either outside the normal course of operations or as a result of intermittent activities, such as acquisitions or strategic projects.

1 Accounting policies continued

Statutory and non-statutory measures continued

The Directors have presented these APMs in the Strategic Report because they believe they provide additional useful information for shareholders on underlying business trends and performance. As these APMs are not defined by IFRS, they may not be directly comparable to other companies' APMs. They are not intended to be a substitute for, or superior to, IFRS measurements and the Directors recommend that the IFRS measures should also be used when users of this document assess the performance of the Group.

The APMs used in the Strategic Report are defined in the table below and the principles to identify adjusting items have been applied on a basis consistent with previous years. The key adjusting items in arriving at the APMs are as follows:

- Exceptional revenues – Included within the balance sheet is a liability for upfront commissions received from insurance providers 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. Consequently, the remaining liability is being unwound through revenue as historic cases are settled. Due to the discontinued nature of this revenue stream, the Directors consider it appropriate to identify this revenue separately where it results in a material release during the year in order to allow users of the financial statements to separately identify the revenue generated from the continuing operations of the Group.
- IFRS 2 Share-based Payments – This is the charge for share-based payments calculated in line with IFRS 2. 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. The calculation behind the charge can fluctuate year-on-year as new grants are made depending on inputs such as the expected volatility, the share price, exercise price etc. and therefore the charge can vary with little correlation to the underlying trading activities. For example, in the five years since the Group's flotation on AIM, the IFRS 2 charge has been as low as £182,000 and as high as £1,052,000. Management therefore believe it is appropriate to exclude this charge from the underlying operating profit to allow for greater comparability of the underlying core trading performance of the Group year-on-year.
- IFRS 3 (Revised) Business Combinations – This is the amortisation charge for intangible assets arising on acquisitions and expenditure arising from acquisition activity. Under IFRS 3 all acquisition costs are required to be expensed in the Group Income Statement and intangible assets arising on acquisition are required to be amortised over their useful economic life. Management believes that it is useful to separately identify these costs due to their materiality to the Group results and due to the fact that the amortisation is calculated on a straight-line basis, it therefore has little correlation to the trading activities of the acquired entity in any particular year. To allow for greater comparability of the trading results year-on-year, this charge is therefore excluded from underlying operating profit.
- Exceptional items are non-recurring items that are material by nature and separately identified to allow for greater comparability of underlying Group operating results year on year. Examples of exceptional items in the current and/or previous years include reorganisation and restructuring costs; revaluation of liability associated with legacy ATE products; and acquisition related costs. Exceptional costs are separately identified to allow for greater comparability of underlying Group operating results year-on-year.

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Underlying operating profit	Operating profit	Consolidated income statement	Based on the related IFRS measure but excluding exceptional items, IFRS 2 share-based payment charges and amortisation of intangible assets acquired on business combinations.	Allows management and users of the financial statements to assess the underlying trading results after removing material, non-recurring items that are not reflective of the core trading activities and allows comparability of core trading performance year-on-year.
Underlying operating cash flow	Cash flow from operating activities	Consolidated cash flow statement	Based on the related IFRS measure but excluding cash flows in respect of the items excluded from underlying operating profit as described above.	Provides management with an indication of the amount of cash available for discretionary investing or financing after removing material non-recurring expenditure that does not reflect the underlying trading operations and allows management to monitor the conversion of underlying profit into cash.
Underlying cash conversion	Not defined by IFRS	n/a	Calculated as underlying operating cash flow divided by underlying operating profit.	
Free cash flow	Not defined by IFRS	n/a	Calculated as net cash generated from operating activities less net cash used in investing activities less payments made to non-controlling interests.	
Underlying EPS	Basic EPS	Consolidated income statement	Based on the related IFRS measure but calculated using underlying profit after tax.	Allows management and users of the financial statements to assess the underlying trading results after removing material, non-recurring items that are not reflective of the core trading activities. It also allows comparability of core trading performance year-on-year.

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Working capital	Movement in receivables and movement in payables	Consolidated statement of cash flows	Working capital is not defined by IFRS. This is defined by management as being the cash movement in trade and other receivables less the cash movement in trade and other payables.	Allows management to assess the short-term cash flows from movements in the more liquid assets.
Net debt	Not defined by IFRS	Consolidated cash flow statement	Net debt is defined as cash and cash equivalents less interest-bearing borrowings net of loan arrangement fees.	Allows management to monitor the overall level of debt in the business. As stated in the strategic report, loan funding is key to the Group's future strategy as an increasing proportion of profits and cash flows are deferred until case settlement.

A reconciliation of each measure is provided as follows:

Underlying operating profit:

	2018 £000	2017 £000
IFRS measure – operating profit	**10,020**	12,602
Exceptional items including Pre-LAPSO ATE revenue/costs	**385**	400
IFRS 2 share-based payment charge	**457**	182
Amortisation of intangible assets acquired on business combinations	**1,270**	1,307
Underlying operating profit	**12,132**	14,491

Underlying operating cash flow, underlying cash conversion and free cash flow:

12 months ended 31 December 2018	2018 Underlying operations £000	2018 Exceptional items £000	2018 Total £000	2017 Underlying operations £000	2017 Exceptional items £000	2017 Total £000
Operating profit	10,405	(385)	10,020	13,002	(400)	12,602
Amortisation of intangible assets acquired on business combinations	1,270	-	1,270	1,307	-	1,307
Equity-settled share-based payments	457	-	457	182	-	182
Underlying operating profit	12,132	(385)	11,747	14,491	(400)	14,091
Depreciation and amortisation	360	-	360	301	-	301
IFRS 9 provision movements	206	-	206	-	-	-
Increase in trade/other receivables	(7,564)	-	(7,564)	(11,974)	-	(11,974)
Increase/(Decrease) in trade/other payables	2,825	(50)	2,775	5,120	(157)	4,963
Decrease in liabilities relating to Pre-LASPO ATE product	-	(375)	(375)	-	(1,236)	(1,236)
Underlying operating cash flow	**7,959**	**(810)**	**7,149**	**7,938**	**(1,793)**	**6,145**
Operating cash conversion	**65.6%**			**54.8%**		
Interest paid			(474)			(178)
Tax paid			(2,202)			(3,139)
Net cash generated from operating activities			**4,473**			**2,828**
Net cash used in investing activities			**(708)**			**(379)**
Payments to/from non-controlling interests			(865)			(25)
Free cash flow			**2,900**			**2,424**

1 Accounting policies continued

Underlying EPS:

	2018 £000	2017 £000
IFRS measure – profit for the year attributable to shareholders	**6,674**	9,876
Exceptional items including Pre-LAPSO ATE revenue/costs net of tax	**312**	323
IFRS 2 share-based payment charge	**457**	182
Amortisation of intangible assets acquired on business combinations net of deferred tax	**950**	987
Underlying profit for the year attributable to shareholders	**8,393**	11,368
Weighted average number of shares (note 22)	**46,160,172**	45,548,243
Underlying EPS	**18.2**	25.0

Working capital:

	2018 £000	2017 £000
Movement in trade and other receivables	**(7,564)**	(11,974)
IFRS 9 provision movement	**206**	-
Movement in trade and other payables	**2,775**	4,963
Working capital	**(4,583)**	(7,011)
IFRS 9 opening balance adjustment	**1,002**	-
Movement in interest accruals	**(268)**	(179)
IFRS measure - movement in trade and other receivables less movement in trade and other payables	**(3,849)**	(7,190)

Net debt is defined in note 29.

Revenue

Marketing services

Personal Injury – Solicitor income (traditional)

Marketing services resulting in the provision of enquiries to Panel Law Firms. Management have determined that there is a single performance obligation being the provision of marketing services. As the Group undertakes this service on behalf of its customers, the service is considered to be simultaneously delivered and consumed by the customer and so it is considered to be satisfied over time. The transaction price is set for each customer based on a cost plus margin model and is allocated to the performance obligation using the input method based on the costs incurred of providing the service. Invoices are raised monthly for the services provided in that month and the revenue for that month is recognised at this point. This results in no change to revenue recognition versus the previous accounting policy where revenues were recognised on a monthly basis based on the services provided in that month.

Personal Injury – Solicitor income (profit share)

Marketing services resulting in the provision of enquiries to certain Panel Law Firms where we receive variable consideration based on the ultimate case outcome. As with solicitor income (traditional), management have determined that there is a single performance obligation being the provision of marketing services. The only difference to the solicitor income (traditional) recognition is that the transaction price is variable as the Group receives a share of the profit from the successful outcome of a case from the Panel Law Firm. The transaction price is estimated on an expected value method approach using historical rates provided by the partner Panel Law Firm. This results in no change to revenue recognition versus the previous accounting policy.

Residential Property – Conveyancing and surveyor instructions

The provision of online marketing services to target homebuyers and sellers in England and Wales and offering lead generation services to Panel Law Firms and surveyors in the conveyancing sector. Management consider there to be one performance obligation being the delivery of instructions to the Panel Law Firms and surveyors. Revenue is recognised at a point in time being the transfer of instruction to the Panel Law Firm or surveyor as it is at this point at which the Group has no further obligations in respect of the instruction and so control of the instruction passes to the customer. The full transaction price being the contractually agreed upon fixed fee per instruction is recognised as revenue at this point. This is consistent with the prior revenue recognition policy.

Service provision

Personal Injury – Provision of legal services

Income from the provision of legal services for personal injury claims on a 'no win – no fee' arrangement. Management consider that this service comprises a single distinct performance obligation, being the provision of legal services to the customer and the transaction price is allocated to this single performance obligation. Revenue is recognised once control of the service is passed to the customer which is considered to be over time as the customer simultaneously receives and consumes the service provided.

The transaction price is variable in nature as on settlement of a successful case the Group will be entitled to a fixed fee recoverable from the liable third party (which is variable dependent upon which stage in the claims process the claim settles at) and a percentage of awarded damages. As these amounts are unknown at the outset of a case, management estimate the transaction price based on an expected value method. The expected value is based on prior and historical knowledge and experience of case settlement and is considered appropriate as all cases follow the same process.

Management consider that it is appropriate to allocate the transaction price and recognise revenue on an output basis using milestones. Due to the nature of personal injury claims, the revenue receivable from progressing a case is not directly attributable to the hours worked as a case can still fail despite hours being worked on it. Due to the no-win, no-fee arrangement, no revenue would be receivable if the case fails despite the hours worked. An input method is therefore considered to be inappropriate. An output approach based on key milestones to progress a case is therefore considered to be appropriate as it best reflects the value of the service to the customer. No revenue is recognised up until the first performance obligation, admission of liability, has been achieved as it is at this point that it becomes highly probable that recognising revenue would not lead to a reversal in the future.

Critical Care – Case management services
Case management support within the medico-legal framework for multi-track cases. Management consider that the performance obligation is the provision of case management support and as the service is simultaneously delivered and consumed by the customer then revenue is measured over time based on an input approach being the hours worked by each consultant. The transaction price, being the contractually agreed upon hourly fee rate, is allocated on a per hour basis. Revenue is invoiced monthly based on the hours worked in that month and recognised at this point. This is consistent with the prior revenue recognition policy.

Expert Reports
Critical Care – Expert witness revenue
Provision of expert witness reports. In line with IFRS 15, revenue is measured on satisfaction of the performance obligation when control of the report is passed to the customer. Management consider there to be one performance obligation which is the provision of the expert witness report and as the customer has no control over the report until it is delivered in its final form, revenue is measured at the point in time when the report is delivered. The entire transaction price, being the contractually agreed fixed fee, is recognised as revenue on completion and delivery of the report. This is consistent with the prior revenue recognition policy.

Residential Property – Search reports
Provision of search reports. Management consider there to be one performance obligation being the delivery of the search report. Revenue is recognised at a point in time being the transfer of the report to the customer. The full transaction price being the contractually agreed upon fixed fee per report is recognised as revenue at this point. This is consistent with the prior revenue recognition policy.

Product provision
Personal Injury and Residential Property – Product income
Commissions received from product providers for the sale of additional products to the Panel Law Firms. Revenue is recognised at a point in time on satisfaction of the performance obligation being the sale of the product to a PLF with provisions in place for clawbacks. This is consistent with the prior revenue recognition policy.

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. Consequently, there is a remaining liability which is being unwound through revenue as historic cases are settled. This is consistent with the prior revenue recognition policy.

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. Software assets are measured at the cost of bringing the asset into use. This may include externally incurred consultant costs or a proportion of internal time and salary where internal resources have been used to build the asset. Internally allocated time is based on hours spent bringing the asset into use multiplied by hourly salary rates. Technology related intangibles, contract related intangibles and brand names were acquired through business combinations. These were independently valued and determined to be separately identifiable from goodwill as explained under critical accounting judgements.

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 to 5 years

No amortisation is charged on assets under construction until the point they are brought into use.

1 Accounting policies continued

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

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 – 3 to 5 years

Operating leases

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

Taxation

Tax on the statement of comprehensive income 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.

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.

Financial assets and liabilities

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables and interest bearing borrowings.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, trade and other receivables are stated at amortised cost using the effective interest method, less any impairment losses calculated in line with IFRS 9.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Cash and cash equivalents are repayable on demand and are recognised at their carrying amount.

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.

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 are expected to vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Exceptional items

Exceptional items are non-recurring items that are material by nature and separately identified to allow for greater comparability of underlying Group operating results year on year. Examples of exceptional items in the current and/or previous years include reorganisation and restructuring costs; revaluation of liability associated with legacy ATE products; and acquisition related costs.

Exceptional costs are separately identified to allow for greater comparability of underlying Group operating results year-on-year.

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 CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the Cash Generating Unit or CGU). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. 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.

Pensions

The Group operates a stakeholder pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the statement of comprehensive income.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, when paid.

Member drawings

Drawings are made to members in line with the provisions as stated in the partnership agreements. Members may draw an amount not in excess of their profit share for the relevant accounting period and drawings may be limited depending on the cash requirements of the LLP. Drawings are recognised once paid.

Share option reserve

The share option reserve is the corresponding charge to equity in respect of the IFRS 2 share base payment charge.

Merger reserve

The merger reserve represents the excess of the fair value of shares acquired through share for share exchange. In 2014 NAHL Group plc declared a bonus issue of a single deferred share of £0.0001 (a Deferred Share) with a share premium of £50,000,000. This transaction resulted in £50,000,000 of the merger reserve being transferred to the share premium account. In 2015 a further 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.

Financial income and expenses

Interest income and interest payable is recognised in the consolidated statement of comprehensive income as it accrues, using the effective interest method. Issue costs of borrowings are initially held on balance sheet within the fair value of interest bearing borrowings and are subsequently expensed to the statement of comprehensive income over the contractual life of the associated borrowings.

2 Operating segments

	Personal Injury £000	Critical Care £000	Residential Property £000	Group £000	Underlying operations £000	Pre-LASPO ATE £000	Other items £000	Elimi-nations £000	Total £000
Year ended 31 December 2018									
Revenue	**29,522**	**12,383**	**6,388**	**–**	**48,293**	**664**	**–**	**–**	**48,957**
Depreciation and amortisation	**(195)**	**(48)**	**(117)**	**–**	**(360)**	**–**	**(1,270)**	**–**	**(1,630)**
Operating profit/(loss)	**8,424**[1]	**4,520**[1]	**728**[1]	**(1,540)**	**12,132**	**589**	**(2,701)**	**–**	**10,020**
Financial income	**191**	**30**	**–**	**1**	**222**	**–**	**–**	**–**	**222**
Financial expenses	**–**	**(5)**	**–**	**(465)**	**(470)**	**–**	**–**	**–**	**(470)**
Profit/(loss) before tax	**8,615**	**4,545**	**728**	**(2,004)**	**11,884**	**589**	**(2,701)**	**–**	**9,772**
Trade receivables	**10,200**	**5,036**	**598**	**–**	**15,834**	**–**	**–**	**–**	**15,834**
Total assets[3]	**24,528**	**5,800**	**1,269**	**78,574**	**110,171**	**–**	**–**	**(12,633)**	**97,538**
Segment liabilities[3]	**(13,254)**	**(1,137)**	**(364)**	**(356)**	**(15,111)**	**(301)**[2]	**–**	**–**	**(15,412)**
Capital expenditure (including intangibles)	**245**	**188**	**352**	**–**	**785**	**–**	**–**	**–**	**785**
Year ended 31 December 2017									
Revenue	31,660	11,037	8,340	–	51,037	875	–	–	51,912
Depreciation and amortisation	(178)	(49)	(74)	–	(301)	–	(1,307)	–	(1,608)
Operating profit/(loss)	11,033[1]	3,882[1]	1,385[1]	(1,809)	14,491	800	(2,689)	–	12,602
Financial income	143	5	–	2	150	–	–	–	150
Financial expenses	(1)	(4)	–	(326)	(331)	–	–	–	(331)
Profit/(loss) before tax	11,175	3,883	1,385	(2,133)	14,310	800	(2,689)	–	12,421
Trade receivables	11,442	4,386	419	–	16,247	–	–	–	16,247
Total assets[3]	18,139	4,785	961	79,747	103,632	–	–	(12,633)	90,999
Segment liabilities[3]	(10,453)	(806)	(507)	(600)	(12,366)	(726)[2]	–	–	(13,092)
Capital expenditure (including intangibles)	53	47	191	–	291	–	–	–	291

1 These are the respective underlying operating profits of the division.
2 Pre-LASPO ATE liabilities include the balance of commissions received in advance that are due to be paid back to the insurance provider of £301,000 (2017: £676,000) and accruals for associated costs of £nil (2017: £50,000).
3 Total assets and segment liabilities exclude intercompany loan balances as these do not form part of the operating activities of the segment.

Significant customers
Revenues of approximately £9.0m (2017: £9.5m) are derived from a single external customer. These revenues are attributable to the Personal Injury and Critical Care segments.

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

Operating segments
The activities of the Group are managed by the Board, which is deemed to be the chief operating decision maker (CODM). The CODM has identified the following segments for the purpose of performance assessment and resource allocation decisions. These segments are split along product lines and are consistent with those reported last year.

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 and in the case of the ABSs, revenue receivable from clients for the provision of legal services.

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 – Revenue from the provision of online marketing services to target homebuyers 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.

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

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.

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

3 Administrative expenses and auditor's remuneration

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

	2018 £000	2017 £000
Depreciation of property, plant and equipment	173	171
Amortisation of intangible assets (not relating to business combinations)	187	130
Amortisation of intangible assets relating to business combinations	1,270	1,307
IFRS 9 provision release	206	-
Operating leases	388	426
Auditor's remuneration	142	130

During the year the Group (including its subsidiaries) obtained the following services from the Company's auditors and its associates:

	2018 £000	2017 £000
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	46	43
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	74	68
Tax compliance services	22	19

4 Exceptional items

Exceptional items included in the income statement are summarised below:

	2018 £000	2017 £000
Release of pre-LASPO ATE liability and associated costs[1]	(589)	(800)
Personal Injury reorganisation costs[2]	816	1,200
Residential Property reorganisation costs[3]	158	–
	385	400

1 Previously recognised liabilities for pre-LASPO ATE commissions received in advance of £664,000 (2017: £875,000) have been released into revenue in the year as a result of more favourable settlements. These have been offset by associated costs of £75,000 (2017: £75,000).
2 Personal Injury reorganisation costs relate to costs associated with one-off projects that are not related to the core operations of the business.
3 Costs of management reorganisation in the Residential Property division.

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	
	2018	2017
Directors	5	5
Others	216	201
	221	206

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	7,840	7,541
Share-based payments (see note 21)	457	182
Social security costs	830	793
Other pension costs	245	80
	9,372	8,596

6 Directors' emoluments

	2018 £000	2017 £000
Statutory Directors' emoluments	**598**	1,476

Statutory Directors' emoluments

	Salary and fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total £000
Year ended 31 December 2018						
Executive Directors						
J R Atkinson	**223**	**17**	**–**	**–**	**1**	**241**
J Saralis[1]	**150**	**17**	**–**	**–**	**1**	**168**
Non-Executive						
R S Halbert	**87**	**–**	**–**	**–**	**–**	**87**
C Brown[2]	**4**	**–**	**–**	**–**	**–**	**4**
G D C Kent	**49**	**–**	**–**	**–**	**1**	**50**
T J M Aspinall	**48**	**–**	**–**	**–**	**–**	**48**
	561	**34**	**–**	**–**	**3**	**598**

	Salary and fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total £000
Year ended 31 December 2017						
Executive Directors						
J R Atkinson	218	17	76	477	1	789
S Dolton[1]	175	16	–	320	–	511
Non-Executive						
R S Halbert	85	–	–	–	–	85
G D C Kent	48	–	–	–	–	48
T J M Aspinall	43	–	–	–	–	43
	569	33	76	797	1	1,476

1 S Dolton resigned from the Board on 1 January 2018 and J Saralis was appointed to the Board on 1 January 2018.
2 C Brown was appointed to the Board on 18 December 2018.

The Group contributed £3,000 to pension schemes in respect of Directors during the year (2017: £1,000).

The emoluments of the highest paid Director were £241,000 (2017: £789,000).

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 leadership team who are not statutory directors in addition to the main Board. Disclosure of transactions with key management is detailed in note 28.

7 Financial income

	2018 £000	2017 £000
Bank interest income	**2**	6
Investment income	**29**	5
Other income	**191**	139
	222	150

8 Financial expense

	2018 £000	2017 £000
Interest on bank loans	**395**	257
Amortisation of facility arrangement fees	**75**	74
	470	331

9 Taxation

Recognised in the consolidated statement of comprehensive income

	2018 £000	2017 £000
Current tax expense		
Current tax on income for the year	**1,824**	2,690
Adjustments in respect of prior years	**(160)**	25
Total current tax	**1,664**	2,715
Deferred tax expense		
Origination and reversal of timing differences	**(275)**	(248)
Total deferred tax	**(275)**	(248)
Tax expense in statement of comprehensive income	**1,389**	2,467
Total tax charge	**1,389**	2,467

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**8,383**	9,954
Total tax expense	**1,389**	2,467
Profit before taxation	**9,772**	12,421
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	**1,856**	2,391
Income disallowable for tax purposes	**(6)**	(1)
Non-deductible expenses	**100**	48
Adjustments in respect of prior years	**(160)**	25
Share scheme deductions	**(18)**	–
Non-controlling interest share of tax	**(324)**	–
Short-term timing differences for which no deferred tax is recognised	**(59)**	4
Total tax charge	**1,389**	2,467

Changes in tax rates and factors affecting the future tax charge

A reduction in the UK corporation tax rate from 19.0% 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) were substantively enacted on 6 September 2017. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been calculated based on these rates.

10 Deferred tax asset

	2018 £000	2017 £000
At beginning of year	**34**	38
Recognition of deferred tax on IFRS 9 provision for trade receivables	**188**	-
Recognised in statement of comprehensive income (see note 9)	**(45)**	(4)
Deferred tax asset at end of year	**177**	34

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

	Property, plant & equipment £000	Bad debt provision £000	Total £000
At 1 January 2017	21	17	38
Recognised in statement of comprehensive income	(8)	4	(4)
At 31 December 2017	13	21	34
Recognition of deferred tax on IFRS 9 provision for trade receivables	-	188	188
Recognised in statement of comprehensive income	(1)	(44)	(45)
At 31 December 2018	**12**	**165**	**177**

11 Deferred tax liability

	2018 £000	2017 £000
At beginning of year	**1,662**	1,914
Recognised in statement of comprehensive income (see note 9)	**(320)**	(252)
Deferred tax liability at end of year	**1,342**	1,662

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

	Intangible assets acquired on business acquisitions £000	Total £000
At 1 January 2017	1,914	1,914
Recognised in statement of comprehensive income	(252)	(252)
At 31 December 2017	1,662	1,662
Recognised in statement of comprehensive income	(320)	(320)
At 31 December 2018	**1,342**	**1,342**

12 Acquisitions

During 2017, the Group incorporated two new ABSs through joint partnerships with members of its Panel Law Firms. This led to the Group acquiring interests in Your Law LLP and National Law Associates LLP. Project Jupiter Limited, a 100% subsidiary of NAHL Group plc, is a member firm of Your Law LLP and National Law Associates LLP. Member capital of £75,000 was advanced to the LLPs. There were no other acquisition costs involved.

13 Goodwill

	Personal Injury £000	Critical Care £000	Residential Property £000	Total £000
Cost				
At 1 January 2017	39,897	15,592	4,873	60,362
At 31 December 2017	39,897	15,592	4,873	60,362
At 31 December 2018	**39,897**	**15,592**	**4,873**	**60,362**
Impairment				
At 1 January 2017	–	–	–	–
At 31 December 2017	–	–	–	–
At 31 December 2018	**–**	**–**	**–**	**–**
Net book value				
At 31 December 2017	39,897	15,592	4,873	60,362
At 31 December 2018	**39,897**	**15,592**	**4,873**	**60,362**

Where goodwill arose as part of a business combination, it forms part of the CGU's asset carrying value which is tested for impairment annually. The Group has determined that for the purposes of impairment testing, each segment being Personal Injury, Critical Care and Residential Property, is the appropriate level at which to test, as this represents the lowest level at which independent cash flows are generated.

The recoverable amounts for the CGUs are based on value in use which is calculated on the operating cash flows expected to be generated by the division. These cash flows are calculated using the latest budget data for the coming year, extrapolated at a forecast growth rate for four years for Critical Care and Residential Property and the five year forecast for Personal Injury with no growth into perpetuity. The cash flows are discounted at a range of pre-tax WACCs of between 8.2%–8.9% (2017: 7.5%–8.4%). The range of WACCs represents the different risk profiles of each CGU.

We include a terminal value within each forecast which represents the cash flows of the CGU into perpetuity with 0% growth assumed, as permitted under IAS36 Impairment of assets.

Management has determined that the recoverable amount calculations are most sensitive to changes in the assumptions of the discount rates, growth rates used to extrapolate the cash flows beyond the budget period and operating cash flow percentages (to take into account changes in working capital).

The operating profit compound annual growth rate assumptions for years one to five are as follows:

	2018	2017
Personal Injury	**10.7%**	(1.4)%
Critical Care	**7.5%**	7.5%
Residential Property	**0.0%**	0.0%

The key factor in the Personal Injury growth assumptions is the impact of National Accident Law. This plays a significant role in the profits generated from 2021 onwards as the profits from enquiries passed to it in earlier years start to realise. The forecast operating profits arising from the impact of National Accident Law have been based on detailed financial models and using knowledge and experience on how cases settle gained from our prior experience.

We have applied a growth rate to Critical Care which is higher than the expected UK average growth rate of c. 2%. This is based on the recent trading performance of the division over the past three years and does not take into account the strategic plans for the division over the coming years which are higher than 7.5%.

Operating cash flow percentages of between 60% and 90% have been applied to take into account changes in working capital movements. These percentages have been based on historic rates and adjusted as appropriate to take into account an improvement to the cash flows as deferred terms offered in prior years start to settle (Personal Injury) and increased deferred terms are offered (Critical Care).

Using the assumptions set out above, each CGU has headroom in excess of 40%. Management have performed sensitivity analysis on the key assumptions (WACC, growth rate, operating cash flows) and have determined that there is ample headroom under the value in use calculation to determine that no significant changes to key assumptions would affect the overall judgement as to whether the CGU is impaired.

14 Non-controlling interests

The Group has the following investments in non-wholly owned subsidiaries:

Name of subsidiary	Country of incorporation and principal place of business	Nature of interest	Principal activity	Ownership 2018	Ownership 2017
Your Law LLP	United Kingdom	LLP member	Personal injury lawyers	**n/a**	n/a
National Law Associates LLP	United Kingdom	LLP member	Personal injury lawyers	**n/a**	n/a

The ownership % is deemed to be not applicable as the investments are LLPs. The Group, through its 100% owned subsidiary Project Jupiter Limited, is entitled to appoint 60% of the members to the Management Board of each LLP. Profit and net assets are shared between members based on the provisions of the partnership agreements.

Non-Controlling Interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

£'000	2018 Your Law LLP
Summarised Balance Sheet:	
Current assets	**5,019**
Current liabilities	**(3,763)**
Net assets	**1,256**
Drawings paid to Non-Controlling Interest	**(865)**
Carrying amount of Non-Controlling Interest	**956**
Summarised Statement of Comprehensive Income:	
Revenue	**3,565**
Profit after tax	**2,127**
Other comprehensive income	**–**
Total comprehensive income	**2,127**
Profit allocated to Non-Controlling Interest	**1,708**
Other comprehensive income allocated to Non-Controlling Interest	**–**
Summarised cash flows:	
Cash flows from operating activities	**1,108**
Cash flows from investment activities	**–**
Cash flows from financing activities	**(1,080)**
Net increase in cash and cash equivalents	**28**

15 Other Intangible assets

	Technology related £000	Contract related £000	Brand names £000	Other £000	Assets under construction £000	Total £000
Cost						
At 1 January 2018	167	8,466	885	670	79	10,267
Additions	–	–	–	196	444	640
Reclassifications	–	–	–	356	(356)	–
At 31 December 2018	**167**	**8,466**	**885**	**1,222**	**167**	**10,907**
Amortisation						
At 1 January 2018	62	2,363	468	157	–	3,050
Amortisation charge for the year	–	–	–	187	–	187
Amortisation charge on business combinations	20	1,077	173	–	–	1,270
At 31 December 2018	**82**	**3,440**	**641**	**344**	**–**	**4,507**
Net book value						
At 31 December 2017	105	6,103	417	513	79	7,217
At 31 December 2018	**85**	**5,026**	**244**	**878**	**167**	**6,400**

	Technology related £000	Contract related £000	Brand names £000	Other £000	Assets under construction £000	Total £000
Cost						
At 1 January 2017	167	8,466	885	549	20	10,087
Additions	–	–	–	121	59	180
At 31 December 2017	**167**	**8,466**	**885**	**670**	**79**	**10,267**
Amortisation						
At 1 January 2017	42	1,286	258	27	–	1,613
Amortisation charge for the year	–	–	–	130	–	130
Amortisation charge on business combinations	20	1,077	210	–	–	1,307
At 31 December 2017	**62**	**2,363**	**468**	**157**	**–**	**3,050**
Net book value						
At 31 December 2016	125	7,180	627	522	20	8,474
At 31 December 2017	**105**	**6,103**	**417**	**513**	**79**	**7,217**

16 Property, plant and equipment

	Fixtures & fittings & total £000
Cost	
At 1 January 2018	**1,783**
Additions	**145**
Disposals	**(211)**
At 31 December 2018	**1,717**
Depreciation and impairment	
At 1 January 2018	**1,516**
Depreciation charge for the year	**173**
Disposals	**(167)**
At 31 December 2018	**1,522**
Net book value	
At 31 December 2017	267
At 31 December 2018	**195**

	Fixtures & fittings & total £000
Cost	
At 1 January 2017	1,672
Additions	111
At 31 December 2017	**1,783**
Depreciation and impairment	
At 1 January 2017	1,345
Depreciation charge for the year	171
At 31 December 2017	**1,516**
Net book value	
At 31 December 2016	327
At 31 December 2017	**267**

17 Trade and other receivables

	2018 £000	2017 £000
Trade receivables: receivable in less than one year	**13,234**	8,967
Trade receivables: receivable in more than one year	**2,600**	7,280
Accrued income: receivable in less than one year	**4,359**	4,568
Accrued income: receivable in more than one year	**4,003**	–
Other receivables	**308**	150
	24,504	20,965
Prepayments	**673**	437
Recoverable disbursements	**3,629**	859
	28,806	22,261

A provision against trade receivables and accrued income of £909,000 (2017: £1,115,000) is included in the figures above.

18 Other interest-bearing loans and borrowings

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

	2018 £000	2017 £000
Non-current liabilities		
Revolving credit facility	**17,250**	13,125
Less facility arrangement fees	**(128)**	(203)
Total other interest-bearing loans and borrowings	**17,122**	12,922

The revolving credit facility is secured by a fixed and floating charge over the assets of the Group.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Fair value 2018 £000	Carrying amount 2018 £000	Fair value 2017 £000	Carrying amount 2017 £000
Bank loan[1]	GBP	1.25%–1.65% above Libor	2021	**17,122**	**17,122**	12,922	12,922
				17,122	**17,122**	12,922	12,922

1 The Company renewed its banking facilities in September 2017 by taking out a revolving credit facility of £25,000,000 and repaying the outstanding term loan at that date of £9,375,000. This facility is due to terminate on 31 December 2021. Interest is payable at between 1.25%–1.65% above LIBOR per annum.

19 Trade and other payables

	2018 £000	2017 £000
Trade payables	**6,205**	2,808
Other taxation and social security	**1,028**	1,059
Other payables, accruals and deferred revenue	**6,907**	7,515
Customer deposits	**971**	1,033
	15,111	12,415

20 Share capital

	2018	2017
Number of shares		
Opening: 'A' Ordinary Shares of £0.0025 each	**46,061,090**	45,349,629
Issued during the year	**117,626**	711,461
Closing: 'A' Ordinary Shares of £0.0025 each	**46,178,716**	46,061,090

	£000	£000
Allotted, called up and fully paid		
Opening: 46,061,090 (2017: 45,349,629) 'A' Ordinary Shares of £0.0025 each	**115**	113
Issued during the year	**–**	2
Closing: 46,178,716 'A' Ordinary Shares of £0.0025 each	**115**	115
Shares classified in equity		
Opening shares classified in equity	**115**	113
Issued during the year	**–**	2
Closing balance	**115**	115

21 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. The SAYE scheme is open to all employees of the Group once they have passed their probationary period. The scheme runs over three years with employees choosing to save between £0 - £500 per month, the proceeds of which can then be used to purchase the shares under option.

EMI Scheme

Options may be granted as tax-favoured enterprise management incentive options (EMI Options) or non-tax favoured Options. 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).

Nominal Cost LTIP

The nominal cost 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	Vesting period
SAYE Equity-settled award to 31 employees granted by the Parent Company on 29 November 2017	107,508 Ordinary Shares	Performance-based	1 January 2021
SAYE Equity-settled award to 63 employees granted by the Parent Company on 23 October 2018	475,164 Ordinary Shares	Performance-based	1 December 2021
EMI Equity-settled award to 6 employees granted by the Parent Company on 11 December 2014	583,331 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 11 employees granted by the Parent Company on 31 October 2017	370,107 Ordinary Shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2019)
EMI Equity-settled award to 1 employee granted by the Parent Company on 11 January 2018	33,898 Ordinary Shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2019)
EMI Equity-settled award to 14 employees granted by the Parent Company on 24 May 2018	778,555 Ordinary Shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2020)

21 Share-based payments continued

All of the above options have a maximum term of 10 years in which they can be exercised following the vesting period.

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

	2018		2017	
	Weighted average exercise price £	Number of options No.	Weighted average exercise price £	Number of options No.
Outstanding at the beginning of the year	**1.14**	**1,008,894**	1.53	2,310,822
Exercised during the year	**(0.82)**	**(117,626)**	(0.0025)	(711,461)
Granted during the year	**0.52**	**1,778,577**	0.0025	407,129
Cancelled during the year	**–**	**–**	(3.18)	(157,182)
Lapsed during the year	**(2.46)**	**(359,740)**	(2.00)	(124,999)
Vested during the year	**–**	**–**	(2.00)	(583,331)
Forfeited during the year	**(1.12)**	**(483,367)**	(2.84)	(132,084)
Outstanding at the end of the year	**0.3**	**1,826,738**	1.14	1,008,894
Exercisable at the end of the year	**2.00**	**583,331**	1.78	815,268

A charge of £457,000 (2017: £182,000) has been made through the statement of comprehensive income in the current year in relation to the IFRS 2 share option charge. The weighted average share price of those shares exercised during the year was £1.56. For shares outstanding at the year end, these are exercisable at a range of exercise prices of between £0.0025 - £2.90 and have a weighted average remaining life of 725 days.

The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% (2017: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of between 0.5%–0.9% (2017: 1.0%). Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

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

22 Earnings per share

The calculation of basic earnings per share at 31 December 2018 is based on profit attributable to Ordinary Shareholders of the Parent Company of £6,674,000 (2017: £9,876,000) and a weighted average number of Ordinary Shares outstanding of 46,160,172 (2017: 45,548,243).

Profit attributable to Ordinary Shareholders

£000	2018	2017
Profit for the year attributable to the shareholders	**6,674**	9,876

Weighted average number of Ordinary Shares

Number	Note	2018	2017
Issued Ordinary Shares at 1 January	20	**46,061,090**	45,349,629
Weighted average number of Ordinary Shares at 31 December		**46,160,172**	45,548,243

Basic earnings per share (p)

	2018	2017
Group	**14.5**	21.7

The Group has in place share-based payment schemes to reward employees. At 31 December 2018, 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 454,169 (2017: 205,303). There are no other diluting items.

Diluted earnings per share (p)

	2018	2017
Group	**14.3**	21.6

23 Financial instruments

(a) Fair values of financial instruments

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (specifically interest rate 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.

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 2018 £000	Fair value 2018 £000	Carrying amount 2017 £000	Fair value 2017 £000
Financial assets measured at amortised cost					
Cash and cash equivalents		**1,598**	**1,598**	858	858
Trade and other receivables (note 17)		**24,504**	**24,504**	20,965	20,965
Disbursements (note 17)		**3,629**	**3,629**	859	859
Total financial assets		**29,731**	**29,731**	22,682	22,682
Financial liabilities measured at amortised cost					
Other interest-bearing loans and borrowings (note 18)		**17,122**	**17,122**	12,922	12,922
Trade payables (note 19)		**6,205**	**6,205**	2,808	2,808
Other taxation and social security (note 19)		**1,028**	**1,028**	1,059	1,059
Other payables, accruals and deferred revenue (note 19)		**6,907**	**6,907**	7,515	7,515
Total financial liabilities measured at amortised cost		**31,262**	**31,262**	24,304	24,304

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.

Exposure to credit risk

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

	2018 £000	2017 £000
Trade receivables	**15,834**	16,247
Accrued income	**8,362**	4,568
	24,196	20,815

Management consider the credit risk to be mitigated as a result of a) the holding of deposits for all significant customers and b) only offering significant deferred terms to those Panel Law Firms with whom we hold strategic partnerships and after satisfactory credit checks have been obtained. As at 31 December 2018 these deposits reflect 6.1% (2017: 6.4%) of the balance of trade receivables. At each balance sheet date, the amount of deposit held was:

	2018 £000	2017 £000
Customer deposits	**971**	1,033

23 Financial instruments continued

Credit quality of financial assets and impairment losses

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

	Gross: Standard Terms 2018 £000	Gross: Deferred Terms 2018 £000	Impairment 2018 £000	Total 2018 £000	Gross: Standard Terms 2017 £000	Gross: Deferred Terms 2017 £000	Impairment 2017 £000	Total 2017 £000
Not past due	2,335	10,780	(197)	12,918	5,831	7,960	(114)	13,677
Past due (1-30 days)	769	52	(22)	799	865	34	–	899
Past due (30-120 days)	862	116	(67)	911	528	32	–	560
Past due (over 120 days)	1,257	75	(126)	1,206	1,079	32	–	1,111
	5,223	11,023	(412)	15,834	8,303	8,058	(114)	16,247

24.1% of standard terms trade receivables are 120 days or more past due (2017: 13.0%). These receivables arise primarily in Critical Care where our standard credit terms are 30 days. As mentioned in the 2017 Strategic Report increasing cost pressures on solicitors mean they often do not settle these balances until interim funds are available or a case has settled. This is often within 12 months and, therefore, formal deferred terms are not utilised. We monitor these debts closely through regular contact with these solicitors and do not consider there to be any significant risks regarding recoverability.

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

	2018 £000	2017 £000
Balance at 1 January	114	104
IFRS 9 adjustment to opening balances	1,001	-
Allowance recognised/(released)	(206)	10
Balance at 31 December	909	114

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 its revolving credit facility 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:

2018	Secured bank loans £000	Trade and other payables £000	Total £000
Non-derivative financial instruments			
Carrying amount	(17,250)	(14,140)	(31,390)
Contractual cash flows:			
1 year or less	(380)	(10,452)	(10,832)
1 to 2 years	(380)	(3,688)	(4,068)
2 to 5 years	(17,630)	–	(17,630)
	(18,390)	(14,140)	(32,530)

2017	Secured bank loans £000	Trade and other payables £000	Total £000
Non-derivative financial instruments			
Carrying amount	(13,125)	(11,382)	(24,507)
Contractual cash flows:			
1 year or less	(295)	(11,382)	(11,677)
1 to 2 years	(295)	–	(295)
2 to 5 years	(13,420)	–	(13,420)
	(14,010)	(11,382)	(25,392)

(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 future cash flows of a financial instrument will fluctuate because of changes in interest rates.

At the balance sheet dates, the only interest-bearing financial asset is cash. There is not considered to be an interest rate risk associated with cash. The interest rate profile of the Group's interest-bearing financial liabilities was:

	2018 £000	2017 £000
Variable rate instruments		
Financial liabilities	**17,250**	13,125
Total interest-bearing financial instruments	**17,250**	13,125

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.

	2018 £000	2017 £000
Profit for the year		
Increase	**86**	(66)
Decrease	**(86)**	66

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 fair value through profit or loss or other comprehensive income.

(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. The Group's debt/equity ratio as at 31 December 2018 is 0.3:1.0 (2017: 0.2:1.0). The Group is subject to quarterly covenant testing against its bank loans. These covenants include leverage and interest cover. The Group adhered to both these covenants in 2018 and is forecasting to be in compliance with these throughout 2019 and 2020.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	**444**	402
Between one and five years	**536**	491
	980	893

The Group leases a number of office buildings under operating leases. During the year £388,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2017: £426,000).

25 Commitments

Capital commitments

At 31 December 2018 the Group had no capital commitments (2017: £nil).

26 Transactions with owners, recorded directly in equity

Exercise of share options

During 2017 711,461 share options were exercised which resulted in the issue of 711,461 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £1,779 for the Group.

During 2018 117,626 share options were exercised which resulted in the issue of 117,626 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £88,356 for the Group.

27 Dividends

On 31 May 2018 the Group paid final dividends in respect of 2017 of £4,895,000 (2017: final dividends in respect of 2016 of £5,759,000) which represented a dividend per share of 10.6p (2017: 12.7p). On 31 October 2017 the Group paid interim dividends in respect of 2018 of £1,478,000 (2017: interim dividends in respect of 2017 of £2,412,000) which represented a dividend per share of 3.2p (2017: 5.3p). The Directors have recommended a final dividend in respect of 2018 of 5.7p providing a total dividend for the year of 8.9p.

28 Related parties

Transactions with key management personnel

Key management personnel in situ at the 31 December 2018 and their immediate relatives control 2.9% (2017: 4.5%) 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.

	2018 £000	2017 £000
Short-term employment benefits	**2,188**	3,291
Termination benefits	**100**	32
	2,288	3,323

29 Net debt

Net debt includes cash and cash equivalents and other interest-bearing loans and borrowings.

	2018 £000	2017 £000
Cash and cash equivalents	**1,598**	858
Other interest-bearing loans and borrowings	**(17,122)**	(12,922)
Net debt	**(15,524)**	(12,064)

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

	2018 £000	2017 £000
Net increase/(decrease) in cash and cash equivalents	**740**	(3,956)
Cash and cash equivalents net inflow from increase in debt and debt financing	**(4,125)**	(1,875)
Movement in net borrowings resulting from cash flows	**(3,385)**	(5,831)
Non-cash movements (release of)/increase to prepaid loan arrangement fees	**(75)**	42
Net debt at beginning of period	**(12,064)**	(6,275)
Net debt at end of period	**(15,524)**	(12,064)

30 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the financial statements.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 1. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018 £000
Closing retained earnings 31 December 2017 – IAS 39/IAS 18	**111,893**
Increase in provision for trade receivables (net of £188,000 deferred tax)	**(814)**
Opening retained earnings 1 January 2018 – IFRS 9	**111,079**

i) Reclassification of financial instruments on adoption of IFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows:

	Measurement Category		Carrying amount	
	Original (IAS 30)	New (IFRS 9)	Original (IAS 30)	New (IFRS 9)
Current Assets				
Cash	Amortised cost	Amortised cost	858	858
Trade receivables	Amortised cost	Amortised cost	20,815	19,814
Current liabilities				
Trade payables	Amortised cost	Amortised cost	6,205	6,205
Non-current liabilities				
Revolving credit facility	Amortised cost	Amortised cost	12,922	12,922

ii) Impairment of financial assets

The Group has the following financial assets that are subject to the IFRS 9 new expected credit loss (ECL) model:

a) Trade receivables – the Group applied the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 of £509,000 (net of £103,000 deferred tax) for trade receivables. The loss allowance decreased by £200,000 during the current reporting period.

b) Accrued income – as with trade receivables, the Group applied the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 of £493,000 (net of £84,000 deferred tax) for trade receivables. The loss allowance decreased by £6,000 during the current reporting period.

IFRS 15 Revenue from Contracts with Customers

The Group has reviewed its revenue recognition policies and determined that there are no adjustments to revenues in either the current or prior year as a result of adopting IFRS 15. Details of the new revenue recognition policy are given in note 1.

At the end of 2017, in preparation for the implementation of IFRS 15 in 2018, the directors undertook a detailed review of the revenue streams described in note 1. This involved considering each revenue stream with respect to the five stage approach as prescribed in IFRS 15. These are: identification of the contract; identification and satisfaction of the performance obligations; determination of the transaction price; and the allocation of the transaction price to the performance obligation. After this review took place, the Executive Directors prepared an IFRS impact assessment paper that documented the proposed revenue recognition policy for each revenue stream under IFRS 15 and compared the new policy to the previous recognition policy, under IAS 18, to determine the overall impact. This paper was reviewed by the Audit Committee and the new policy was adopted.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Non-current assets			
Investments	2	**52,700**	52,700
Current assets			
Trade and other receivables	3	**12,431**	18,259
Net assets		**65,131**	70,959
Equity			
Share capital	5	**115**	115
Share option reserve		**2,578**	2,121
Share premium		**14,595**	14,507
Retained earnings at start of year		**54,216**	62,387
Comprehensive income for the year		**–**	–
Retained earnings at end of year		**47,843**	54,216
Dividends paid		**(6,373)**	(8,171)
Total equity		**65,131**	70,959

The notes on pages 89 to 94 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18 March 2019 and were signed on its behalf by:

J D Saralis
Director

Company registered number: 08996352

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share capital £000	Share option reserve £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 January 2017		113	1,939	14,507	62,387	78,946
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares	9	2	–	–	–	2
Share-based payments	6	–	182	–	–	182
Dividends paid		–	–	–	(8,171)	(8,171)
Balance at 31 December 2017		115	2,121	14,507	54,216	70,959
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares	9	**–**	**–**	**88**	**–**	**88**
Share-based payments	6	**–**	**457**	**–**	**–**	**457**
Dividends paid		**–**	**–**	**–**	**(6,373)**	**(6,373)**
Balance at 31 December 2018		**115**	**2,578**	**14,595**	**47,843**	**65,131**

The notes on pages 89 to 94 form part of these financial statements.

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
Cash flows from Operating activities		
Result for the year	**–**	–
Adjustments for:		
Share-based payments	**457**	182
	457	182
Decrease in trade and other receivables	**5,828**	7,987
Net cash generated from operating activities	**6,285**	8,169
Cash flows from financing activities		
New share issue	**88**	2
Dividends paid	**(6,373)**	(8,171)
Net cash used in financing activities	**(6,285)**	(8,169)
Net increase in cash and cash equivalents	**–**	–
Cash and cash equivalents at 1 January	**–**	–
Cash and cash equivalents at 31 December	**–**	–

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

Financial statements

The financial statements for the year ended 31 December 2018 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.

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group profit includes a profit after tax for the Parent Company of £nil (2017: £nil).

Critical accounting judgements and key sources of estimation uncertainty

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

In accordance with IAS 1 the Group is required to disclose critical accounting judgements and key sources of estimation uncertainty.

Judgements

In applying the Company's accounting policies, management have not made any judgements that have a significant impact on the amounts recognised in the financial statements.

Estimates

In applying the Company's accounting policies, management have not made any estimates that have a significant impact on the amounts recognised in the financial statements.

New standards and amendments adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- *IFRS 9 Financial Instruments*

The adoption of the above standard did not have any impact on the amounts recognised in the prior or current periods.

New standards, interpretations and amendments not yet effective

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

- *IFRS 16: Leases* – Effective for annual reporting periods beginning on or after 1 January 2019.

The Company has no leases and there will be no impact as a result of the above.

1 Accounting policies continued

Going concern

The Company had net assets of £65,131,000 (2017: £70,959,000) and net current assets of £12,431,000 (2017: £18,259,000) 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 include the impact of 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.

Investments

Investments are initially recognised at cost. Investments are reviewed for impairment at least annually and subsequently measured at cost less any provisions for impairment.

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. The share-based payment charge represents the charge in respect of the employees of the Group.

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:

				Ownership	
Name of subsidiary	**Country of incorporation and principal place of business**	**Class of shares held**	**Principal activity**	**2018**	2017
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 1 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%**	100%
Inside Eye Limited	United Kingdom	Ordinary	Dormant	**100%**	100%
Project Jupiter Limited	United Kingdom	Ordinary	Holding company	**100%**	100%
Your Law LLP[1]	United Kingdom	n/a	Personal Injury lawyers	**n/a**	n/a
National Law Associates LLP[1]	United Kingdom	n/a	Personal Injury lawyers	**n/a**	n/a
National Accident Law Limited	United Kingdom	Ordinary	Personal Injury lawyers	**100%**	100%

1 Your Law LLP and National Law Associates LLP are Limited Liability Partnerships. The ownership % is deemed to be not applicable as the investments are LLPs. The Group, through its 100% owned subsidiary Project Jupiter Limited, is entitled to appoint 60% of the members to the Management Board of each LLP. Profit and net assets are shared between members based on the provisions of the partnership agreements.

The registered office of all of the above 100% subsidiaries is 1430 Montagu Court, Kettering Parkway, Kettering Venture Park, Kettering, Northamptonshire, NN15 6XR.

The registered office of Your Law LLP is Helmont House, Churchill Way, Cardiff, CF10 2HE.

The registered office of National Law Associates LLP (trading as National Law Partners) is 43 Queen Square, Bristol, United Kingdom, BS1 4QP.

At 31 December 2018 the value of the investment in Consumer Champion Group Limited, its only directly owned subsidiary, was as follows:

Valuation	Total £000
At 1 January 2018 and 31 December 2018	**52,700**

The Directors have determined that due to the net assets of NAHL Group plc being in excess of the market capitalisation of the Group headed by NAHL Group plc as at 31 December 2018 then an indication of impairment exists.

The recoverable amount of the investment has been assessed on a value in use basis using the below assumptions behind each valuation technique. A value in use valuation is considered to be appropriate as the investment is being held for its long-term profit potential.

Value in use
On a value in use basis the future cash flows from the investment have been assessed. The future cash flows are considered to be the future dividends that could be generated by each CGU (i.e. future retained earnings generated by each of the trading subsidiaries) 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 8.9%. The key assumptions under this basis are the WACC and operating profits of each subsidiary. More details on how these have been calculated are given in note 13, Goodwill, to the consolidated financial statements.

Under this basis the carrying value of assets is below the recoverable amount valued on a value in use basis and therefore there would be no impairment required.

Sensitivity analysis has been performed that indicates that no reasonable changes to assumptions would result in an impairment to the investment.

3 Trade and other receivables

	2018 £000	2017 £000
Amounts due from Group undertakings	**12,431**	18,259
	12,431	18,259

4 Financial instruments

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.

Financial assets measured at amortised cost

	Fair value hierarchy	Carrying amount 2018 £000	Fair value 2018 £000	Carrying amount 2017 £000	Fair value 2017 £000
Amounts due from Group undertakings		**12,431**	**12,431**	18,259	18,259
Total financial assets		**12,431**	**12,431**	18,259	18,259

5 Share capital

	2018	2017
Number of shares		
'A' Ordinary Shares of £0.0025 each	**46,178,716**	46,061,090
	46,178,716	46,061,090

	£000	£000
Allotted, called up and fully paid		
At 1 January 2018: 46,061,090 'A' Ordinary Shares of £0.0025 each	**115**	113
Issued during the year (note 9)	**–**	2
At 31 December 2018: 46,178,716 'A' Ordinary Shares of £0.0025 each	**115**	115
Shares classified in equity		
At 1 January 2018	**115**	113
Issued during the year (note 9)	**–**	2
At 31 December 2018	**115**	115

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. The SAYE scheme is open to all employees of the Group once they have passed their probationary period. The scheme runs over three years with employees choosing to save between £0 - £500 per month, the proceeds of which can then be used to purchase the shares under option.

EMI scheme

Options may be granted as tax-favoured enterprise management incentive options (EMI Options) or non-tax favoured Options. 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).

Nominal cost 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 31 employees granted by the Parent Company on 29 November 2017	107,508 Ordinary Shares	Performance-based	1 January 2021
SAYE Equity-settled award to 63 employees granted by the Parent Company on 23 October 2018	475,164 Ordinary Shares	Performance-based	1 December 2021
EMI Equity-settled award to 6 employees granted by the Parent Company on 11 December 2014	583,331 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 11 employees granted by the Parent Company on 31 October 2017	370,107 Ordinary Shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2019)
EMI Equity-settled award to 1 employee granted by the Parent Company on 11 January 2018	33,898 Ordinary Shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2019)
EMI Equity-settled award to 14 employees granted by the Parent Company on 24 May 2018	778,555 Ordinary Shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2020)

All of the above options have a maximum term of 10 years in which they can be exercised following the vesting period.

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

	2018		2017	
	Weighted average exercise price £	**Number of options No.**	Weighted average exercise price £	Number of options No.
Outstanding at the beginning of the year	**1.14**	**1,008,894**	1.53	2,310,822
Exercised during the year	**(0.82)**	**(117,626)**	(0.0025)	(711,461)
Granted during the year	**0.52**	**1,778,577**	0.0025	407,129
Cancelled during the year	**–**	**–**	(3.18)	(157,182)
Lapsed during the year	**(2.46)**	**(359,740)**	(2.00)	(124,999)
Vested during the year	**–**	**–**	(2.00)	(583,331)
Forfeited during the year	**(1.12)**	**(483,367)**	(2.84)	(132,084)
Outstanding at the end of the year	**0.3**	**1,826,738**	1.14	1,008,894
Exercisable at the end of the year	**2.00**	**583,331**	1.78	815,268

6 Share-based payments continued

A charge of £457,000 (2017: £182,000) 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 weighted average share price of those shares exercised during the year was £1.56. For shares outstanding at the year end, these are exercisable at a range of exercise price of between £0.0025 - £2.90 and have a weighted average remaining life of 725 days.

The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% (2017: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of 0.5% to 0.9 % (2017: 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 Staff costs and numbers

During the year the Company employed no members of staff and incurred no staff costs.

8 Commitments

Capital commitments

At 31 December 2018 the Company had no capital commitments (2017: £nil).

9 Transactions with owners, recorded directly in equity

Exercise of share options

During 2017 711,461 share options were exercised which resulted in the issue of 711,461 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £1,779 for the Group.

During 2018 117,626 share options were exercised which resulted in the issue of 117,626 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £88,356 for the Group.

10 Related parties

Transactions with key management personnel

Key management personnel in situ at 31 December 2018 and their immediate relatives control 2.9% (2017: 4.5%) 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.

	2018 £000	2017 £000
Short-term employment benefits	**2,188**	3,291
Termination benefits	**100**	32
	2,288	3,323

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GLOSSARY

ABS	Alternative Business Structure
APM	Alternate performance measure - an alternative method to generally accepted accounting principles used to measure the financial performance
AGM	Annual General Meeting
AIM	Alternative Investment Market, part of the London Stock Exchange
Bush	Bush & Company Rehabilitation
CC	Critical Care
CGU	Cash Generating Unit
CMC	Claims Management Companies
CMR	Claims Management Regulator
CMRU	Claims Management Regulation Unit
CODM	Chief Operating Decision Maker
CQC	Care Quality Commission
EMI Options	Enterprise Management Incentive Options
EPS	Earnings Per Share
FCA	Financial Conduct Authority
Fitzalan	Fitzalan Partners
FRC	Financial Reporting Council
Group	NAHL Group plc
ICO	Information Commissioner's Office
IFRS	International Financial Reporting Standards
KPIs	Key performance idicators
LASPO	Legal Aid, Sentencing and Punishment of Offenders Act 2012 (enacted 01 April 2013)
Legal Support Centre	First point of contact for consumers with a potential claim staffed by NAH's legal support advisors
LIBOR	London Interbank Offered Rate
LTIP	Long-term Incentive Plan
Medico-Legal	A claim or similar involving both medical and legal aspects
Multi-Track	Claims over £25,000 or complex points of law/evidence.
NAH	National Accident Helpline
NCI	Non-controlling interests
NIHL	Noise Induced Hearing Loss
Non-RTA	Non-Road Traffic Accidents (includes employer, occupier and public liability)
PI	Personal Injury – an injury or illness suffered through no fault of an individual's own (for example, in a road accident, a slip, trip or fall, medical negligence, work accident or an industrial disease)
PLF	Panel Law Firm – a law firm selected to sit on our panel
Post-LASPO	After enactment of LASPO on 1 April 2013
Pre-LASPO	Before enactment of LASPO on 1 April 2013
QCA	Quoted Companies Alliance
RCF	Revolving Credit Facility
RP	Residential Property
RTA	Road Traffic Accidents (also, non-RTA - non-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
TSR	Total Shareholder Return
Underlying operating cash flow	Cash flows from underlying operating profit and excluding any exceptional 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 exceptional items
WACC	Weighted average cost of capital
Working capital	Trade and other receivables less trade and other payables

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