Creating opportunity, ready for the future

Annual Report 2021

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At a glance

NAHL Group plc is a leader in the consumer legal services and catastrophic injury markets, delivering products and services to consumers and businesses through two divisions, Consumer Legal Services and Critical Care.

Over the last two years our markets have been significantly impacted by the COVID-19 pandemic as Government restrictions and cautious consumer behaviour suppressed accident numbers, resulting in lower activity levels for our two divisions. Also, regulatory changes that affect lower value road traffic accident (RTA) claims in the personal injury market were implemented in May 2021, after years of delays. These significantly reduced compensation tariffs and most RTA claims worth £5,000 or less are now settled through the small claims track with no award for costs. This has in turn resulted in lower claim numbers in the market.

We have made good progress in our strategy to respond to these challenges. In Consumer Legal Services, we launched our own personal injury law firm, National Accident Law, in 2019 and have since been processing an increasing volume of work ourselves. We have been focusing on generating value from non-RTA work, which isn't affected by the reforms and generates higher margins, and we have also launched a proposition to monetise low-value RTA work. Our ability to place a proportion of our claims into a panel of third-party law firms and with our joint venture[1] partners allows us to manage our working capital and to grow National Accident Law in a controlled manner.

Whilst there is a lot more to do, the early results have been encouraging. In 2021, we grew the volume of work we processed in National Accident Law by 130%, thereby increasing the total number of enquiries we processed ourselves from 10% to 26%. We reduced the proportion of enquiries we placed with our joint venture partners by 73%, started to process higher value non-RTA claims ourselves and commenced work on 3,529 small claims in the year.

In our Critical Care business, Bush & Co., we have been investing in people, systems and marketing activity to grow market share in our core offerings of case management and expert witness services. We have also been developing new services to grow in adjacent markets and enhance our proposition. We grew revenues by 9% in the year by supporting more clients with our core services. Our investments in business development resulted in increased instructions which will turn into revenues in future years. Underpinning these results is the strength of our people and culture, which was recognised with our Critical Care division featuring in the Top 100 Small Companies to Work For in 2021, replicating a feat achieved by our Personal Injury business in 2019.

We also reduced our net debt in 2021 and extended the term of our debt facility by two years to 31 December 2024, ensuring we have the liquidity to execute on our strategy.

> In summary, whilst the Group continues to experience headwinds and some of our investments will take time to translate into profits, we are making progress with our strategy to create a more profitable and sustainable business for the benefit of all our stakeholders.

James Saralis
Chief Executive Officer

1. Throughout this document, references to 'joint venture' law firm relate to our law firms Your Law LLP and Law Together LLP which we operate in partnership with a minority member. The term 'joint venture' does not relate to the IFRS definition. These law firms are accounted for as subsidiary undertakings, see note 1 to the financial statements for further details.

2. Underlying operating profit excludes certain exceptional items as detailed in note 1 to the financial statements. Refer to note 1 of the financial statements for a reconciliation of this measure to IFRS operating profit.

Revenue
£38.9m
(2020: £40.9m)

Underlying operating profit[2]
£4.2m
(2020: £5.7m)

Profit before tax
£0.2m
(2020: a loss of £0.2m)

Net debt
£15.5m
(31 Dec 2020: £16.3m)


ThinkPad

Strategic report

Chair's Report

Like many other businesses, the COVID-19 pandemic continued to affect our trading in 2021. Notwithstanding this, we completed the year with a profit before tax of £0.2m (2020: loss of £0.2m) and a reduction in net debt to £15.5m (2020: £16.3m) as we focused on investing in the growth of National Accident Law (NAL) and the continued recovery of our Critical Care division.

2021 results

Our Personal Injury business saw enquiry levels decrease compared with the previous year. This was a direct consequence of fewer accidents (both Road Traffic Accident (RTA) and non-RTA) due to a decrease in population mobility as a result of COVID-19 restrictions. As planned, in 2021 we placed more of the enquires we generated into NAL, which continues to grow in size. NAL processed 26% of our enquiries in 2021 and had 7,918 cases underway at the end of the year. Although a relatively small part of our portfolio, our Residential Property business benefitted from a hot market and we continue to explore our options for this business.

Critical Care revenues increased by 9%, driven in large part, by 21% more Expert Witness instructions. These were generated from successful business development initiatives but this was offset by increased operating costs due to our investment in people, systems and marketing.

Strategic progress

The Group made good progress in implementing its strategy. Most notably, NAL is now processing all RTA enquiries and an increasing number of non-RTA enquiries. Consequently, significantly less work is being placed into our joint venture law firms. Notwithstanding this, we will continue to place enquiries with our panel to generate short term cash and profit that will be reinvested, where possible, in NAL. NAL is central to the Group's future success and its creation and development were essential in anticipation of the regulatory changes introduced in May 2021. Having our own modern, technologically-enabled law firm is expected, in time, to generate higher margins for our personal injury work, as well as significantly reducing our non-controlling interest payments. In the short-term, however, the strategic focus on growing NAL will continue to depress profits until the level of admissions and settlements increases to compensate for the investment in new claims.

During the year, Critical Care enhanced its business development capabilities to drive further growth in its core markets. It has also invested in new services to move into adjacent markets. This has enhanced Critical Care's reputation and created a strong pipeline of work for the future, as case management projects can last several years.

Good governance

We remain committed to engaging positively with our investors and being transparent about the challenges and opportunities ahead. In addition to regular meetings with our largest shareholders during the year we also met with retail shareholders using the InvestorMeetCompany platform for the first time. This enabled the Group to host a live Q&A session and engage with a wider audience.

In August 2021, James Saralis was appointed CEO and Chris Higham replaced him as acting CFO. The Board unanimously supported these internal appointments and are delighted with their contributions to date. We also appointed Allenby Capital as our new Nominated Adviser and Sole Broker in February 2022 and look forward to working with them to increase shareholder value.

> Having our own modern, technologically-enabled law firm is expected, in time, to generate higher margins for our personal injury work, as well as significantly reducing our non-controlling interest payments.

Summary

I would like to thank all our employees for their continued commitment and hard work over the last year. Our people adapted to home working arrangements and then hybrid working effectively. We will continue to operate a hybrid model as the COVID-19 pandemic ends. Our people and our culture are essential to our future success.

In summary, I believe we are making good progress with the development of our Personal Injury business and the growth of our Critical Care division, but the COVID-19 pandemic has made it more difficult, reducing the number of accidents to well below 2019 levels. We expect to see accident numbers increase gradually in 2022 as mobility levels increase and people return to work. Pleasingly, early indications are supportive. Our Personal Injury business will continue to place an increasing number of enquiries into NAL in order to maximise future profit, and our Critical Care division already has a strong pipeline of work as it starts 2022. In the short-term our strategy means profits will remain depressed, as we continue our investment in NAL, but I remain optimistic about the future, particularly now that the COVID-19 restrictions have come to an end.

Tim Aspinall
Chair

CEO Report

I am pleased to report our results for the year ended 31 December 2021.

Overview

2021 saw the Group make progress with the implementation of its strategy, but the COVID-19 pandemic continued to have an impact on our markets throughout the year. Government restrictions and cautious consumer behaviour supressed accident numbers and resulted in less work for our Personal Injury and Critical Care businesses. Nevertheless, we continued to make progress with our strategy, manage our debt and secure debt funding to the end of 2024, whilst remaining profitable.

We have repositioned our Consumer Legal Services division and created a fully integrated law firm, capable of generating its own leads and focused on processing higher margin personal injury claims, while reducing our reliance on joint venture partnerships. In our Critical Care division, we have invested in business development initiatives to grow instruction volumes and are seeing encouraging results. While these investments will take time to translate into profits, we expect them to produce greater returns for shareholders in the medium and long-term.

Meanwhile, in the short-term, as the UK adjusts to living with COVID-19 and mobility levels across the UK recover, we expect to see accident numbers gradually increase in our markets. This is expected to provide the Group with more opportunities to support customers with their personal injury claim or rehabilitation needs.

COVID-19

In 2020, the Group, and indeed the whole country, had to quickly adapt and respond to the rapidly evolving threat of COVID-19. As a Group, we prioritised our staff and supporting our customers through that initial period and adapted our ways of working to enable homeworking and remote access to clients. We prioritised liquidity, slowed investment and protected jobs.

2021 started with the third of the Government lockdowns. In many ways, the third lockdown was the most challenging as it was both unanticipated and also the longest and therefore stifled our ability to recover at the pace we would have liked to. However, operational adaptations that we implemented in 2020 stood us in good stead and we were able to deliver a good service to our customers and generate cash flow. This gave us the confidence to increase the level of our investment in our Personal Injury and Critical Care businesses, despite slow growth in these markets.

We completed the year with the threat of a new wave of restrictions in response to the Omicron variant. Thankfully, this turned out to be less serious than the Government first thought, but it did result in another reduction in mobility levels across the country in December 2021, and consequently fewer accidents.

Overall, I'm pleased with the Group's response to the COVID-19 crisis and by applying the learnings from successive lockdowns we are well placed to grow back stronger.

2021 results and net debt

The Group finished the year with results that were in line with the Board's expectations.

Revenue fell by 5% to £38.9m (2020: £40.9m), in the first full year to be affected by the COVID-19 pandemic.

This was primarily due to a 10% reduction in revenues in our Consumer Legal Services division, caused by a reduction in the number of personal injury accidents in the market and our decision to place more enquiries into National Accident Law (NAL) for higher future profits. Revenues in our Critical Care division grew by 9% to £12.3m (2020: £11.3m).

As a consequence, the Group's underlying operating profit[1] reduced by 27% in the year to £4.2m (2020: £5.7m). As expected, underlying operating profit margins decreased from 13.8% to 10.7%. In the Consumer Legal Services division, underlying operating profit reduced by 31% to £3.7m (2020: £5.4m) and in Critical Care, underlying operating profit reduced by 8% from £3.6m in 2020 to £3.3m.

Our decision to grow case processing in NAL required investment in the year however this is expected to generate higher margins in the medium and long-term. In our Critical Care division, our investments in people, systems and marketing activity, as well as changes to the commercial agreements we have with our case management and Expert Witness associates intended to secure resource, will help us to grow our market share and increase future revenues.

We reduced costs in our Group shared services functions by 16% in the year to £1.6m (2020: £1.9m) and other items, which comprise share-based payment charges and amortisation charges on intangible assets recognised as part of business combinations, were 12% lower at £1.2m (2020: £1.4m).

There were no exceptional costs incurred in the year. In 2020 we recognised £1.4m of exceptional costs, largely related to the transformation and restructure of the Group's Consumer Legal Services division. This work is now complete.

The profit attributable to members' non-controlling interests in our joint venture LLPs reduced by 16% to £3.5m (2020: £4.1m) and we reduced the number of new enquiries placed with joint venture partners by 73% in the year.

Profit before tax increased to £0.2m, from a loss before tax of £0.2m in 2020. Basic earnings per share (EPS) were 0.3p (2020: loss per share of 0.5p) and diluted EPS were 0.3p (2020: a loss per share of 0.5p). Underlying basic EPS, the calculation of which is explained in note 1 to the financial statements, were 0.3p (2020: 1.9p).

The Group has continued to carefully manage its cash flows while investing in its two divisions for future growth. Free cash flow (FCF) was £0.8m for the year. This compares to £6.1m in 2020, but our focus then was on increasing liquidity in response to the initial wave of the pandemic. Net debt reduced in the year to £15.5m at 31 December 2021, down from £16.3m at the end of 2020.

We extended the term of our Revolving Credit Facility with Yorkshire Bank by two years to the end of 2024 and felt confident to reduce the size of the facility from £25.0m to £20.0m, consistent with our objective to reduce net debt. At year-end we had headroom in the facility of £2.0m in addition to £2.5m of cash in the bank.

The Board does not believe that it is appropriate to reinstate dividends at this time and the Directors have recommended that no final dividend be paid in respect of 2021.

Consumer Legal Services

In our Consumer Legal Services division, revenue contracted by 10% from £29.6m in 2020 to £26.6m in 2021, and underlying operating profit fell by 31% to £3.7m (2020: £5.4m).

Our strategy to succeed in the personal injury market is to create a higher margin, integrated law firm underpinned by our flexible business model. We will achieve this by continuing to generate our own work, using our National Accident Helpline brand and by processing an increasing number of those enquiries through our own consumer-focused law firm, National Accident Law. Over time, we will process an increasing number of higher-margin, non-RTA claims and our small claims proposition will allow us to maximise the return from lower value RTA claims. Finally, our agile and scalable placement model is designed to balance the work we place with our panel, and joint venture partners, for in-year profit and cash with the work we process ourselves for greater, but deferred profit and cash.

Despite the challenges of operating in the pandemic, I'm pleased to report that we made progress with this strategy in 2021.

Claim volumes in the personal injury market remained depressed throughout 2021 with registered claim numbers in the market running at c.60% of pre-COVID levels throughout much of the second half of 2021. This was due to two reasons.

1) Firstly, the Government restrictions that were put in place in response to the COVID-19 pandemic resulted in reduced mobility levels across the UK. This was evidenced in mobility data provided by Google, which started 2021 mobility levels at c.30% of the baseline[2] before COVID-19 and grew to around 75% of baseline by November 2021. December 2021 then saw a further significant reduction, falling to around 40% before partially recovering in the new year.
2) The second factor that caused claim numbers to be depressed was the impact of the regulatory changes to low value RTA claims from 31 May 2021. On this date, the Government implemented its planned changes to reduce compensation tariffs and eliminate cost awards for most RTA claims worth £5,000 or less. This removed the majority of value for firms processing RTA cases. If the intention was to encourage the majority of claimants to manage their own claim using the Government's online portal, then the reality is very different. Since launch, fewer than 10% of claimants have processed their own claim and the vast majority still chose to rely on a law firm to represent them. The significant reduction in compensation available to injured claimants combined with the complexity of the process has resulted in a lower appetite to claim, leading to fewer RTA claims since implementation.

The Government continues to pursue reform to the personal injury market. In 2021, the Government confirmed that the small claim limit for non-RTA claims will increase from £1,000 to £1,500 from 6 April 2022. Then in January 2022, the Department of Health launched a consultation on fixing costs in clinical negligence claims worth up to £25,000. The proposals are designed to reduce claimant's legal costs, saving the NHS an estimated £500m over 10 years. We were anticipating both of these proposals, and we do not expect them to have a significant impact on our business.

The National Accident Helpline brand continues to be the most trusted in the industry[3] and independent research found it to be associated with being helpful, experienced and professional. Our marketing activity produced 32,132 new enquiries in the year, which was fewer than the prior year (2020: 36,214) but that reflects a full year of COVID-19 impact. Pleasingly, 10% more enquiries were delivered in the period April to December 2021 then the equivalent COVID-19 affected period in the prior year. Furthermore, this period delivered 18% more enquiries from organic channels in 2021 than the previous year, which helped us to manage our marketing cost in a highly competitive environment.

We increased our placement of enquiries into NAL by 130% in the year, which included 569 non-RTA enquiries and 3,529 small claims. Overall, 26% of our total enquiries were placed into NAL for processing, which was a significant increase on the 10% placed in 2020. As a result, at the end of the year, NAL was processing 7,918 ongoing claims, which was an increase of 166% on the previous year. These claims represent a store of value for the business that will deliver future revenues

and cash at an enhanced margin over what we could achieve through placing the claims into our panel. Based on our current assumptions on claim success and value, we estimate that these claims will generate c.£6.7m (2020: £3.8m) of future revenue and future cash receipts of £8.4m (2020: £4.7m). We maintained the proportion of enquiries placed with our panel of third-party laws firms and reduced the proportion of enquiries in our joint venture law firms by 73%.

Also within our Consumer Legal Services division is our Residential Property business, comprising Homeward Legal and Searches UK. This business had a strong year, buoyed by the stimulus of the Stamp Duty Land Tax holiday and very strong levels of business development success in our search business. These businesses generated revenue and contribution to operating profit before shared costs of £5.6m (2020: £6.3m) and £0.8m (2020: £0.3m) respectively and were a net contributor to the Group's free cash flow in 2021.

Critical Care

Revenues in our Critical Care business, Bush & Co, grew by 9% to £12.3m (2020: £11.3m) and underlying operating profit reduced by 8% to £3.3m (2020: £3.6m).

Our strategy in Bush & Co is to grow share in our market by appealing to a broader customer base, extending our competencies and specialisms and to be more efficient at what we do through the use of technology. I am pleased with the progress we made with these objectives in 2021.

Bush & Co operates in the catastrophic injury market, which suffered a similar impact from COVID-19 as in Personal Injury, although it is unaffected by the small claims' reforms. The majority of work stems from RTA injuries and medical negligence, both of which have seen reduced volumes over the past couple of years. Case management work is required soon after an accident and so the impact on our business was clear in 2020 and throughout 2021. Expert Witness services, conversely, are not required until the legal claim is well underway and average times from accident to instruction are around three years. Therefore, the full effect of the pandemic may not be seen for some time.

We invested in marketing and business development in the year and our focus on building strong, enduring customer relationships was rewarded with a 23% increase in instructions for Expert Witness work and a 5% increase for instructions for case management INAs.

We continued our innovative "Happy Post" marketing campaign, delivering treats and wellbeing packs to solicitors and insurers, which attracted praise from across the industry and won us the accolade of Marketing Campaign of the Year at the 2021 PI Awards.

Since the team relaunched the brand in 2019, Bush & Co has enhanced its reputation as an award winning, independent market leader, known for delivering a premium service with expertise, integrity and professionalism.

The business increased the number of Expert Witness reports it issued by 21%, INA reports by 26% and ongoing case management clients it supported by 1%. This was an excellent result delivered by our operations teams and associates. We recruited 34 new associates and proudly work with 93 case managers and 96 expert witnesses across the UK, across a range of specialisms.

We launched Bush Care Solutions in August 2021, which is our expanded care proposition to support clients who require nurse-led care in their homes. This has been accredited by the Care Quality Commission and, along with our case management service, provides for a fully managed solution. We also launched our differentiated case management proposition, which is targeted at serious claims valued between £100,000 and £500,000. The division employed three new case managers in the year to deliver this proposition and the team have already started securing relationships with insurer customers.

We have continued to invest in technology in Bush & Co, which will drive efficiency savings and be a growth enabler. In April 2021, we launched our proprietary medico-legal report writing tool for Expert Witness reports and this was utilised on 26% of reports in 2021. We also continued to roll out improvements to our case management system.

Our people, culture and communities

At NAHL, we aim to build a sustainable business for the long-term gain of all our stakeholders. While an important part of that is the development of our business models in our two divisions, we are committed to doing business in a way that is beneficial to our people, our communities and the environment.

We employed 258 people as at 31 December 2021, a decrease of 1% from the end of 2020 and our team is split in the ratio 30:70 male to female staff. We have an experienced and capable leadership team that was restructured in the year, following my appointment as CEO. Chris Higham was appointed to the role of acting CFO and Will Herbertson to the role of Managing Director of the Consumer Legal Services division. In October 2021, we were pleased to welcome John Kushnick to the Group to take on the role of Legal Operations Director, responsible for growing NAL. John is well known and respected in the industry, and we are already benefiting greatly from his experience.

My team and I have always believed that for a business to be sustainable, it requires an inclusive and supportive culture, with clear leadership and a strong focus on employee engagement. The Group's values of Driven, Curious, Passionate and Unified guide us in our short and long-term decision making and our culture has helped to sustain the business through the challenges of COVID-19 and our business transformation.

In 2021, we continued our focus on clear and regular staff communication, with regular meetings and weekly updates. As the conditions evolved, so too did our communications, with an increased focus on connecting with people working remotely and on staff wellbeing. This was enhanced with the addition on our Group-wide employee engagement platform, called Totem, during the year. This mobile app helped our people to connect and award each other recognition, post videos and share encouragement.

Our annual engagement survey proved once again that our people appreciate our focus on culture and communication. Our engagement score of 75% is significantly higher than the UK average of 11%[4]. We have also received external validation of our culture, with our Personal Injury and Critical Care businesses holding the prestigious Gold status from Investors In People and our Residential Property business being awarded Silver.

Finally, we were thrilled that Bush & Co was placed at number 43 on Best Companies' 'The UK's 100 Best Small Companies to Work for 2021', building on a similar award achieved by National Accident Helpline in 2019.

We were pleased to support a number of community initiatives during the year, including supporting local food banks through monetary donations, collections and donations of Christmas lunches. As at 31 December, the Group had also funded the planting of 172 trees in Madagascar, one for each Consumer Legal Service employee. This will be extended to include Critical Care in 2022 and we will continue adding trees each time we recruit someone new.

Potential sale of Homeward Legal

We announced last year that we intended to explore a potential sale of our repositioned and streamlined Residential Property business, Homeward Legal. While this initially attracted encouraging levels of interest from the focussed group of potential buyers we engaged with, it proved very difficult to complete a deal due to external factors beyond our control. While we are not in negotiations with a buyer at present, we will look to explore a sale and consider our strategic options for this business in 2022.

Conclusion and outlook

In 2021 we increased the number of claims being processed in NAL and launched several new initiatives across both divisions. We carefully managed our investment levels to remain profitable and showed a reduction in net debt.

This progress has continued into 2022 as we look to grow the number of enquiries we generate, increase the number of claims we are processing in NAL, and develop our pipeline of work in Bush & Co.

In our Personal Injury business, enquiry numbers for the first two months of 2022 were up 42% compared to the same period in 2021 and we have experienced an improvement in the average daily enquiry run rate each month since December 2021. We allocated 31% of these enquiries to NAL, compared to 23% for the same period in 2021. In Critical Care, despite a relatively slow start in January caused by concerns around the Omicron variant of COVID-19, the number of Expert Witness and INA reports issued in the first two months of 2022 increased by 8% and 7% respectively on the same period in 2021. Instruction numbers for the same period were also robust, with Expert Witness ahead by 7% and INA instructions by 28%.

Now that the last of the COVID-19 restrictions have been lifted, we expect to see mobility levels across the UK continue to improve and for this to result in a gradual increase in the number of accidents in our markets. The Board have undertaken an impact assessment considering the recent developments in the Ukraine crisis and do not consider that this will have a significant impact on the Group's operations.

James Saralis,
Chief Executive Officer

> I would like to end by putting on record my thanks to our employees for their hard work, support and commitment. They faced many challenges during 2021, including having to adjust to the changing COVID-19 restrictions, and demonstrated their resilience and dedication to supporting our customers and each other. Thank you to our employees

James Saralis,
Chief Executive Officer

1. Underlying operating profit excludes certain exceptional items as detailed in note 1 to the financial statements. Refer to note 1 of the financial statements for a reconciliation of this measure to IFRS operating profit.
2. COVID-19 Community Mobility Reports, google.com.
3. Independent research produced by The Nursery Research & Planning Ltd, September 2021.
4. Gallup state of the global workplace report 2021.

CFO Report

Overview

The year began with the UK in its third and most protracted lockdown as the Group continued to feel the effects of COVID-19 disrupting volumes in our markets as consumer behaviour changed and accident numbers were supressed. The year also saw the long anticipated small claims reforms come into effect at the end of May. Despite this, the Group remained profitable, generated cash and reduced net debt.

In 2020, we focused on generating immediate cash and profit through placement of enquiries into our panel law firms. Having created our wholly-owned law firm, National Accident Law (NAL), this year we turned attention to scaling the business to realise higher returns and higher profit in the future.

We also invested in new initiatives and technology in the Critical Care division to underpin future growth.

From an operational perspective, revenue fell 5% from £40.9m to £38.9m. This was largely due to the full year impact of the COVID-19 pandemic affecting accident numbers and reducing demand for our services along with our strategic decision to grow the number of enquiries we placed with our law firm, NAL.

Underlying operating profit decreased by 27% from £5.7m to £4.2m at an underlying margin of 10.7% (2020: 13.8%), operating profit fell £0.1m to £4.2m and profit before tax was £0.2m (2020: loss of £0.2m).

Review of income statement

	2021 £m	2020 £m	Change £m	Change %
Consumer Legal Services	26.6	29.6	(3.0)	(10.0%)
Critical Care	12.3	11.3	1.0	9.1%
Revenue	**38.9**	**40.9**	**(2.0)**	**(4.7%)**
Consumer Legal Services	3.7	5.4	(1.7)	(31.1%)
Critical Care	3.3	3.6	(0.3)	(8.4%)
Shared Services	(1.6)	(1.9)	0.3	16.0%
Other items	(1.2)	(1.4)	0.2	12.1%
Underlying Operating Profit	**4.2**	**5.7**	**(1.5)**	**(26.6%)**
Exceptional items	0.0	(1.4)	1.4	(100.0%)
Operating Profit	**4.2**	**4.3**	**(0.1)**	**(3.5%)**
Profit attributable to non controlling interest in LLPs	(3.5)	(4.1)	0.6	16.1%
Financial income	0.1	0.2	(0.1)	(49.4%)
Financial Expense	(0.6)	(0.6)	0.0	5.1%
Profit/(Loss) before tax	**0.2**	**(0.2)**	**0.4**	**205.0%**
Taxation	0.0	0.0	0.0	(295.0%)
Profit/(Loss) and total comprehensive income for the year	**0.2**	**(0.2)**	**0.4**	**163.9%**

Consumer Legal Services

The Consumer Legal Services division generated £26.6m of revenue, a decline of 10% from £29.6m while underlying operating profit fell by 31% from £5.4m to £3.7m. The national lockdown at the start of the year once again supressed accident numbers with enquiry volumes 18% lower than the second half of 2020. Across the full year, the National Accident Helpline brand generated 32,132 enquiries, 11% lower than last year (2020: 36,214) albeit 2020 was largely unaffected by COVID-19 in the first quarter. Enquiries grew 27% in the second half of the year compared to the first half.

We increased the number of enquiries placed into our wholly-owned law firm, NAL and following the introduction of the new rules around low value Road Traffic Accident (RTA) claims at the end of May, all volume from RTA in England and Wales has been placed with NAL. This has contributed to a 130% year-on-year increase in the number of enquiries processed by NAL. At the end of 2021, NAL was processing 7,918 ongoing claims, an increase of 166% on the previous year. These ongoing cases are expected to contribute c£6.7m (2020: £3.8m) in future revenue and c£8.4m of future cash receipts (2020: £4.7m). Enquiry volumes placed with joint venture law firms decreased by 73% in the year.

The enquiries processed by NAL have a longer revenue cycle that can run to a number of years compared to that of our panel arrangements, due to NAL recognising income only once an admission of liability has been received from the defendant. As we anticipated, the reforms have also resulted in a material reduction in revenue from a large proportion of our RTA claims.

The Residential Property business generated a positive contribution to profit of £0.8m (2020: £0.3m) before allocation of shared costs. The business benefitted from an extension to the market stimulus in the form of the Stamp Duty Land Tax holiday on properties valued up to £500,000 alongside business development successes and a full year impact of cost savings delivered in the previous year.

Critical Care

The Critical Care division grew revenue by 9% from £11.3m to £12.3m (2020: a reduction of 16%) with Underlying Operating Profit reducing by 8% from £3.6m to £3.3m.

The division has continued to invest in business development activity contributing to a 23% increase to Expert Witness instructions and a 6% increase in INA instructions. Expert Witness reports delivered grew by 21%. The number of ongoing case management cases has also marginally increased although revenue from these cases is broadly flat as appointments have been carried out remotely during COVID-19 as opposed to face-to-face.

Operating costs increased in the year due to investments in people, marketing activity and systems to grow the business including new initiatives, Hubs and Bush Care Solutions (see CEO report on page 12) as well as changes to commercial agreements to secure associate resource which also further strengthened our IR35 position with associates.

Shared Services

The costs for the Group's Shared Services functions fell by £0.3m to £1.6m (2020: £1.9m).

Government Support

The Group made use of £0.01m of Government support in the form of the Coronavirus Job Retention Scheme (2020: £0.4m). This income is shown in the financial statements in underlying operating profit as netted off administration expenses within the divisional results. We repaid £0.4m of VAT deferred from 2020 in the year with no further deferral in 2021.

Exceptional and non-underlying items

The Group did not incur any exceptional costs in the year (2020: £1.4m). Costs relating to the exploration of disposing of the Residential Property business have been expensed within underlying operating profit.

Taxation

The Group's tax charge of £79,000 (2020: £2,000) represents an effective tax charge of 33.6% (2020: -0.9%). The tax charge is higher than the standard corporation tax rate of 19% for the reasons set out in note 9 to the financial statements. The deferred tax credit originates from temporary differences in intangible assets acquired on business combinations.

Earnings per share (EPS) and dividend

Underlying EPS for the year were 0.3p (2020: 1.9p). Underlying EPS provide a better comparison year on year as earnings have been adjusted to exclude certain exceptional items (net of the standard rate of corporation tax). This is explained in note 1 to the financial statements.

Basic EPS for the year were 0.3p (2020: -0.5p) and the diluted EPS were 0.3p (2020: -0.5p), reflecting the impact of share options due to vest in future years.

The growth in basic EPS is due to the exceptional costs totalling £1.4m (comprising costs for the strategic transformation of the Personal Injury division, restructure of Residential Property and Personal Injury into a new Consumer Legal Services division and due diligence costs relating to a potential offer for the Group) not repeated in 2021, partially offset by a full year impact of COVID-19 and continuing investment in the Personal Injury and Critical Care businesses.

The Board does not believe it is appropriate to re-instate dividends at this time and the Directors have recommended that no final dividend be paid in respect of 2021 (2020: nil).

Review of the statement of financial position

In reviewing the statement of financial position, I consider the significant items to be working capital, defined as trade and other receivables less trade and other payables, and net debt.

Working Capital

Trade and other receivables less trade and other payables totalled £17.2m at year end (2020: £16.7m).

Trade receivables and accrued income balances related to the processing of personal injury claims decreased to £6.9m (2020: £7.3m). These claims are yet to reach the settlement stage but have received an admission of liability from the defendant. This is in line with the Group's accounting policy for legal services revenue in note 1 to the financial statements. Accrued income included £1.7m (2020: £0.9m) relating to liability admissions received on open cases within National Accident Law.

There is a significant element of uncertainty in estimating this accrued income, as discussed further 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 law firms and by our panel. These assumptions are updated with actual results as claims settle.

Disbursement receivables increased from £6.7m to £8.3m as we scaled NAL.

Receivables not relating to the law firms decreased from £20.3m to £18.2m. This is a result of the maturity of historic deferred debt from our panel debtors including having received £1.5m of the settlement relating to the termination of National Law Partners, agreed in 2019. The remaining amount of £1.4m is due to be settled by the end of Q2 2022.

Payables reduced from £17.5m on 31 December 2020 to £16.2m at the balance sheet date. This was due to the unwinding of product commissions settled in advance and a £0.4m payment for VAT deferred from 2020, offset by an increase in disbursement payables in our law firms. The latter increased, as expected, from £6.0m to £7.2m.

Net debt and bank facilities

We carefully managed our cash resources during the year to balance an investment in processing personal injury cases with a desire to reduce net debt. As a result, net debt fell from £16.3m as at 31 December 2020 to £15.5m at year-end. Net debt is defined in note 29 to the financial statements and is comprised of £2.5m of cash (2020: £3.6m) offset by borrowings of £17.9m (2020: £19.9m).

The borrowings represent a balance on the Group's Revolving Credit Facility with its lender, Yorkshire Bank. We successfully renegotiated the facility with Yorkshire Bank extending the facility term for a further 24 months through to 31 December 2024. As part of the agreement with Yorkshire Bank, new covenants have been agreed aligning with our latest forecasts and the overall facility has reduced from £25.0m to £20.0m to appropriately reflect our medium-term requirements.

Review of the cash flow statement

	2021 £m	2020 £m	Change £m	Change %
Net cash generated from operating activities	**5.1**	**11.0**	**(5.9)**	**(53.4%)**
Net cash used in investing activities (excl. disposal of subsidiaries)	**(0.6)**	**(1.1)**	**0.5**	**(42.7%)**
Facility arrangement fees	(0.1)	(0.1)	0.0	(25.6%)
Principal element of lease payments	(0.2)	(0.5)	0.3	(70.3%)
Drawings paid to LLP members	(3.4)	(3.2)	(0.2)	(6.8%)
Net cash used in financing activities (before borrowings)	**(3.7)**	**(3.8)**	**0.1**	**5.3%**
Free cash flow	**0.8**	**6.1**	**(5.3)**	**(86.0%)**
Disposal of subsidiaries	0.0	(1.3)	1.3	(100.0%)
Repayment of borrowings	(2.0)	(3.8)	1.8	(46.7%)
Net (decrease)/increase in cash and cash equivalents	**(1.2)**	**1.0**	**(2.2)**	**(210.1%)**

The Group's cash and cash equivalents reduced by £1.2m in the year (2020: increase of £1.0m). This was primarily due to repaying borrowings and increased investment. The significant items in the consolidated cash flow statement are net cash from operating activities, drawings paid to LLP members and the repayment of borrowings.

Net cash from operating activities reduced from £11.0m to £5.1m as we switched focus back to growing the number of cases processed in NAL in line with our strategy. We temporarily changed focus to increase liquidity in 2020, in the immediate aftermath of the onset of the COVID-19 pandemic. Net cash generated from operating activities included £2.1m in relation to claims settlements received by National Accident Law (2020: £1.3m).

The Group paid £3.4m (2020: £3.2m) of drawings to its partners in the joint venture law firms during the year, under the terms of our agreements. This reflects the growth in claims won and settled during the year. The Group also acquired £0.3m (2020: £0.8m) of intangible assets in the year as it sought to improve its technological offering in Critical Care.

The Group repaid £2.0m (2020: £3.8m) of borrowings in the year on its Revolving Credit Facility.

Free Cash Flow (FCF) is the Group's KPI with regards to cash flow. FCF in 2021 was £0.8m compared to £6.1m in 2020. The primary reason for this decrease is the change of focus to processing more cases in NAL as outlined above.

The Group also monitors underlying cash conversion. This fell to 150.2% in the year (2020: 228.9%), a direct result of the fall in operating cash as explained above.

Chris Higham
Acting Chief Financial Officer

In conclusion, despite the continued disruption caused by the COVID-19 pandemic, we have made progress with our strategy, investing in both the Consumer Legal Services and Critical Care divisions, positioning them well to maximise future returns whilst continuing to manage debt.

Chris Higham
Acting Chief Financial Officer

Our Business

Our group

NAHL Group plc is a leader in the consumer legal services and catastrophic injury markets, delivering products and services to consumers and businesses through its two divisions.

Consumer Legal Services

WHAT WE DO

Consumer Legal Services provides outsourced marketing services to law firms through the National Accident Helpline brand and Homeward Legal, and claims processing to individuals through National Accident Law and its joint venture partnerships, Law Together and Your Law. It also provides property searches through Searches UK.

PROFILE

- Revenues of £26.6m
- Underlying operating profit of £3.7m
- 169 employees

STRATEGY

Our strategy is to create a higher margin, integrated law firm, underpinned by our flexible business model. We will do this by continuing to generate our own work, using our National Accident Helpline brand, by processing an increasing number of claims through our own consumer-focused law firm, National Accident Law, and by leveraging our agile and scalable placement model to manage our growth.

Critical Care

WHAT WE DO

Critical Care provides a range of specialist services in the catastrophic and serious injury market to both claimants and defendants through Bush & Co.

PROFILE

- Revenues of £12.4m
- Underlying operating profit of £3.3m
- 69 employees and 189 associates

STRATEGY

Our strategy is to grow share in the catastrophic and serious injury markets by appealing to a broader customer base, extending our competencies and specialisms and to be more efficient at what we do through the use of technology.

Core Competencies

- Marketing capability
- Technologically enabled
- Trusted brands
- Highly skilled, empathic people
- Customer centric approach
- Strong employee culture

Shared Services

WHAT WE DO

Operating as a centralised function, Shared Services provides strategic leadership, funding and governance to support the divisions.

- £1.6m cost base
- 20 employees
- Provides Board, finance, legal and people services

Consumer Legal Services

The Consumer Legal Services division serves the personal injury and residential conveyancing sectors of the legal services market. The division provides outsourced marketing services to law firms through the National Accident Helpline brand and Homeward Legal, and claims processing to individuals through National Accident Law (NAL), and its joint venture LLPs, Law Together and Your Law. In addition, it also provides property searches through Searches UK.

The first half of 2021 was largely dominated by the third COVID-19 lockdown, with measures only beginning to ease during Q2. This caused a further reduction in volumes within the personal injury market, which contracted by 16% compared to the previous year.

While Q1 2020 was only impacted by the pandemic for a brief period, 2021 was impacted in its entirety by the ongoing situation, and as a result market volumes fell for employers liability, road traffic accident (RTA) and public liability claims, with only the clinical negligence market showing year-on-year growth. Market volume began to return in H2 but the rate of recovery was slower than the market had experienced following the first 2020 lockdown. As restrictions were eased this time, volumes rose at a steady pace.

Over the course of the year and in support of our strategy to grow the volume of enquiries processed by NAL, 26% of all claims triaged by the NAL legal support teams went on to be handled by NAL, up from 10% the year before. Market data shows slower growth in the RTA market than the volumes we see in our data, indicating that our strategy has resulted in growth of market share.

Following our strategy, we began to place more non-RTA claims into NAL from Q4. In total, our law firm has around 8,000 cases currently in progress, representing a significant body of work and value to be realised in the future. The proportion of work placed into our joint venture partnerships was reduced, in line with our long-term plans.

2021 also saw the small claims' reforms around whiplash RTA claims come into effect on 31st May.

NAL had already prepared its systems and embedded efficient ways of working in preparation for the implementation of the small claims reforms and from the day the reforms came into effect, NAL has taken on all RTA claims generated through the National Accident Helpline brand. Technological innovation was embedded throughout our operations in 2020. This included upgrades to our call centre technology, implementation of our 'One-Call' process and a new digital tool enabling RTA claims to be made online. These changes enabled us to handle cases efficiently, while retaining the customer-focused friendly approach which we pride ourselves on. We aim to grow the number of customers using our digital sign-up tool in 2022.

Our thorough preparation meant that when the legislative changes went live, everything was in place to ensure effective handling of cases; our team and systems were ready and able to utilise the new Government portal.

Marketing within the personal injury sector remains highly competitive, though advertising spend dropped significantly during the pandemic and has not returned to pre-COVID levels. Our focus remains on generating volume through digital marketing channels.

Internally, we focused on upskilling our team to ensure we had the personnel and skills in place to deliver our growth plans. The appointment of John Kushnick to the role of Legal Operations Director brought a wealth of experience to our leadership. John's expertise has helped us to further refine our ways of working. Our legal capabilities and capacity continue to grow with the addition of 10 new team members whilst four team members also completed their apprenticeships in 2021.

By embracing hybrid working, we have been able to recruit from a wider geographical area, providing us with greater access to the best candidates to help us realise our goals. Team members working in the office are now able to work in comfortable, modern surroundings following the completion of the refurbishment at our head office, Bevan House in Kettering.

Externally, relationships with our key partners remain strong, including our joint venture partners, panel law firms, insurance and medical agencies.

Our Residential Property businesses continued to trade profitably throughout 2021. While discussions continued with third parties regarding the sale of this area of the business, our teams working within Homeward Legal and Searches UK remained focused on delivery.

Market volumes in our Residential Property business were heavily influenced by the Government's timetable for the end of the Stamp Duty holiday, which was originally due to take place at the end of March 2021 and was subsequently extended to the end of June. Following the end of the Stamp Duty holiday, after an initial dip in activity, volumes began to recover towards the end of the year as the market normalised.

Consolidation of our marketing teams throughout our Consumer Legal Services businesses was completed, enabling us to work more efficiently across the division. Significant projects completed in the Residential Property business included the introduction of a new CRM system for Homeward Legal which saw conversion increase by approximately 40%.

Searches UK followed a similar trading pattern to Homeward Legal, with the year ending with volumes surpassing expectations.

Critical Care

Our Critical Care business, Bush & Co, holds a leading position providing support services in the catastrophic injury market, itself a subset of the medical reporting and rehabilitation market. The catastrophic injury market is defined as those cases involving the most severe and life-changing injuries, with settlement values of £500,000 and above.

The complexity of catastrophic injuries results in long case life cycles. Most clients require the services of an expert witness and around half will use a case management service to support their rehabilitation.

Case management services usually begin when a client's solicitor instruct Bush & Co to conduct an Initial Needs Assessment. These assessments are typically conducted three to four months after an injury occurs and the outcomes are documented in a report. This may result in ongoing case management support for the client's rehabilitation, which has an average life cycle of over two years, meaning that in any given year, more than half of the cases under management relate to accidents suffered in previous years.

COVID-19 resulted in a contraction in accident volumes, as lockdowns and Government guidance resulted in fewer people being out on the roads, in workplaces or receiving non-urgent medical treatment. Consequently, there have been fewer case management instructions in the market since the start of the pandemic and levels remained depressed throughout 2021. The clinical negligence market, however, remained buoyant. Pleasingly, Bush & Co benefitted from the strength of its established, strong customer relationships and grew its market share through the year. As restrictions are lifted and accident volumes increase, we expect the volume of instructions for case management to return to pre-pandemic levels during H2 2022.

Expert witness instructions are typically received once a case is well underway, on average around three years from the date of the accident. Instruction volumes exceeded our expectations in 2021, growing by more than 21% year on year. Due to the extended delay between accident and instruction, we believe the full impact of the pandemic on market volumes in the expert witness market is still to be realised. However, our analysis shows that Bush & Co has also grown market share in expert witness services and this, along with our strong customer relationships, should help us to minimise any impact of this. Overall, we expect that volumes in 2022 will continue to grow.

Our investment in technology included the successful launch of our proprietary report writing tool for expert witness reports, in April 2021. This tool helps to streamline the production of reports and enhances quality, whilst delivering savings as demand grows. This tool is now fully embedded and operating successfully, with more than 70% of our most popular care and occupational therapy reports being completed using this model.

We launched our differentiated case management proposition for serious injury claims valued at between £100,000 and £500,000. This service utilises employed case managers and technology solutions to deliver outcome-driven solutions for our larger customers.

We also entered the adjacent care market with the launch of Bush Care Solutions in September 2021. Having achieved accreditation for TDDI (Treatment of Disease, Disorder or Injury) from the Care Quality Commission, Bush Care Solutions is able to offer nurse-led care management services to support rehabilitation in a client's home. The introduction of this service complements Bush & Co's existing case management offering and enables us to offer clients a fully managed solution.

Bush & Co's reputation as an industry leader and employer of choice was reaffirmed with two accolades during 2021. It was named at position 43 on Best Companies "Best Small Companies to Work for in the UK" list in May, and went on to receive an award for Marketing Campaign of the Year at the PI Awards in November.

KPIs

Key Performance Indicators 2021

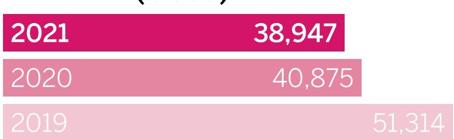
The Board monitors a number of Key Performance Indicators (KPIs) to assess the Group's performance against its strategic objectives. These KPIs include alternative performance measures where they provide additional insight into performance from the perspective of shareholders and other stakeholders.

In addition to the Group's financial KPIs, the Board has identified several non-financial KPIs that help it track progress in areas that are critical for the long-term success of the Group. These are not directly reflected in the Group's financial statements but are assessed on a regular basis and managed by divisional management.

1. Revenue

Revenue comprises amounts receivable from customers for the provision of the Group's services. The Group's key revenue streams are detailed in note 1 to the financial statements on page 100. As mentioned in the CEO report, the Group's transition to a self-processing law firm has meant that an increasing proportion of revenue is deferred until liability admission, and therefore monitoring and generating growth in revenues is key to the Group building a sustainable business model. Revenue over the past three years has been adversely impacted by the COVID 19 pandemic which has reduced demand for our services and products from both our panel of B2B customers and B2C consumers.

Revenue (£'000)



2. Cash generation – free cash flow

Free cash flow comprises the cash that the Group has generated from operations, less amounts invested in capital items, lease payments and payments to and from members' non-controlling interests in our LLPs.

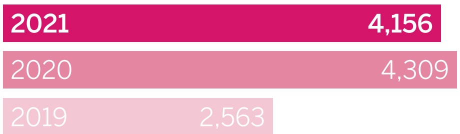
The lockdown measures associated with the COVID-19 pandemic have continued to impact the number of accidents taking place which again resulted in fewer enquiries being generated in our Personal Injury business (KPI 4). We have balanced our liquidity with our desire to grow the number of claims processed by National Accident Law to realise higher returns, by flexing placement of our enquiries in the year (KPI 5). These decisions contributed to the Group generating £0.8m of free cash flow (please see CFO's report on Page 20 for more details and note 2 to the financial statements for a reconciliation of this figure to statutory measures).

Cash generation – free cash flow (£'000)

3. Profitability – Operating Profit

Operating profit reflects the overall performance of the business. Operating Profit has decreased in 2021 due to the continued impact of COVID-19 on enquiry volumes in Consumer Legal Services, increased investment in processing cases in National Accident Law and the enactment of new legislation relating to small claims road traffic accidents in May 2021, which have had a material effect on the value of these claims (please see CEO's report on page 10 for more details).

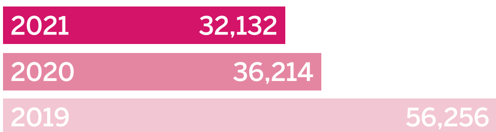
Operating profit (£'000)



4. Marketing services – personal injury enquiries generated

Our ability to generate personal injury enquiries and balance these against market demand and available working capital, are a core element of our business model and a leading indicator of revenue. COVID-19 has continued to restrict accident numbers in the market which have, in turn, impacted enquiry volumes generated through the National Accident Helpline brand. (Please see CEO's report on page 10 for more details).

No. of enquiries ('000)



5. Personal injury enquiry placement – percentage of enquiries placed in each processing channel

Our placement decisions influence profit and cash flow in the current year, as well as in future years. Enquiries processed by National Accident Law generate higher levels of profit compared to those processed by our joint venture law firms or the panel, but cash is delayed until the claim is settled. Also, the volume of new claims placed in National Accident Law is limited by levels of operational capacity and available working capital.

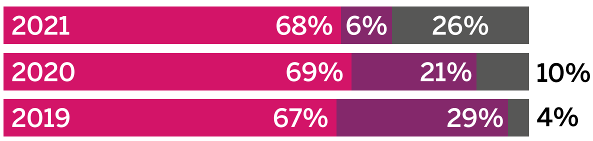
Monthly placement levels are planned as part of our annual budgetary process, but these can be flexed throughout the year depending on the volume of enquiries generated, capacity within National Accident Law or levels of capital available.

Since the new small claims rules relating to road traffic accidents were introduced in May 2021, all enquiries from road traffic accidents in England and Wales have been processed by National Accident Law. This contributed to a 130% increase in the number of enquiries placed with National Accident Law in the year, as well as an increase in the number of open cases at 31st December 2021 (KPI 6)

Panel and other

Joint Venture Law Firms

National Accident Law



6 Service provision – ongoing claims/open case management cases

On average, personal injury claims take a number of years to conclude. Our ongoing claims represent a store of value that will convert to revenue and cash in future years as the claims progress through the legal process and, ultimately, settle. We have materially increased the number of enquiries placed with National Accident Law during 2021 and this has contributed to open case volumes closing 166% higher than 2020.

In Critical Care, we invoice monthly for ongoing case management support provided to clients. COVID-19 continued to impact volumes due to fewer people being out on the roads, in workplaces or receiving non-urgent medical treatment. As a result, the number of ongoing cases is only marginally ahead of 2020. (Please see CEO's report on page 12 for more details).

National Accident Law

■ No. of ongoing claims

Critical Care

■ No. of ongoing cases

7 Expert reports – critical care reports issued

We charge fees for issuing expert witness reports and initial needs assessments in Critical Care. Volume exceeded our expectation this year with volume ahead of pre-pandemic levels. (Please see CEO's report on page 12 for more details).

■ No. of ongoing claims

Strategic priorities

Consumer Legal Services

Strategic Priority	Progress made in 2021	Our focus in 2022
Generate our own work to fuel the business model Cost-efficiently generate the enquiries needed to fuel the business model and deliver growth	• Generated 32,132 enquiries in the year, with a 27% growth in the second half compared to the first half • Delivered improved organic search performance on the National Accident Helpline website following Google's Core Web Vitals algorithm change in June 2021 • Built brand awareness through thought leadership and consumer campaigns, including Rights on Site and road safety	• Maintain a high level of brand awareness to support cost-effective enquiry acquisition • Continue to develop our SEO performance, to optimise the cost of acquisition • Work towards a return to TV advertising in the second half of 2022, providing the market conditions are supportive to warrant this investment.
Grow the number of personal injury enquiries we process through National Accident Law Scale NAL in order to deliver a sustainable business, with more profit per enquiry	• NAL has processed 100% of RTA enquiries since 31 May • 569 non-RTA claims were allocated to NAL for processing from 1 July, which should result in a higher margin business • RTA small claims proposition launched on 31 May, allowing NAL to continue to monetise low value RTA. NAL commenced work on 3,529 small claims in 2021	• Recruit the right people to enable our growth • Optimise the processes to achieve the admission and settlement timescales in our planning assumptions • Manage the cost of processing claims to our plan
Build a technologically enabled law firm to maximise our processing efficiency Ensure our technology and marketing supports digital sign-up and processing of cases, to delight customers and maximise efficiency	• Developed our digital sign-up and My Account tools to facilitate RTA small claims processing • Successfully introduced Peppermint CRM software into Homeward Legal to improve lead conversion rates	• Grow the proportion of RTA small claims using digital sign-up and processing • Continue to maximise customers' usage of our My Account portal • Continue to develop our Peppermint case management system to drive efficiency gains
Deliver a great customer experience Ensure customer care is at the forefront of our service offering	• Maintained "Excellent" score on Trustpilot for National Accident Helpline	• Deliver leading customer satisfaction levels at sign-up resulting in strong Trustpilot scores for National Accident Helpline • Deliver leading customer satisfaction levels through to settlement resulting in strong advocacy scores for NAL

Critical Care

Strategic Priority	Progress made in 2021	Our focus in 2022
Grow and Strengthen Customer Base Increase the breadth and depth of our customer base to drive an increase in new instructions year-on-year	• Built on our "Happy Post" marketing initiative and engaged with both existing and potential customers • Increased instruction numbers for expert witness by 21% YoY and for initial needs assessments by 5% YoY	• Grow case management and expert witness instruction numbers • Develop relationship with new customers
Extend Team Competencies and Specialisms Extend the range of competencies and specialisms within the associate group to realise revenue at more stages in the case lifecycle	• Launched Care Quality Commission (CQC) accredited nurse-led care service to support clients	• Grow number of nurse-led care packages • Recruit the right blend of associates to ensure coverage of all geographies and case types • Develop our specialisms in child and young person cases
Invest in Technology to Facilitate Growth Ensure Bush & Co is supported with the right technology to enable and underpin growth	• Launched our new proprietary medico-legal report writing tool for Expert Witness in April 2021, which has increased associate capacity to facilitate growth within existing resources • Implemented improvements to core case management systems to develop resilience	• Deliver further improvements to core systems to drive operational and reporting efficiencies • Produce more expert witness reports using new digital tool • Develop a portal for use by customers and clients to improve outcomes • Upgrade the finance system to drive efficiencies and better reporting
Expand into Adjacent Market Segments Develop the HUBS proposition to grow lower value, serious injury case management work	• Recruited six employed case managers to help grow the HUBS proposition • Launched the HUBS brand in October 2021 • Successfully signed up two customers and developed relationships with several others	• Grow the number of customers signed up to the HUBS proposition • Grow the number of serious injury instructions supported through the HUBS brand

Principal risks and uncertainties

Principal risks and uncertainties

The Board is mindful of the detrimental impact that the Group's principal risks and uncertainties could have on its ability to deliver on its strategic priorities. It seeks to identify, assess and manage these risks through its risk management framework and regular reporting and review, combined with additional assurance work. Whilst the Board has ultimate responsibility for risk, it is supported by the Audit and Risk Committee, Executive Director and management.

Our risk management framework

The Board maintains a risk management framework (figure 1, page 37) that combines a top-down strategic assessment of risk with a bottom-up operational identification and reporting process.

The regular review of existing risks and identification of emerging risks is managed through quarterly risk reviews between divisional management and the Executive Director. Once risks are identified and the Group's appetite for each risk determined, risks are prioritised and mitigating actions implemented.

Risk appetite

Every year, the Board reviews and sets the Group's appetite for risk. This is done by attributing a score to each one of six separate risk categories that the Board has identified. The categories are as follows.

1. Strategic & transformation
2. Operational
3. Financial
4. People and culture
5. Regulatory
6. IT, systems and data security

These are scored on a scale of 1 (lowest risk) to 12 (highest risk) and a score of 1–3 is described as an averse appetite, 4–6 is a cautious appetite, 7–9 is balanced appetite, and 10–12 is an entrepreneurial appetite. Individual risks are allocated a category and the associated risk appetite then informs management's approach to mitigating that risk.

Risk identification and reporting

Divisional management conducts an ongoing process of identification and assessment of key risks (both financial and non-financial) faced by their division. This includes the identification of emerging risks, whether from structural changes in their markets or transformation activity within the business.

Risks are collated on a risk register along with mitigating actions that reduce the residual risk to an acceptable level, with reference to the Board's appetite. Residual risks are assessed according to their likelihood of occurrence and potential impact on the profitability and cash flow of the Group.

Divisional risk registers are reviewed quarterly by the Executive Director and risks are prioritised across the Group. The highest rated risks are denoted principal risks and are reported by the Executive Director to the Audit and Risk Committee and the Board.

Figure 1 – Risk management framework

The principal risks identified are detailed below:

Description	Category	Risk Appetite	Mitigation
Credit exposure The Group has a number of historic and ongoing arrangements with law firm customers, some of which involve deferred payments which create a credit risk in the event of their insolvency or a dispute.	Financial	Balanced (7/12)	The Group has processes to approve credit limits and monitor exposures, and has adopted a more cautious approach when considering deferred terms for panel law firms. No new material deferred deals have been entered into since 2020. Contractual provisions such as set-off clauses are in place to mitigate the risk for material debts. Credit exposure is not material in the Critical Care division due to the dilution of risk between multiple customers.
Accuracy of business model assumptions (including impact of COVID-19) The Group's business model relies on several key assumptions which, if not delivered, have a material impact on financial performance and strategy. Some of these assumptions could be impacted by an elongation of the COVID-19 pandemic. These include assumptions relating to: • Enquiry generation costs and volumes • Case processing performance • Small claims processing efficiency • Volume of critical care instructions	Financial	Balanced (7/12)	Model assumptions are determined by management with oversight from the Executive Director and the Board. Sensitivities are performed on the key assumptions. The model assumptions are scrutinised and compared to actual results on a regular basis. The 2022 budget factored in assumptions relating to an ongoing COVID-19 impact on instruction volumes and other key metrics across the Group. Adverse insurer behaviour has not emerged as an issue. Additional measures have been taken to de-risk assumptions by securing additional contractual guarantees from key partners.

Description	Category	Risk Appetite	Mitigation
Delivery of key strategic projects The Group has several key strategic projects ongoing and a delay or failure to deliver any of these could have a material impact on its financial plan.	Transformation	Balanced (9/12)	The Group delivered its new small claims proposition in May 2021 and is building its capacity to service higher value claims. Oversight of strategic projects is provided by the Executive Director and the Board. Dedicated project management resource is in place to support delivery with a strong focus from the management teams. Progress is in line with plan on all of the Group's key strategic projects.
Regulatory Breaches The Consumer Legal Services division operates in a highly regulated environment and handles high volumes of sensitive customer data including credit card information and medical data. The division also handles client money. The Group's law firms are regulated by the Solicitors Regulation Authority. Breaches of regulations could result in regulatory action against those businesses, directors and compliance officers. Critical care is audited by the CQC and any failings could create reputational damage and loss of customers.	Regulatory	Cautious (4/12)	Both divisions employ dedicated compliance resources responsible for managing compliance issues and reporting directly to the Board. External legal advice is taken, including from leading counsel where appropriate. Advice is taken where new regulatory risks arise from changes to internal processes/structure or new legalisation/regulation.

Description	Category	Risk Appetite	Mitigation
Critical Care self-employed associate model New IR35 legislation requires careful interpretation to ensure arrangements do not breach tax laws, resulting in unexpected tax charges and fines. Loss of key self-employed associates and caseloads could create a revenue impact if associates are not replaced. A consequence of this could be disruption to the self-employed model, a lack of associates willing to provide specialist services and potentially lost revenues if services provided by associates cannot be replaced.	Financial	Balanced (7/12)	The Critical Care division has appointed a Chief Medical Officer to sit on its clinical governance board and provide oversight. To comply with IR35 rules, the Board has taken external advice from a leading accountancy and tax firm and made the necessary status determinations for each associate. These determinations are supported by contractual terms, operational processes and working practices currently in place. Bush & Co regularly monitors compliance with these processes and has controls in place to ensure the risk of a breach of the legislation is low.
Key Person Dependency and Recruitment Unavailability or loss of key individuals could have a detrimental impact on business performance. Significant intellectual property, relationships and experience is held by certain members of management. If they became unavailable there could be a short-term impact on operational performance and the progress of key projects. To support its growth agenda, the Group is required to develop its remote working model.	People and Culture	Balanced (8/12)	There is a succession plan in place covering all key individuals and no one person is responsible for any key relationship. Bonus schemes and share options are put in place to support retention of key employees and are regularly reviewed by the Remuneration Committee.

Description	Category	Risk Appetite	Mitigation
Working capital management and funding The Group is investing in working capital as it builds its book of personal injury claims in National Accident Law. These claims can take up to two – three years to process and it is at the settlement point of each successful claim that cash is received. This is against the backdrop of reduced revenues and ongoing uncertainty (particularly case volumes), resulting from the COVID-19 pandemic. The Group has successfully extended its banking facility to the end of 2024. The agreement includes a range of covenants which must be complied with. These have been re-set and are aligned with our strategy to grow NAL as set out in our medium-term forecasts. If performance falls outside of expectations the Group could be required to depart from its growth strategy in order to meet covenant requirements (e.g. by increasing placement to the panel).	Financial	Balanced (7/12)	The Board closely monitors the use of capital and uses short and medium-term forecasts to plan future requirements. Compliance with the debt covenants is reviewed on a monthly basis by the Executive Director and reported to the Board. The Board have suspended dividend payments in order to reduce debt and thereby reduce this risk. Decisions around future dividends will be made with consideration of future capital requirements.

Description	Category	Risk Appetite	Mitigation
IT Infrastructure and Security Many of the Group's interactions with its customers are online and systems are increasingly automated creating an increased exposure to systems error. We are reliant on our IT systems to capture and protect valuable customer data obtained in the normal course of business. Theft, loss and misappropriation of digital assets and data could result in reputational damage and/or regulatory fines. The Group relies on a number of key IT suppliers and its systems are increasingly automated, creating an increased exposure to systems error.	Regulatory	Cautious (5/12)	The Group takes data security very seriously. The Board has undertaken a review of processes and controls relating to cyber security during 2021 – including testing by independent IT specialists. The Group has robust policies and procedures to ensure it is compliant with the Data Protection Act 2018 and the General Data Protection Regulations (GDPR). Business Continuity plans are in place, the Group's employees are provided with regular training and the cyber security controls are regularly stress tested.

Our sustainable culture

Our sustainable culture

Our Culture is underpinned by our Values:

Passionate
about the business, what we do and why we do it and each employee's own role within this

Driven
to deliver operational and financial performance and provide outstanding levels of service for our customers

Unified
to work together to do the best job possible and engage with our partners and suppliers

Curious
about how we can work effectively, make improvements and do things differently to create the best environment for our people and the best experience for our customers

The Group is aware of its responsibilities towards its stakeholders and its values underpin its approach towards stakeholder relationships. The Group has identified its key stakeholders as:

- Our People
- Our Customers
- Our Suppliers
- Our Investors
- Our Communities
- The Environment

Our People

Collaboration

With the UK entering its third lockdown in January 2021, the significant adjustments made to our ways of working at the beginning of the COVID-19 pandemic and throughout 2020 remained in place throughout much of 2021.

As restrictions continued to be lifted, we talked to our teams about their preferences around hybrid working, and cautiously planned a managed return to the office. No blanket rule was imposed, with a preference instead for collaboration.

Presence in the office was decided on a team-by-team basis, based on colleagues' preferences and the business' needs. Our continued priorities were the health, safety and wellbeing of our people, and our service and support for our customers and business partners, ensuring we adhered to Government guidance at the time around face coverings and social distancing.

Communication and Wellbeing

During the third national lockdown, there was a recognition that our people had been remote from their line managers and colleagues for some time. We focused our communications and engagement on connection, encouraging colleagues to replicate the spirit of our physical workplace virtually.

Colleagues were encouraged to engage with one another and the business to combat isolation and loneliness. Teams connected daily to 'check in' on both a personal and professional level and open screen working was encouraged as a substitute for the physical office environment. Meeting structures were revised to a 50 minute on/10 minute off model, to prevent burnout from back-to-back calls.

Mindfulness sessions also equipped our people with techniques for coping with loneliness and focusing on the positive throughout challenging times.

Engagement

The Group is committed to open and transparent communication with its staff with engagement remaining a primary focus for the Leadership teams. The Board engages with employees through:

- Virtual business updates through the delivery of quarterly all-staff meetings where strategic and performance updates are delivered by the Executive Director and the senior management team, and two-way communication is encouraged. As physical gatherings were permitted, our Divisional "Communicake" sessions were launched in the office to encourage interaction between team members. As the name suggests, these sessions combined an opportunity for management to communicate its plans for the business and for teams to share updates with a chance to spend time together over tea and cake.
- In addition to gathering feedback throughout the year through regular meetings, the Group also encourages employees to share their views via its annual staff survey. The People Director feeds back the results of this survey to the Board and the employee group are encouraged to take ownership of these results through identifying three actions to be taken by the management body and three actions to be taken by the employee body in order to encourage positive change.

Despite the challenges of the continuing pandemic we were very pleased with the results of our staff survey, which showed that engagement levels remained high at 75% for the year against a UK Gallup average of 11%.

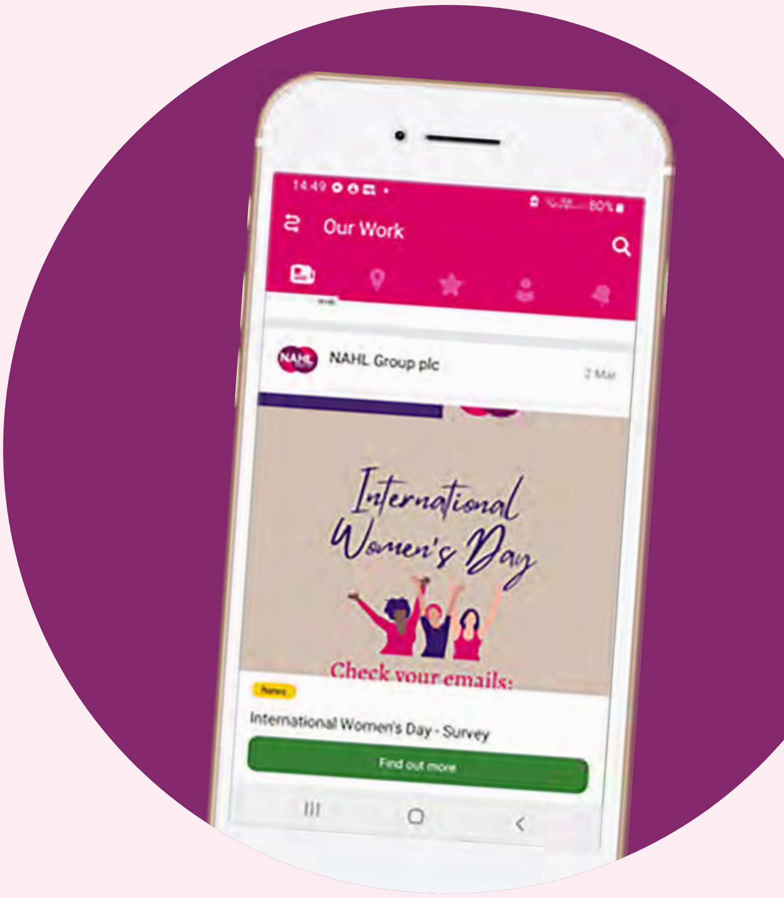
Training and development

Following the move to remote working in early 2020, managers received support on how to manage their teams in a home working environment with our "Pokerface" for managers training. This was extended in 2021, with managers receiving support on how to reconnect their teams with one another while still working remotely. This was achieved through training around checking in with one another, running better team meetings and giving recognition to team members.

Our Totem engagement app

Working from home reduced the opportunity for informal interaction between colleagues and our communications needed to be adapted to bridge this gap. To address this, we launched a new mobile-first communications platform called Totem, in May 2021. The app places equal emphasis on celebrating both the personal and professional news and achievements of our people.

Colleagues can celebrate the achievements of others by offering Kudos to them publicly and are encouraged to share posts about their work or home life on separate streams. Employee engagement with the platform has surpassed expectations and Totem has successfully harnessed the sense of community across the Group in a digital form.



Following the success of "Pokerface" for managers, a similar course for all employees was rolled out across the Group within just two months to help our people to work through the continuing impact of the pandemic. Course content focused on understanding how the situation had impacted peoples' mental health and emphasising the importance of connection with others.

The Group also extended its on-the-job training by enrolling four employees on new apprenticeship schemes during the year. At the end of 2021, the Group had ten apprentices throughout the organisation in a range of roles.

Equal Opportunities and Diversity

Diversity and inclusion were a focus across the business in 2021, with managers undertaking a specially tailored diversity and inclusion training programme. As part of this, all colleagues were invited to share and discuss their views on this area in forums and through a feedback survey. Our people told us that they believe our culture is one of acceptance, with 91% agreeing in our annual staff survey that everyone within the Group is treated fairly, regardless of race, gender, ethnicity, disability, sexual orientation or other differences.

As a result of this training the following actions were implemented:

- An increased focus on gender pay gap with reporting being undertaken annually and shared with a group of senior colleagues to review and challenge the results.
- Raising awareness with senior leaders of the actions they can take in order to promote diversity and inclusion.
- Ensuring the annual staff survey included questions around diversity, so that this remains an area of focus and allows our people to share their thoughts on this important area.

Our customers

The Group's customers fall into two distinct categories covering both business-to-business and business-to-consumer sectors and the Group is committed to servicing them both effectively.

Our business-to-business customers are supported by dedicated partnership and business development teams who work to ensure that all parties are satisfied with the management of the relationship and its results.

Our business-to-consumer customers benefit from the empathic expertise of our teams of highly trained employees. National Accident Helpline remains one of the most trusted brands in our market reflecting the ethos of our customer-first approach. The Group further invests in its technologies with a view to ensuring that this customer base has a market-leading consumer experience. Customers can start a claim using our online sign-up tools and manage an ongoing claim through our dedicated web-based 'My Account' portal, allowing claimants to access and provide information at their convenience.

Our suppliers

The Group works with a number of key suppliers, primarily providers of marketing support services, technology providers, self-employed associates and search agents and surveyors. Again, each division has dedicated marketing and operations teams who work closely with these suppliers to ensure the successful delivery of these services for both parties. Throughout 2020 and 2021 the Group has ensured that its payment terms with suppliers have been adhered to in order to support our supply chain with its cash flow needs throughout the pandemic. It has also put in place measures to support the health and safety of its self-employed associates by supporting them with remote working requirements.

Our investors

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 (www.nahlgroupplc.co.uk/investors) explains how we have sought to do this, including:

- Engaging with investors through our Annual General Meeting.
- Meeting larger shareholders during twice-yearly roadshows following the announcement of the full year and interim results.
- Meeting with retail shareholders using the InvestorMeetCompany platform for the first time in 2021, enabling us to host a live Q&A session and engage with a wider audience.
- The Chair is available to meet investors as required.

The Board seeks to manage investor expectations whilst striving to make the right decisions as it navigates the ever-changing markets in which it operates; aiming to strike a balance between long-term shareholder value and short-term business needs.

> I believe the company cares about me and supports me both professionally and personally. I am trusted which means a lot to me and I am empowered to do my job, come up with ideas and to make things happen.

The Environment

NAHL Group plc is conscious of its environmental impact and the need for all businesses to play their part in minimising their impact on the environment and creating sustainable business practices. With this in mind, the following directives were undertaken during the year:

- As of February 2021, the Group's head office at Bevan House in Kettering made the switch to 100% renewable green energy.
- The Group continues to make use of remote working and endeavours to strike a balance between our people's wellbeing and the need for face-to-face meetings/interactions, whilst also considering how we can limit the environmental impact of our people travelling long distances. A hybrid working arrangement was put in place during the year which continues to utilise online meeting spaces and minimises our people's commute, and so limits the impact of car and train travel on the environment.
- Customers of National Accident Law are given the choice as to whether communications are sent by paper or they can choose to go completely paperless and help us to reduce our impact on the environment.
- As part of the Consumer Legal Services Division's 'Grow 25' strategy, the Group partnered with a company to plant trees in Madagascar. For every employee and new starter, the Group is funding the planting of one new tree and as at 31 December we had funded the planting of 172 trees.

NAHL are conscious that environmental and social reporting is an area that is drawing increased focus. Management are currently undertaking a review of its approach to ESG reporting with reference to the Taskforce for Climate-related Financial Disclosures (TCFD) framework. Management are preparing an action plan to be presented to the Board for approval in H1 2022 and will report on the progress of this in the 2022 Annual Report.

Our Communities

The Group is committed to engaging and supporting its communities:

- Since 2018, Bush & Co has partnered with Paradance UK as its corporate charity partner. Not only does this give us the opportunity to fundraise and help spread the word about Paradance but the ethos of the Charity (everyone can dance) aligns to the way Bush works with its clients and how we encourage them to achieve their goals, regain independence and have hope for the future.
- We believe it's crucial for the legal sector to evolve and in a way that inspires the next generation to build their careers in law. We have been running Future Legal Mind, our annual search to find the shining legal stars of tomorrow, since 2015 and prizes include £1,500 towards our winner's studies, the chance to take part in mentoring with experienced lawyers and complete a work experience placement at National Accident Law.
- Our employees also engage in community projects such as supporting their local food banks and each employee is entitled to one paid day each year where they can take the day to volunteer for a cause that is special and meaningful to them.

> The culture that has been built and even maintained throughout lockdown is second to none.

> I am so thankful I work for such a supportive company with managers who really care.

Section 172 Statement

Section 172 Statement and stakeholder engagement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a Director to have regard, among other matters, to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly with members of the company.

The likely consequences of any decision in the long-term

The key decisions made by the Board during the year were:

- Focussing the placement of enquiries in personal injury to align to our strategic goals and drive longer-term growth. We increased our placement of enquiries into our wholly owned law firm, National Accident Law (NAL) by 130%. From May 2021 all RTA claims were processed through NAL, allowing us to process these efficiently and effectively. The volume of NRTA claims was increased later in the year allowing us to generate greater returns from each of these claims in future years (see page 10 for further details).
- In May 2021, after significant strides to reposition and streamline the operations of the Residential Property business were implemented, the decision was made to look into a potential disposal of the business. This supported the Group's long-term strategic plans to turn its focus to building value in its Personal Injury business, and was considered the best course of action to realise immediate value from the Residential Property business. Whilst this initially attracted encouraging levels of interest, it proved very difficult to complete a deal due to external factors beyond our control. Whilst we are not in negotiations with a buyer at present, we will continue to explore our options for this business in 2022.
- The Board re-financed its Revolving Credit Facility in December 2021, extending the term from December 2022 to December 2024 and in doing so giving the Group greater stability and providing our business with the liquidity to continue to grow NAL. As part of this, the limit on the facility has been reduced from £25.0m to £20.0m to appropriately reflect the Group's medium-term plans.

The Directors give careful consideration to the factors set out above in discharging their duties under Section 172. Further detail on the long-term strategy and the Board's decision-making driving this can be found in the CEO's Report on page 8. Our trusted brands (CEO's report page 10), Industry awards (CEO's report page 12) and Investors in People (CEO's report page 13) are all testament to how the business strives to maintain its reputation for high standards of business conduct. The Board sees the value of building and maintaining strong relationships with its key stakeholders, who are identified on page 44.

The interests of the Company's employees

As a service provider, the Group recognises the importance of its people and the business is committed to open and transparent communication with its staff, with engagement remaining a primary focus for the leadership teams. The Board engages with employees through a dedicated People Director who is supported in this role by the CEO and acting CFO, and who provides regular updates on people matters to the Board. Details on how management have engaged with employees during the year is given on Page 45.

The Group undertakes an annual pay review taking into account market benchmarks. A 2% increase in pay was awarded to our employees in June 2021. Pay increases above this 2% are considered on an individual basis and take into account personal performance, training and responsibility advances and skill/knowledge. The Group also undertakes a gender pay gap analysis annually.

The Group adopts a collaborative approach to working conditions and this is led by the People Director through staff surveys that touch on areas such as relationships with management, work life balance and progression opportunities. The Group works to take into account these comments by adopting actions from the views coming out of these surveys. Significant actions taken in the current year include the implementation of a flexible work from home policy and more activities to encourage wellbeing and face to face interaction through the introduction of its 'Communicake' staff meetings.

The need to foster the Company's business relationships with suppliers, customers and others

The Board appreciates that in order to deliver on its strategy, it needs to ensure effective collaboration with its key stakeholders. These include its suppliers, customers, bankers and investors. Details on how the Board seeks to foster relationships with suppliers, customers and investors is given on page 47–48. The Board ensures it keeps in regular contact with its bankers and the CEO and acting CFO have regular communication with Yorkshire Bank's relationship manager.

The impact of the Company's operations on the community and the environment

The Board are aware that the activities of the Group and the impact of these activities has a far-reaching impact and are mindful to take actions to limit the Group's impact on the environment and to make a positive impact on its communities. Details on how it does this can be found on page 48.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board believes that its success lies with its people and ensuring we have a strong leadership team that provides exceptional oversight and governance that aligns to our values is key to this. Details of the Board and Senior Leadership team can be found on pages 54–57 and details of how the Board has complied with the QCA Corporate Governance Code (its chosen corporate governance framework) can be found on pages 62.

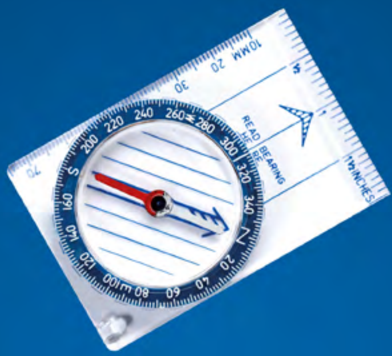
The Group is subject to regulation from a number of sources and has a dedicated legal and compliance team that ensures business is conducted in line with these regulations. Further details can be found in the principal risks and uncertainties report on page 35–42.

The need to act fairly with members of the Company

The Board seeks to balance its long-term strategy with shareholder needs. An example of this during the year was the decision to look into the disposal of the Residential Property business, as it was felt that increased value would be created for shareholders through disposal rather than retention. The Board seeks to maintain regular dialogue with shareholders throughout the year as detailed on page 58.

The strategic report on pages 6–52 was approved by the Board on 28 March 2022 and signed on its behalf by:

Tim Aspinall
Chair



Leadership and Governance

Board of Directors

Tim Aspinall

Non-Executive Chair

Tim Aspinall became Chair in October 2020, having been a Non-Executive Director since June 2016. He sits on the Group's Remuneration and Nomination Committees and attends the Audit and Risk Committee by invitation.

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 Kuro Health Limited which is one of the leading providers of medical reports in the UK. Tim is a qualified solicitor and 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 and Nomination Committee. She also sits on the Audit and Risk Committee.

Gillian is also an independent Non-Executive Director at Ascential plc, Mothercare plc, SIG plc and Marlowe plc. 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, Marketing Director and Director of Strategy and Business Development at Microsoft (MSN).

James Saralis

Chief Executive Officer

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

As Chief Executive Officer, James' responsibilities include managing the day-to-day operations of the business, developing and implementing the Group's strategy, ensuring delivery of budgeted financial performance and promoting the values of the Group.

Between 1 January 2018 and 16 August 2021, James served in the role of Group Chief Financial Officer and was instrumental in the strategic and operational development of NAHL, playing a key role in navigating the challenges presented by the coronavirus pandemic and in transforming the Personal Injury business into a modern, technologically-enabled law firm.

James has a wealth of experience both operationally and of the AIM market. Previously, he spent over 10 years in the general insurance industry, including as CFO of the Direct & Partnerships and Employee Benefits 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 fellow of the ICAEW, having been a member since 2003. He holds a Bachelor of Science from the University of Bristol.

Sally Tilleray

Non-Executive Director

Sally joined the board on 19 July 2019 and is Chair of the Group's Audit and Risk Committee, as well as sitting on the Remuneration and Nominations Committees.

Sally founded her own consulting business and is currently Chair of Cognito Media, an integrated communications consulting firm and Chair of UNRVLD, a digital experience agency. She is Senior Independent Director of Mind Gym plc, the AIM quoted behavioural science training and business improvement group and Non-Executive Director of AIM quoted Skillcast plc, the leading provider of corporate compliance e-learning in the UK.

In her executive career, Sally was previously Group Chief Operating Officer and Group Chief Financial Officer at Huntsworth plc, the fully listed international healthcare and communications firm, where she was responsible for the Group's worldwide financial functions and day to day operations. Prior to this, she served as CFO Europe for Predictive Inc., a technology consulting business which listed on Nasdaq in 2000. She is a member of the Chartered Institute of Management Accountants.

Brian Phillips

Non-Executive Director

Brian joined the Board on 25 June 2020 as a Non-Executive Director.

He has had a long and distinguished career in private equity and in 2014 stepped back from full time employment to build a portfolio of investments using his own capital. He later used this experience and extensive contacts in the field to start Ethos Partners LLP in 2017, which is a private investment office operating in the UK small cap and private equity market.

During his executive career, Brian was previously the Chief Investment Officer for Greenhill Capital Partners in London where he was recruited to set up a new private equity business for Greenhill & Co., a listed US investment bank. Previous to this he was Managing Director for L&G Ventures and a Director at various firms including Bridgepoint and Gartmore Private Capital.

Brian is a Chartered Accountant and member of the Institute of Chartered Accountants of Scotland.

Executive management team

Chris Higham

Acting Chief Financial Officer

Chris Higham is Acting Chief Financial Officer of the Group, which he joined in 2006.

As acting Group Chief Financial Officer, Chris' responsibilities include management of the finance function and liaising with the Group's investors and the banks. Chris has an in-depth understanding of the Group's operations, having helped implement the Personal Injury business' transformation and developed the finance function during a period of significant change. Chris is a member of the Group's Executive Leadership Team.

Chris joined the Group in 2006 as the Financial Controller of National Accident Helpline Limited. He has worked in numerous roles at NAHL, including CFO of the Personal Injury business, Commercial Director at Homeward Legal Limited and most recently Group Finance Director.

Chris is a fellow of the Association of Chartered Certified Accountants (ACCA) and prior to joining NAHL he spent 5 years at Thomson Reuters.

Will Herbertson

Managing Director, Consumer Legal Services

Will was appointed to the role of Managing Director of the Group's Consumer Legal Services division in September 2021, having joined the Group in 2018. He previously held the roles of Director of Marketing and Strategy and Managing Director of the Residential Property businesses, both also in Consumer Legal Services.

In his current role, Will is responsible for the strategy, leadership and operations of the division which includes National Accident Law, the National Accident Helpline brand, Searches UK and Homeward Legal.

Will brings extensive commercial, marketing and digital experience to the Group. Prior to joining the Group, Will was a Commercial Director at MoneySupermarket and held UK and International sales and marketing positions with Proctor & Gamble, where he started his career.

Helen Jackson

Managing Director, Critical Care

Helen was appointed as Managing Director of the Group's Critical Care division in July 2016 having spent four years as Group HR Director.

Responsible for the strategy and leadership within the division as well as business development, quality and clinical independence, Helen has driven a number of business improvements. Helen led Bush in launching two industry leading partnerships with the Spinal Injuries Association and Child Brain Injury Trust. These are both prominent charities in the sector, reinforcing the company's market positioning as the leader in catastrophic injury in case management and building on Bush's 30 years of success within the critical care sector.

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

Marcus Lamont

Group People Director

Marcus joined as Group People Director in July 2016.

During his time with the Group, Marcus has delivered improvements to talent development, embedded the Group's culture and Values and enhanced recruitment processes, with significant focus on an aligned approach across all divisions. Passionate about staff engagement and recognition, Marcus was instrumental in the Group achieving the Gold Standard from Investors in People for the Personal Injury business and Critical Care, as well as ensuring its inclusion in The Sunday Times Top 100 Best Small Companies to Work For.

Marcus joined from Everest where he was HR Director and prior to that he held senior positions at UPS plc, across the globe.

Jonathan White

Group Legal & Compliance Director

Jonathan was appointed Group Legal & Compliance Director in 2020, having joined the Group in 2010.

During this time he has supported NAHL in navigating through a decade of regulatory change and was heavily involved in the successful floatation on AIM, and the subsequent creation of National Accident Law in 2019. Jonathan was appointed to support the Government's insurance fraud task force and the FCA's claims management consultive group and has worked extensively with Government departments and regulators to tackle cold calling and unethical marketing. More recently, he has supported ACSO on a range of initiatives including cross sector COVID-19 protocols and fraud prevention.

Jonathan is an experienced solicitor with over 20 years' experience in personal injury, commercial and regulatory law.

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 2021. 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. To achieve this, companies require an efficient, effective and dynamic management framework that is accompanied by clear communication, promoting confidence and trust.

Compliance with the QCA Corporate Governance Code

Companies listed on AIM are required to adopt a recognised corporate governance code. The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code. 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. It is appropriate for the needs and circumstances of small and mid-sized quoted companies on a public market.

It is based around a set of ten principles to which the Group must either comply or explain why it has chosen not to. The ten principles of the code are set out in the table on page 62 and 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. We welcome open and regular dialogue with our shareholders and the Our Investors section of our website explains how we have sought to do this.

In 2021, due to the ongoing restrictions put in place by the UK Government to limit the spread of COVID-19, we were forced to hold our Annual General Meeting as a closed meeting with the minimum number of shareholders present to form a quorum. Despite this, we sought to maintain engagement by encouraging shareholders to listen to the meeting via conference call and submit questions, which were answered by the Directors during the meeting.

It is our intention that this year we will be able to return to a face-to-face AGM and I would like to extend an invitation to all shareholders to attend our AGM, and to engage with the Board and other members of our senior leadership team who will be in attendance.

Tim Aspinall
Chair

Governance Statement

The Board

Board composition

The Board comprises the Non-Executive Chair, three independent Non-Executive Directors and one Executive Director. Their biographies can be found on pages 54–55.

There is a clear separation of the roles of Non-Executive Chair and Executive Director. The Chair, Tim Aspinall, 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 Executive Director and CEO, James Saralis 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 other senior leaders in the Group including the acting Chief Financial Officer.

James Saralis stepped down as Company Secretary during the year and was replaced in this role by Kirstie Cove, a senior member of the finance team. The Secretary supports the Board with compliance and governance matters and reports directly to the Chair on governance matters.

The Board has determined that the Non-Executive Directors are independent, experienced and influential individuals with complementary skill sets. There is currently no Senior Independent Non-Executive Director. The Board believes this is appropriate given the size of the Board and will continue to review this practice as part of its Board effectiveness reviews.

Members of the Board maintain membership 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 and attendance at high level leadership programmes. In addition, they receive individual support for specific and identified development needs 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 make-up 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 this in the Principal Risks and Uncertainties section of the Annual Report on page 35–42.

Meetings were attended virtually in the first half of the year and in person once the COVID-19 restrictions began to ease from July 2021.

The Board met six times during 2021 and the meetings last for approximately half a day. In addition to this, all Directors attend the Group's Annual General Meeting. 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.

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

	Board	Audit	Remuneration	Nomination
Tim Aspinall	6/6	N/A	4/4	2/2
James Saralis	6/6	N/A	N/A	N/A
Gillian Kent	6/6	4/4	4/4	2/2
Sally Tilleray	6/6	4/4	4/4	2/2
Brian Phillips	6/6	4/4	4/4	2/2

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 undertook an evaluation of its effectiveness in 2021 which was supervised by the Company Secretary. The approach taken was to issue a questionnaire, covering topics including Board composition and governance, Board operations, strategy, stakeholder relations and the performance of individual Directors and Board Committees. This was followed by a discussion with the Board and individual conversations with the Chair. The Chair concluded that the Board operates effectively and its structures and procedures are appropriate for the current situation of the Group.

The Board plans to conduct the next review into its effectiveness in the second half of 2023. The results of this review will be presented in the Group's financial statements for the financial year to 31 December 2023.

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, although the Group finance team has implemented a series of internal control reviews and reports the outcomes of these to the Audit and Risk Committee.

Board committees

To assist in carrying out its duties the Board has set up a number of committees, including the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Each committee has formally delegated duties and responsibilities 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 the committees is set out below and the terms of reference can be downloaded from our website.

Audit and Risk Committee

The Audit and Risk Committee consists of:

Sally Tilleray (Chair)

Gillian Kent

Brian Phillips

The Audit and Risk Committee is expected to meet formally at least three times 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)

Tim Aspinall

Sally Tilleray

Brian Phillips

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 Chair, the Executive and Non-Executive Directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for:

- determining the total individual remuneration package of the Chair and each Executive Director (including bonuses, incentive payments and share options or other share awards); and
- 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 Executive Director.

No director or manager may be involved in any discussions as to their own remuneration.

Nomination Committee

The Nomination Committee consists of:

Gillian Kent (Chair)

Tim Aspinall

Sally Tilleray

Brian Phillips

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.

Accountability and stakeholders

The Board considers that the 2021 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Details of how we do this are also explained in the Audit and Risk Committee report.

How we have complied with the QCA Corporate Governance Code

Deliver Growth	
Governance principles	**Reference**
1. Establish a strategy and business model which promote long-term value for shareholders	See Consumer Legal Services overview (page 23–24), Critical Care overview (page 25) and CEO's report (page 8–14)
2. Seek to understand and meet shareholder needs and expectations	See Chair's Introduction to Governance (page 58)
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	See Our sustainable culture (page 44–49) and Section 172 Statement (page 51–52)
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	See Principal Risks and Uncertainties (page 35–42)

Maintain a dynamic management framework	
Governance principles	**Reference**
5. Maintain the Board as a well-functioning, balanced team led by the Chair	See Governance Statement (page 59–61)
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	See Governance Statement (page 59–61)
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	See Governance Statement (page 59–61)
8. Promote a corporate culture that is based on ethical values and behaviours	See Our sustainable culture (page 44–49)
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	See Governance Statement (page 59–61)

Build Trust	
Governance principles	**Reference**
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	See Governance Statement (page 59–61) and Section 172 Statement (page 51–52)

Audit and Risk Committee Report

Dear Shareholder,

I am pleased to present my report of the Audit and Risk Committee for the year ended 31 December 2021.

The composition and responsibilities of the Committee are set out on page 61. The Chair, Chief Executive Officer, acting Chief Financial Officer, Group Financial Controller and external auditors attend the Committee by invitation, if required.

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

Re-appointment of 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. Mazars LLP (Mazars) were first appointed as the Group's external auditor in 2020 and conducted the audit of the Group's financial statements for the financial year to 31 December 2020. At the Annual General Meeting in June 2021 Mazars were re-appointed for 2021. 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 to the financial statements. The non-audit fees relate to a regulatory audit of compliance with the Solicitors Accounting Rules in National Accident Law.

Following the completion of this year's audit, the Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of Mazars 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.

External audit process

The external auditor prepared a plan for its audit of the full year financial statements, which, this year, was presented to the Committee in January 2022.

The audit plan set out the scope of the audit, areas of significant risk for the external auditor to focus their work on and audit timetable. This plan was reviewed and agreed in advance by the Audit and Risk Committee.

Following its review, the external auditor presented its findings to the Audit and Risk 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.

Presentation of Homeward Legal

As part of the interim results announcement, the decision was made to classify the operations of Homeward Legal as discontinued/held for sale under IFRS 5. This decision was based on the fact that the Group had located a potential buyer and were in the advanced stages of a due diligence process at this point. Subsequently, due to external factors beyond the Group's control, the sale with this buyer did not proceed.

The Committee has considered whether the operations of Homeward Legal continue to meet the definition as classified as held for sale under IFRS 5, in particular whether the sale is highly probable.

The Committee note that it is still the preference of the Board to dispose of Homeward Legal and the Board will continue to explore its options for this division in 2022. However, as the Group has not identified a suitable acquirer at present and is not in any formal due diligence discussions, then whilst possible, it is not considered to be highly probable that a sale will take place within the next 12 months.

The Committee has therefore concluded that Homeward Legal should not be classified as held for sale as at 31 December 2021 and the results should be presented within the continuing operations of the Group.

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 95. 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 has exercised judgement by considering the criteria for consolidation in IFRS 10, and has determined that each LLP meets the definition of a subsidiary and is therefore required to be included within the Group's results. Key to this determination is that the Committee considers that Your Law LLP and Law Together LLP are controlled through the Group's 100% subsidiary, Project Jupiter Limited, who is entitled to appoint the majority of members to the management boards. Therefore, the Group is correct in consolidating these entities within the financial statements with a corresponding liability recognised for our partner firms' share of profit.
- The classification and disclosure of exceptional items. In order to provide additional useful information for shareholders on underlying business trends and core trading performance, the Board uses alternative performance measures and classifies certain items of expenditure as exceptional items. The classification of such items involves judgement as to what is meant by exceptional and the Board has therefore developed an accounting policy for such items (see note 1 on page 104). Given that this is a presentational judgement which does not affect the reported amounts of assets, liabilities, income and expenses, the Committee has determined that this does not warrant disclosure in note 1 as a critical accounting judgement. There were no exceptional items incurred in 2021.

The Committee has also considered the key sources of estimation uncertainty set out in note 1 to the financial statements on page 95, which comprises the following:

- The revenue recognition on provision of legal services. The Group recognises revenue in its ABS law firms 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.
- 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 95), and is satisfied that the provision is appropriately valued.
- Impairment of goodwill and parent company investment. 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 was satisfied that sufficient headroom to the carrying value of goodwill existed. The headroom arising on the review of the parent company investment was much narrower and as such,

it was deemed appropriate to give further information in the significant estimates note.

In summary, the Committee is satisfied that the judgements and estimates made by management are appropriate.

Going Concern

The Audit and Risk Committee has reviewed the Going Concern assessment prepared by management. The assessment includes detailed financial forecasts covering the Group's adopted strategy and considers a range of sensitivities. The period considered by the forecasts is to the end of June 2023, being approximately 12 months from the date of signing of the 2021 Annual Report and financial statements. The key assumptions in the forecasts are a) number of PI enquiries generated and b) placement of these enquiries (into our panel, our joint venture law firms or NAL). The going concern assessment focuses on two key areas, being the ability of the Group to meet its debts as they fall due and being able to operate within its banking facility.

The Group refinanced its banking facilities in December 2021 and has access to a £20.0m revolving credit facility (RCF) with its bankers (reduced from £25.0m). In all of the scenarios the Group has modelled it would have sufficient liquidity within its current RCF to meet its liabilities as they fall due and would not need to access additional funding.

The Group's RCF is subject to quarterly covenant testing and all of the scenarios modelled suggest that the Group will continue to operate within its covenants for the foreseeable future.

The Group has modelled a worst case scenario, assuming that volumes remain at 2021 levels. Under this scenario, the Group would be able to implement sufficient mitigating actions in order to operate within its covenants. The likelihood of this scenario occurring is considered to be remote and therefore the Directors consider the Going Concern basis of accounting to be appropriate.

Further details of the going concern review are given on page 94. Based on this review, the Committee has a reasonable expectation that the Company and Group has adequate resources to continue in existence for the foreseeable future and has concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

New and forthcoming accounting standards

There were no new accounting standards during the year.

Risk Management Framework and controls

The Audit and Risk Committee provides support to the Board in its oversight of the Group's risk management framework, as set out on page 37 and monitors the effectiveness of risk management through reporting and assurance.

During the year, following on from the review performed in 2020, the Committee commissioned a further review into cyber-security risks across the Group in response to increased levels of fraud in the legal industry, and the ongoing risks arising from the Group's decision to ask its employees to work from home. The review was conducted by the Group Legal & Compliance Director and the IT Director and no red flags were identified as part of this process. The Committee reviewed the output of the cyber-security review along with the wider risk management framework and is satisfied that appropriate mitigating controls are in place.

At present the Group does not have an internal audit function, but the finance function conducts a programme of review of the financial controls operating within each of the businesses, identifying areas to be improved and reporting the outcomes to the Committee. The Committee believes that in view of the current size and nature of the Group's businesses, this approach is sufficient to enable the Committee 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.

Review of law firm accrued income

The Committee is conscious that as an increasing number of enquiries are placed into NAL, the balance of accrued income is becoming more material to the Group's results. It therefore requested that a review of the processes and controls around monitoring of accrued income be undertaken during the year. This review was undertaken by the Group finance team with the support of the NAL divisional finance team. This review identified that the balance of accrued income was considered to be fairly stated and recommended some minor improvements to processes which were subsequently implemented.

Sally Tilleray
Chair of the Audit and Risk Committee

Directors Remuneration Report 2021

Dear Shareholder,

On behalf of my colleagues on the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2021.

The composition and responsibilities of the Committee are set out on page 61.

We presented the 2020 Directors' Remuneration Report which was subject to an advisory vote by shareholders at the Annual General Meeting (AGM) on 29th June 2021. The 2021 Directors' Remuneration Policy was approved at the AGM and is available in our 2020 Directors' Remuneration Report on our website.

The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 December 2021 and how the Directors' Remuneration Policy will be operated for the year commencing 1 January 2022.

Review of the 2021 financial year

2021 results reflect a full year of COVID-19 impact with Government restrictions and cautious consumer behaviour supressing accident numbers. This coupled with the strategic decision to grow the number of enquiries placed into National Accident Law, to create a higher margin Personal Injury business in the medium term, and continued investment to grow the Critical Care division resulted in revenue of £38.9m and underlying operating profit of £4.2m.

The above context informed and shaped the decisions of the Committee during the year.

Remuneration decisions in respect of 2021

Board changes

James Saralis was appointed as CEO on 17 August 2021 and his salary was set at £215,000. This represented a circa 3.5% increase on his salary prior to his appointment as CEO (£208,000). For reference Russell Atkinson's salary, the previous CEO, was set at £227,800 prior to his resignation in 2020.

Chris Higham was appointed as acting CFO on 17 August 2021, but not in a director capacity.

Fees

It was proposed that the Non-Executive Directors would receive a 2% increase to base salary and fees in line with the percentage increase awarded to the wider workforce. Due to the uncertainty created in the market as a result of COVID-19, the decision to apply this was deferred from 1st March 2021 to 1st June 2021. The Non-Executive Directors declined the increase.

Annual bonus outcomes

The 2021 annual bonus was assessed against underlying operating profit (post minority interest) targets. The threshold operating profit target was not achieved and therefore James Saralis did not receive a bonus payment.

Long-term incentives

On 18th April 2019, James Saralis was granted a nominal cost share option over 110,568 shares (equivalent to 80% of salary) which would vest subject to EPS performance (75% of the award) and free cash flow performance (25% of award) for the year ended 31 December 2021. The option has now lapsed in full as the threshold performance targets were not achieved.

On 23 April 2021 a restricted share award over 428,243 shares was granted to James Saralis which comprised of two tranches:

- An award over 194,656 shares (with a value at grant equivalent to 50% of his April 2020 salary) which will vest on the second anniversary of the grant date subject to continued employment and a business performance underpin.
- An award over 233,587 shares (with a value at grant equivalent to 50% of his April 2021 salary) which will vest on the third anniversary of the grant date subject to continued employment and a business performance underpin.

This one-off award structure reflects that no long-term incentive award was granted in 2020.

Implementation of Directors' Remuneration Policy for 2022

Salary/Fees

The CEO was awarded a 2% increase in salary with effect from 1st March 2022.

A 2% increase in Non-Executive Directors' basic fee and the Chair's fee was awarded with effect from 1st March 2022. This is in line with the average salary increase awarded to the wider workforce.

Annual bonus plan

The CEO's annual bonus opportunity is in line with the 2021 Remuneration Policy at a maximum of 100% salary which is subject to a stretch operating profit (post minority interest) target for 2022. The maximum opportunity is decreased in line with certain decreasing thresholds on the stretch target. The performance targets are considered commercially sensitive and will be disclosed in next years' Directors' Remuneration Report.

Long-term incentives

It is proposed that the CEO will be granted a restricted share award equal to 50% of salary at grant. The award will vest on the third anniversary of the grant date subject to continued employment and a business performance underpin.

Conclusion

We are committed to a responsible and transparent approach in respect of executive pay. The Committee believes that the advisory vote provides accountability and gives shareholders a say on this important area of corporate governance. We continue to welcome any feedback from shareholders and hope to receive your support at the 2022 AGM.

Gillian Kent
Chair of the Remuneration Committee

28 March 2022

Single figure of remuneration (audited)

The table below details the elements of remuneration receivable by each Director for the financial year ended 31 December 2021 and the total remuneration receivable by each Director for that financial year and for the financial year ended 31 December 2020.

	Salary and fees £000	Benefits £000	Annual Bonus £000	Pension £000	**Total Remuneration 2021 £000**	Total Remuneration 2020[4] £000
J D Saralis[1]	200	17	–	2	**219**	180
Non-Executive Directors						
T J M Aspinall[2]	80	–	–	–	**80**	58
G D C Kent	50	–	–	–	**50**	47
B Phillips[3]	45	–	–	–	**45**	23
S A Tilleray	50	–	–	–	**50**	48

1. J D Saralis was appointed as CEO on 17 August 2021. The salary figure in the table above is based on a combination of the salary he received during 2021 prior to and following appointment as CEO.
2. T J M Aspinall was appointed Senior Independent Director on 30th January 2020 with an additional fee of £5,000 per annum and was appointed Non-Executive Chair on 8th October 2020 with a fee of £80,000 per annum.
3. B Phillips was appointed as a Non-Executive Director on 25th June 2020.
4. The Board agreed to a 20% reduction in base salaries and fees for three months (1 April to 30 June 2020) as part of the cost-saving measures implemented in light of COVID-19. The total remuneration for 2020 is shown after the reduction.

The taxable benefits received during the financial year ended 31 December 2021 are principally car allowance and private medical insurance.

Individual elements of remuneration (audited)

Base salary and fees

The base salaries for 2021 and 2022 are as set out below:

	2021 base salary £000	2022 base salary[1] £000	% increase
J D Saralis[1]	**215**	219	2%

1. The 2021 figure represents J D Saralis' salary on appointment as CEO.

Details of Non-Executive Directors' fees for 2021 and 2022 are as set out below:

	2021 fee £000	2022 fee £000	% increase
Chair's fee	**80**	82	2%
Non-Executive Director's fee	**45**	46	2%
Chair of the Audit and Risk Committee	**5**	5	0%
Chair of the Remuneration Committee	**5**	5	0%

Annual bonus plan (audited)

The maximum annual bonus opportunity for James Saralis was capped at 45% of salary in respect of the year ended 31 December 2021. 100% of the annual bonus was assessed against underlying operating profit performance (after minority interest).

The threshold operating profit target was not achieved and therefore James Saralis did not receive a bonus payment.

The following table sets out the bonus criteria for the CEO.

Performance measure	Proportion of bonus determined by measure	Performance	Bonus earned £000
Operating profit[1]	100%	Operating profit threshold of £3.3m was not achieved.	0

1. Operating profit is defined as underlying operating profit less profit attributable to non-controlling interests.

Long-term incentives (audited)

On 18 April 2019, J D Saralis was granted a nominal cost share option over 110,568 shares (equivalent to 80% of salary) in the form of nominal cost share options which would vest subject to EPS performance (75% of the award) and free cash flow (25% of award) for the year ended 31 December 2021.

The options lapsed in full as the threshold performance targets were not achieved as illustrated below.

EPS for the year ending 31 December 2021	Vesting[1] (% maximum)
Less than 16.5p	0%
16.5p	25%
17.2p	50%
18.1p	100%
Actual	0.3p
Vesting	0%

Free Cash Flow	Vesting[1] (% maximum)
Less than £6.3m	0%
£6.3m	25%
£7.7m	50%
£8.1m	100%
Actual	£0.8m
Vesting	0%

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

No long-term incentive awards were granted during the year ended 31 December 2020.

Awards granted during the year

On 23 April 2021 a restricted share award over 428,243 shares was granted to James Saralis which comprised of two tranches:

- An award over 194,656 shares (with a value at grant equivalent to 50% of his April 2020 salary), which will vest on the second anniversary of the grant date subject to continued employment and a business performance underpin.
- An award over 233,587 shares (with a value at grant equivalent to 50% of his April 2021 salary), which will vest on the third anniversary of the grant date subject to continued employment and a business performance underpin.

	Number of shares	Face value at grant (% salary)	Face value at grant (£000)[1]	Vesting period
Tranche 1	194,656	50% of April 2020 salary	85	2 years
Tranche 2	233,587	50% of April 2021 salary	102	3 years

1. The three day average mid-market closing share price prior to grant (£0.4367) was used to determine the face value of the awards.

This one-off award structure reflects that no long-term incentive award was granted in 2020.

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 2021 and as at 31 December 2020 were as follows:

	31 December 2021	31 December 2020
Executive Director		
J D Saralis	**0.10%**	0.10%
Non-Executive Directors		
T J M Aspinall	**0.02%**	0.02%
G D C Kent	**0.00%**	0.00%
B Phillips	**0.00%**	0.00%
S A Tilleray	**0.00%**	0.00%

The interests of the CEO as at 31 December 2021 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 2021**
J D Saralis	Restricted share award	–	–	428,243	–	**428,243**
	EMI (nominal cost option)	–	–	110,568[1]	–	**110,568**
	SAYE	–	10,514	–	–	**10,514**

1. Figures relate to the long-term incentive award granted on 18 April 2019. The award lapsed in full following the year ended 31 December 2021 (see page 70).

Consideration by the Directors of matters relating to Directors' remuneration

During the year ended 31 December 2021, the Committee was composed of the Company's independent Non-Executive Directors, Gillian Kent (Chair), Tim Aspinall, Brian Phillips and Sally Tilleray.

Executive Directors only attend meetings by invitation.

The Committee's key responsibilities are:

- reviewing the ongoing appropriateness and relevance of remuneration policy and its application to the business
- reviewing and approving the remuneration packages of the Executive Directors;
- the grant of 2022 restricted share awards for Executive Directors and senior management and the outturn of prior long-term incentive awards;
- monitoring the level and structure of remuneration of the senior management; and
- production of the Annual Report on the Directors' remuneration.

Advisors

During the year ended 31 December 2021, 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. Fees for this service were £10,000.

Director Remuneration Report voting at the 2021 AGM

The table below sets out the voting outcome at the Group's AGM held on 29 June 2021 in respect of the resolution to approve the 2020 Directors' Remuneration Report (which comprised the future Directors' Remuneration Policy and Annual Report on Remuneration).

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approval of Directors' Remuneration Report	22,471,970	99.5	113,308	0.5	22,585,278	8,289

Directors' Report

The Directors of NAHL Group plc present their Annual Report and audited consolidated financial statements for the year ended 31 December 2021.

Results and dividend

The Group's profit after tax for the year was £0.2m (2020: loss of £0.2m).

The Directors do not propose a final dividend (2020: 0.0p per share).

A review of the business, including future developments, is included in the Strategic Report on pages 6–52.

Post balance sheet events

The Board have undertaken an impact assessment considering the recent developments in the Ukraine crisis and do not consider that this will have a significant impact on the Group's operations. There are no other significant events affecting the Company and the Group since the statement of financial position date.

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:

Harwood Capital 19.82%

Lombard Odier Asset Management 18.39%

Schroder Investment Management 16.65%

Directors' third-party indemnity provisions

The Company maintained during the year 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 21 of the consolidated financial statements. The Group has employee share option plans in place, full details of which can be found in note 22 to the financial statements.

Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, interest-bearing loans and trade and other payables. Further details on financial instruments are given in note 24 to the financial statements.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

T J M Aspinall (Chair)

J D Saralis (Chief Executive Officer)

G D C Kent (Independent Non-Executive)

S P Tilleray (Independent Non-Executive)

B Phillips (Independent Non-Executive)

Biographies of the present Directors of the Company are listed on pages 54–55.

Details of the remuneration of the Directors is disclosed in the Remuneration Report on pages 69.

Political donations

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

Statement on engagement with employees

For information on how the Group has engaged with employees during the year, see Our Sustainable Culture on pages 44–49.

Statement of relationships with suppliers, customers and others

For information on how the Group has maintained relationships with suppliers, customers and others, see Section 172 statement on pages 51–52.

Group's policy concerning employment of disabled persons

NAHL Group plc is committed to providing equal opportunities for all and taking action on unlawful discrimination. We seek to recruit, train and promote based on experience, skills and performance and provide our employees with the necessary tools and equipment to allow them to perform their duties to the best of their abilities.

Auditor

Mazars LLP was appointed as Auditor during the year 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 6–52 along with information regarding employee matters. Information regarding the Group's financial risk management objectives and policies is included in note 24 to the financial statements on page 122.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence for the foreseeable future.

The Board have considered detailed financial forecasts of future trading, profits and cash flows covering the Group's adopted strategy and considers a range of sensitivities. The going concern assessment focuses on two key areas, being the ability of the Group to meet its debts as they fall due and being able to operate within its banking facility.

The Group refinanced its banking facilities in December 2021 and has access to a £20.0m revolving credit facility (RCF) with its bankers (reduced from £25.0m). In all of the scenarios the Group has modelled, it would have sufficient liquidity within its current RCF to meet its liabilities as they fall due and would not need to access additional funding.

The Group's RCF is subject to quarterly covenant testing and all of the scenarios modelled suggest that the Group will continue to operate within its covenants for the foreseeable future.

The Group has modelled a worst case scenario, assuming that volumes remain at 2021 levels, and has then considered the options it would have available to mitigate against any shortfall in profits and cash. Under this scenario, the Group would be able to implement sufficient mitigating actions in order to operate within its covenants. The likelihood of this scenario occurring is considered to be remote and therefore the directors consider the Going Concern basis of accounting to be appropriate.

Further details of the going concern review are given on page 94. Based on this review, the Committee has a reasonable expectation that the Company and Group has adequate resources to continue in existence for the foreseeable future and has concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Energy and Carbon Reporting

This is the second year the Group has been required to comply with the Streamline Energy and Carbon Reporting (SECR) legislation.

Methodology

The report follows the SECR guidance and the GHG Reporting Protocol – Corporate Standard as the accepted methodology to meet the mandatory requirements. No additional optional elements have been included. The UK Government's greenhouse gas conversion factors have been used to calculate the carbon emissions. The below table demonstrates the GHG Emissions and Energy Usage Data for the financial year ended 31 December 2021. For offices where electricity is part of a service charge, usage has been estimated based on adjusting the bills received for other offices around the Group. No data has been included for business mileage as this was immaterial for 2021 and 2020 (<1% of the overall total).

Energy consumption used to calculate emissions (electricity/mWh) 85.50 (2020: 260.84)

Energy consumption used to calculate emissions (gas/mWh) 0 (2020: 214.42)

Emissions from purchased gas tCO_2e (scope 1) 0 (2020: 39.4)

Emissions from purchased electricity tCO_2e (scope 2) 19.76 (2020: 66.0)

Intensity measurement (tonnes CO_2e per employee) 0.08 (2020: 0.42)

All energy use is in the UK.

Intensity measurement

The Group has chosen tonnes of gross CO_2e per employee as the reported SECR intensity metric. This is considered to be the most appropriate basis for an office-based operation that relies heavily on its workforce to provide services to its customers. This is a relevant and common business metric and will serve as a consistent comparative for reporting purposes going forwards.

Energy efficiency actions taken

The Group operates from three locations around the UK and its workforce is largely office and home-based.

As an office-based operation, the Group considers its largest carbon footprint to come from the use of energy used in an office environment e.g. light, heat and computer usage and therefore it has continued to focus its efficiency actions around this area. The main action taken in 2021 was to switch the supply of the Kettering office to 100% green energy.

The reduction in energy usage year on year is a direct result of:

a) the exiting of the Chancery Lane offices in June 2020 and consolidation of the Kettering offices in November 2020. 2021 is therefore the first full year of the impact of these changes with no energy consumption at these sites at all for 2021.

b) The move to Green energy suppliers. In February 2021, the Kettering office made the switch to a 100% green energy supplier and therefore from February 2021, the Group's largest offices were not generating greenhouse gas emissions.

Further details on how the Group has sought to limit its impact on the environment are given in Our sustainable culture on page 44–49.

Group response to Modern Slavery Act 2015

1. Organisational structure and recruitment processes

The Group's organisational structures include the Board, Senior Management teams across two divisions, a contact centre at one of the three 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 operates 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.

2. Services

The services NAHL Group plc provides to its customers and consumers are UK office-based, with UK field based service providers in regular contact with their operational management teams. The Group's supply chain in relation to services consists on the whole of marketing and legal services in Personal Injury and specialist associates in 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.

3. 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.

Statement of Directors' Responsibilities

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards have been followed for the Group financial statements and whether applicable international accounting standards 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 of the ultimate parent Company are responsible for the maintenance and integrity of the ultimate parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Parent Company auditors are aware; 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 Parent Company 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.

On behalf of the Board

James Saralis
Chief Executive Officer

28 March 2022

Financial Statements

Independent auditor's report to the members of NAHL Group Plc

Opinion

We have audited the financial statements of NAHL Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent company 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and parent company's ability to continue as a going concern;
- Obtaining and reviewing management's going concern assessment;
- Evaluating the directors' method to assess the group's and parent company's ability to continue as a going concern;
- Reviewing management's severe yet plausible scenarios and assessing management's ability to take mitigating actions;
- Reviewing the terms of financing agreements and assessing the forecasted results against covenants in place;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern;
- Assessing the impact of Russia's invasion of Ukraine on the business and its ability to continue as a going concern; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Valuation of trade receivables and accrued income (Group) The group's accounting policy for financial assets and liabilities, which include trade receivables and accrued income, is set out in the accounting policy notes on page 103 of the Annual Report. The group enters into contracts with customers on varied terms. The nature of the industry in which the group operates in can sometimes result in long lead times between revenue recognition and cash generation, due to the time taken to settle cases. Following a review of the year-end trade receivables and accrued income balance of £24.5m (2020: £26.7m), we identified specific aged balances totaling £19.5m (2020: £22.3m) where there is a risk these balances might not be recoverable. We identified the valuation of these specific balances as a significant risk and key audit matter, given the subjectivity involved in assessing recoverability.	Depending on the facts and circumstances of the respective balances, our audit procedures included, but were not limited to: • Assessing the aging of the receivables balances, and performing a retrospective review against prior year balances to understand aging profiling to identify any potential issues related to recoverability; • Assessing the level of cash receipts during the year and post year end against our expectation based on signed payment agreements; • Recalculating accrued income balances based on contractual fees and the number of enquiries with customers; • Obtaining third party confirmation from customers of the number of outstanding enquiries passed to them; • Assessing the adequacy of the work of one component auditor in respect of £4m of trade receivables and accrued income balances; • Re-calculating a sample of accrued income balances at year end and assessing the level of post year end cash receipt against that which would be expected, based on the progress of the case; and • Reviewing management's methodology for Expected Credit Losses with reference to the level of debt write-offs during the year and challenging their forward looking assessments. **Our observations** Based on the procedures performed, we are satisfied with the carrying value of the trade receivables and accrued income in the financial statements is reasonable.

Key Audit Matter	How our scope addressed this matter
Carrying Value of Goodwill (Group) The group's accounting policies in respect of goodwill and impairment are set out in the accounting policy notes on page 104 of the annual report. The carrying value of goodwill is £55.5m (2020: £55.5m). In assessing the recoverability of goodwill, management prepare value in use calculations across their two cash generating units, Critical Care and Consumer Legal Services, which involves assumptions, such as future cash flows and the discount rate to apply to those. Due to the subjectivity involved in estimating future performance and the significance of the carrying value of goodwill, we identified this as a significant risk and key audit matter.	Our audit procedures included, but were not limited to: • Obtaining and reviewing management's goodwill impairment assessment; • Assessing the reasonableness of key assumptions in the value in use calculation with reference to externally available data, and applying our own sensitivity analysis to assess the impact of potential changes in assumptions; • Reviewing management's sensitivity analysis to further assess the potential for impairment; • Engaging our internal valuation expert to assess the reasonableness of the Weighted Average Cost of Capital (WACC) rate and the model methodology used; • Ensuring consistency between value in use calculations used for impairment assessment and forecasts used for assessment of going concern; and • Reviewing the reasonableness of the disclosures made in the financial statements in relation to the carrying value of goodwill. **Our observations** Based on the procedures performed, we are satisfied that the carrying value of the goodwill in the financial statements is reasonable.

Key Audit Matter	How our scope addressed this matter
Valuation of investments (Parent company) The group's accounting policies in respect of impairment of investments is set out in the accounting policy notes on page 131 of the Annual Report. The carrying value of NAHL Group Plc's investments in subsidiaries is £52.7m (2020: £52.7m) and is the most significant balance in the parent company statement of financial position. Given this, we identified it as a significant risk and key audit matter.	Our audit procedures included, but were not limited to: • Obtaining and reviewing management's impairment review and future forecasts; • Assessing and challenging the underlying assumptions to ensure these are reasonable; • Engaging with our internal valuation experts to assess the reasonableness of the WACC rate used; • Reviewing the carrying value with specific reference to the year end market capitalisation of the Group; • Testing individual investments for indicators of impairment; and • Reviewing the disclosures made in the financial statements to ensure they cover the requirements of IAS 36. **Our observations** Based on the procedures performed, we are satisfied that the carrying value of the investments in the financial statements is reasonable.

Our application of materiality and an overview of the scope of our audit

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

Overall materiality	Group financial statements £383k Parent financial statement £846k Where items in the parent company financial statements were included in the group financial statements, materiality was restricted to that applied to the group.
How we determined it	Group materiality has been calculated by reference to adjusted profit before tax, of which it represents 7%. Parent company materiality has been calculated by reference to total assets, of which it represents 1%.
Rationale for benchmark applied	Profit before tax (adjusted for net financing costs, share based payments, amortization and other exceptional items) has been identified as the principal benchmark within the group financial statements due this being the primary focus of shareholders. Total assets has been identified as the principal benchmark within the parent company financial statements as it is considered to be the focus of shareholders due to being a holding company with no trade.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality applied in our audit was: Group financial statements £287k Parent financial statement £634k
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £11k for the group financial statements and £25k for the parent company financial statements, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements of NAHL Group Plc. Based on our risk assessment, the parent company and four components of the group were subject to full scope audit and three components were subject to specific audit procedures on certain key balances. For the remaining components, in addition to desktop analytical review, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The parent company and those components of the group which were subject to full scope audit or specific audit procedures accounted for the following percentages of the group's results for the year ended 31 December 2021.

	Number of components	Total group revenue	Total profits and losses that make up group profit before tax	Total group assets
Full scope audits	5	75%	83%	97%
Specific scope audits	3	19%	8%	1%
Total	8	94%	91%	98%

One full scope audit was performed by a component auditor. This component accounted for the following percentages of the group's results for the year ended 31 December 2021:

	Number of components	Total group revenue	Total profits and losses that make up group profit before tax	Total group assets
Performed by component auditor	1	12%	12%	16%

For that entity, the group engagement team issued group instructions to the component auditor to direct their work. Group reporting appendices were returned by the component auditor and we reviewed their working papers to assess whether sufficient and appropriate audit procedures had been performed. Meetings were held with the component auditor at the planning and completion stage, to ensure the work was sufficiently directed by the group engagement team and the group engagement team attended the clearance meeting between the component auditor and component management. The audit work for all other components was completed by the group engagement team.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

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

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 course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 76, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: Anti-Bribery, Living Wage, AIM listing rules, QCA Corporate Governance Code, Employment laws, Regulation by the Claims Management Regulation Unit or Solicitors Regulation Authority, Enterprise Act 2002, Competition Act 1998, Modern Slavery Act, GDPR, Gender-pay gap and Environmental regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the SRA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Companies Act 2006 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates including goodwill impairment, investment valuation and recoverability of trade receivables and accrued income, significant one-off or unusual transactions, and revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Stephen Brown (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

28 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Revenue	1,2	**38,947**	40,875
Cost of sales		**(21,352)**	(21,602)
Gross profit		**17,595**	19,273
Administrative expenses	3	**(13,439)**	(14,964)
Underlying operating profit	1	**4,156**	5,659
Exceptional items	4	**–**	(1,350)
Operating profit	2	**4,156**	4,309
Profit attributable to members' non-controlling interests in LLPs		**(3,451)**	(4,115)
Financial income	7	**85**	168
Financial expense	8	**(555)**	(585)
Profit/(Loss) before tax		**235**	(223)
Taxation	9	**(79)**	(2)
Profit/(Loss) and total comprehensive income for the year		**156**	(225)

	Note	2021 p	2020 p
Earnings per share (p)			
Basic earnings per share	23	**0.3**	(0.5)
Diluted earnings per share	23	**0.3**	(0.5)

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

All profits and losses relate to continuing operations.

The notes on pages 94–127 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Non-current assets			
Goodwill	13	**55,489**	55,489
Other intangible assets	15	**3,701**	4,557
Property, plant and equipment	16	**477**	367
Right of use assets	17	**2,315**	2,761
Deferred tax asset	10	**23**	14
		62,005	63,188
Current assets			
Trade and other receivables (including £3,718,000 (2020: £7,828,000) due in more than one year)	18	**33,404**	34,285
Cash and cash equivalents		**2,458**	3,609
		35,862	37,894
Total assets		**97,867**	101,082
Current liabilities			
Trade and other payables	20	**(16,211)**	(17,547)
Lease liabilities	17	**(242)**	(248)
Member capital and current accounts	14	**(4,210)**	(4,177)
Current tax liability		**(97)**	(126)
		(20,760)	(22,098)
Non-current liabilities			
Lease liabilities	17	**(1,953)**	(2,195)
Other interest-bearing loans and borrowings	19	**(17,910)**	(19,901)
Deferred tax liability	11	**(625)**	(826)
		(20,488)	(22,922)
Total liabilities		**(41,248)**	(45,020)
Net assets		**56,619**	56,062
Equity			
Share capital	21	**116**	115
Share option reserve		**4,312**	3,912
Share premium		**14,595**	14,595
Merger reserve		**(66,928)**	(66,928)
Retained earnings		**104,524**	104,368
Capital and reserves attributable to the owners of NAHL Group plc		**56,619**	56,062

The notes on pages 94–127 form part of these financial statements.

These financial statements on pages 90–127 were approved by the Board of Directors on 28 March 2022 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 2021

	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
Balance at 1 January 2020		**115**	**3,389**	**14,595**	**(66,928)**	**104,593**	**55,764**
Total comprehensive income for the year							
Loss for the year		–	–	–	–	(225)	(225)
Total comprehensive income		–	–	–	–	(225)	(225)
Transactions with owners, recorded directly in equity							
Issue of share capital	21	–	–	–	–	–	–
Share-based payments	22	–	523	–	–	–	523
Total transactions with owners, recorded directly in equity		–	523	–	–	–	523
Balance at 31 December 2020		**115**	**3,912**	**14,595**	**(66,928)**	**104,368**	**56,062**
Total comprehensive income for the year							
Profit for the year		–	–	–	–	156	156
Total comprehensive income		–	–	–	–	156	156
Transactions with owners, recorded directly in equity							
Issue of share capital	21	1	–	–	–	–	1
Share-based payments	22	–	400	–	–	–	400
Total transactions with owners, recorded directly in equity		1	400	–	–	–	401
Balance at 31 December 2021		**116**	**4,312**	**14,595**	**(66,928)**	**104,524**	**56,619**

The notes on pages 94–127 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit for the year		**156**	(225)
Adjustments for:			
Profit attributable to members' non-controlling interests in LLPs		**3,451**	4,115
Property, plant and equipment depreciation	16	**171**	169
Right of use asset depreciation	17	**306**	430
Amortisation of intangible assets	15	**1,195**	1,345
Financial income	7	**(85)**	(168)
Financial expense	8	**555**	585
Share-based payments		**400**	523
Taxation		**79**	2
		6,228	6,776
Decrease in trade and other receivables		**1,012**	2,223
(Decrease)/Increase in trade and other payables		**(1,337)**	2,945
		5,903	11,944
Interest paid		**(398)**	(469)
Tax paid		**(365)**	(450)
Net cash generated from operating activities		**5,140**	11,025
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(281)**	(269)
Acquisition of intangible assets		**(339)**	(820)
Interest received		**2**	10
Disposal of subsidiary net of cash disposed of[1]		**–**	(1,273)[1]
Net cash used in investing activities		**(618)**	(2,352)
Cash flows from financing activities			
Repayment of borrowings		**(2,000)**	(3,750)
Issue of share capital	21	**1**	–
Facility arrangement fees		**(90)**	(121)
Principal element of lease payments		**(166)**	(558)
Drawings paid to LLP members		**(3,418)**	(3,199)
Net cash used in financing activities		**(5,673)**	(7,628)
Net (decrease)/increase in cash and cash equivalents		**(1,151)**	1,045
Cash and cash equivalents at 1 January		**3,609**	2,564
Cash and cash equivalents at 31 December		**2,458**	3,609

1. The Group disposed of its interest in National Law Associates LLP on 2 January 2020 and de-consolidated its results from this point.

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

Consolidated Financial Statements

NAHL Group plc (the "Company") is a public company limited by shares registered, incorporated and domiciled in England and Wales. The registered number is 08996352 and the registered address is Bevan House, Kettering Parkway, Kettering, Northants, England, NN15 6XR.

The Consolidated Financial Statements for the year ended 31 December 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

The following accounting policies have been applied consistently year on year except where new policies have been adopted as stated below.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company and Group can continue in operational existence for the foreseeable future.

The Audit & Risk Committee has reviewed the Going Concern assessment prepared by management. The assessment includes detailed financial forecasts covering the Group's adopted strategy and considers a range of sensitivities. The period considered by the forecasts is to the end of June 2023, being approximately 12 months from the date of signing of the 2021 Annual Report and financial statements. The key assumptions in the forecasts are a) number of PI enquiries generated and b) placement of these enquiries (into our panel, our joint venture law firms or NAL). The going concern assessment focuses on two key areas, being the ability of the Group to meet its debts as they fall due and being able to operate within its banking facility.

The Group has access to a £20.0m revolving credit facility (RCF) with its bankers and at the time of writing, it has drawn £18.0m of this facility and has cash of £1.9m. In all of the sensitivities the Group has modelled it would have sufficient liquidity within its current RCF to meet its liabilities as they fall due and would not need to access additional funding.

The Group's RCF is subject to quarterly covenant testing. The Group has modelled a worst-case scenario, assuming that volumes remain at 2021 levels, and has then considered the options it would have available to mitigate against any shortfall in profits and cash. Under this scenario, the Group would be able to implement sufficient mitigating actions in order to operate within its covenants. The likelihood of this scenario occurring is considered to be remote and therefore the directors consider the Going Concern basis of accounting to be appropriate.

Considering the above, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in existence for the foreseeable future and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Basis of consolidation

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

1 Accounting policies continued

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

Within its Consumer Legal Services 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 Law Together LLP.

The Group has exercised judgement by considering the criteria for consolidation in IFRS 10 and has determined that each LLP meets the definition of a subsidiary and is therefore required to be included within the Group's results.

Key to this determination is that 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 liability recognised for the other member firms' share of profit.

Key sources of estimation uncertainty

Revenue recognition – provision of legal services

There is a significant element of estimation 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 contract asset balances of £5,242,000 (2020: £5,046,000) calculated using this estimation technique.

1 Accounting policies continued

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 debt on extended credit terms.

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 note 24 for further information. At the year end, the Group had provisions for receivables of £740,000 (2020: £673,000) calculated using this method. The percentages applied to each grouping of debtors ranged from 0.5% to 35% with the final provision equating to 3.0% of the total gross trade receivables and accrued income balances.

New standards and amendments adopted by the Group
There are no new or amended standards applicable for the current reporting period.

New standards, interpretations and amendments not yet effective
There are no new standards, interpretations and amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Profit attributable to members' non-controlling interests in LLPs

Profit attributable to member's non-controlling interests in LLPs represents the operating profit for the year which is attributable to minority members in our LLP subsidiaries under the terms of the partnership agreements. It is presented as a separate expense outside of the operating profit of the Group for the year.

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.

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 on page 97. There have been no changes to the principles for identify adjusting items from 2020. The key adjusting items in arriving at the APMs are as follows:

- 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.

1 Accounting policies continued

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.	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 (excluding any disposals of subsidiaries) less payments made to partner LLP members and less principal element of lease payments.	

1 Accounting policies continued

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Underlying Basic 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 and allows comparability of core trading performance year-on-year.
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 movement in trade and other receivables less the movement in trade and other payables.	Allows management to assess the short-term cash flows from movements in the more liquid assets.
Net cash/ (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

	2021 £000	2020 £000
IFRS measure – operating profit	**4,156**	4,309
Exceptional items	**–**	1,350
Underlying operating profit	**4,156**	5,659

Underlying operating cash flow and underlying cash conversion:

	2021 Underlying operations £000	2021 Exceptional items £000	2021 Total £000	2020 Underlying operations £000	2020 Exceptional items £000	2020 Total £000
Operating profit	4,156	–	4,156	5,659	(1,350)	4,309
Share-based payments	400	–	400	523	–	523
Depreciation and amortisation	1,672	–	1,672	1,944	–	1,944
Decrease in trade/other receivables	1,012	–	1,012	2,223	–	2,223
(Increase)/decrease in trade/other payables	(999)	(338)	(1,337)	2,607	338	2,945
Underlying operating cash flow	**6,241**	**(338)**	**5,903**	**12,956**	**(1,012)**	**11,944**
Operating cash conversion	**150.2%**			**228.9%**		
Interest paid			(398)			(469)
Tax paid			(365)			(450)
Net cash generated from operating activities			**5,140**			**11,025**
Net cash used in investing activities (excluding disposals of subsidiaries)			**(618)**			**(1,079)**
Lease payments			(166)			(558)
Issue of share capital			1		–	
Facility arrangement fees			(90)			(121)
Payments to non-controlling interests			(3,418)			(3,199)
Free cash flow			**849**			**6,068**

Underlying basic EPS:

	2021 £000	2020 £000
IFRS measure – Profit/(loss) for the year attributable to shareholders	156	(225)
Exceptional items	–	1,350
Tax effect of the above	–	(257)
Underlying profit for the year attributable to shareholders	**156**	868
Weighted average number of shares (note 23)	**46,245,345**	46,238,878
Underlying basic EPS (pence)	**0.3p**	1.9p

Working capital:
Working capital movements for 2020 take into account the disposal of National Law Partners on 1 January 2020

	2021 £000	2020 £000
Movement in trade and other receivables	**1,012**	2,223
Movement in trade and other payables	**(1,337)**	2,945
Working capital	**(325)**	5,168
Movement in interest accruals	**(84)**	(158)
Movement in corporation tax debtor	**(47)**	15
Movement in financing accruals	**–**	110
IFRS measure – movement in trade and other receivables less movement in trade and other payables	**(456)**	**5,135**

Net debt is defined in note 29.

1 Accounting policies continued

Revenue

Marketing services

Consumer Legal Services – Solicitor income (personal injury)
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. These services include generating enquiries through web-based channels, triaging of enquiries and provision of call centre support staff on a daily basis. 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.

Consumer Legal Services – Conveyancing and surveyor instructions (residential property)
Homeward Legal utilises online marketing to target homebuyers and sellers in England and Wales to generate leads and instructions which it then passes to Panel Law Firms and surveyors in the conveyancing sector for a fixed cost.

Management consider there to be one performance obligation being the delivery of the instruction 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.

Service provision

Consumer Legal services – provision of resource (residential property)
Income from the outsourcing of employees who provide services to process conveyancing transactions for homebuyers and sellers in England and Wales. Management consider there to be one performance obligation being the completion of the transaction as until this point there is no entitlement to revenue. The full transaction price being the agreed upon fee is recognised at this point.

Consumer Legal Services – 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 fee consisting of a) fixed recoverable costs recouped from the liable third party. These fees are set by the MoJ and the value of fees claimed are determined based on the stage at which the claim settles and the value of the claim damages; and b) 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 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. These milestones are 1. Admission of liability and 2. Settlement of the case. No revenue is recognised up until the first milestone, 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. A proportion of the total transaction price is recognised once the first milestone has been achieved. This proportion is determined based on the average percentage of time worked to bring the claim to that point based on historic performance across all cases of a similar nature.

1 Accounting policies continued

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.

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. Where the terms of the contract allow for an enforceable right to payment for work performed to date an adjustment is made at each month end to accrue for revenue on any such reports in progress. This is subsequently reversed and the full transaction price recognised on provision of the final report.

Consumer Legal Services – 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.

Product provision

Consumer Legal services – 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 Panel Law Firm with provisions in place for clawbacks.

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.

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

Government grants

As a result of the economic impact of the COVID-19 pandemic, the Group made use of the Government's Coronavirus Job Retention Scheme.

Income from this scheme has been accounted for under IAS 20: Government Grants and is included within the consolidated statement of comprehensive income as a deduction from the corresponding expense.

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.

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
Software	–	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 10 years

Lease assets

The Group as a lessee

For any new contracts entered into, on or after 1 January 2020, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Taxation

Tax in 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

1 Accounting policies continued

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.

Recoverable disbursements and Disbursements payable

Disbursement payables represent the balance of disbursements incurred in the processing of personal injury claims. These disbursements will ultimately be billed on settlement of a case or recovered from insurance if a case should fail and so the recoverable disbursements represents the value of disbursements still to be billed. Disbursement payables and receivables are recognised initially at fair value and subsequent to initial recognition, are stated at amortised cost using the effective interest method.

Member capital and current accounts

Member capital and current accounts represent the balances owed to non-controlling members' in the LLPs. These consist of any capital advances and unpaid allocated profits as at the year end. Members capital and current accounts are classified as financial liabilities and are recognised initially at fair value. Subsequent to initial recognition, members capital and current accounts are stated at amortised cost using the effective interest method.

1 Accounting policies continued

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 defined contribution 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.

1 Accounting policies continued

Dividends

Dividend distribution to the Company's shareholders is recognised 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 premium account

The share premium account represents the excess of amounts paid per share above the nominal cost of each share.

Share option reserve

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

The share option reserve forms part of distributable reserves and should the Group need to make a distribution, the share option reserve will be transferred to retained earnings.

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.

Retained earnings

Retained earnings represents the cumulative historical profits of the Group less historical losses.

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

Year ended 31 December 2021	Consumer Legal Services £000	Critical Care £000	Shared Services £000	Other items £000	Underlying operations £000	Exeptional items £000	Eliminations[2] £000	Total £0000
Revenue	26,583	12,364	–	–	38,947	–	–	38,947
Depreciation and amortisation	(272)	(166)	(363)	(871)	(1,672)	–	–	(1,672)
Operating profit/(loss)	3,726	3,293	(1,592)	(1,271)	4,156	–	–	4,156
Profit attributable to non-controlling interest members in LLPs	(3,451)	–	–	–	(3,451)	–	–	(3,451)
Financial income	85	–	–	–	85	–	–	85
Financial expenses	–	(10)	(545)	–	(555)	–	–	(555)
Profit/(Loss) before tax	360	3,283	(2,137)	(1,271)	235	–	–	235
Trade receivables	2,999	4,896	–	–	7,895	–	–	7,895
Total assets[1]	29,625	6,335	79,413	–	115,373	–	(17,506)	97,867
Segment liabilities[1]	(17,754)	(1,306)	(3,556)	–	(22,616)	–	–	(22,616)
Capital expenditure (including intangibles)	60	326	234	–	620	–	–	620

Year ended 31 December 2020								
Revenue	29,537	11,338	–	–	40,875	–	–	40,875
Depreciation and amortisation	(636)	(137)	(247)	(924)	(1,944)	–	–	(1,944)
Operating profit/(loss)	5,407	3,594	(1,895)	(1,447)	5,659	(1,350)	–	4,309
Profit attributable to non-controlling interest members in LLPs	(4,115)	–	–	–	(4,115)	–	–	(4,115)
Financial income	161	6	1	–	168	–	–	168
Financial expenses	(1)	(8)	(576)	–	(585)	–	–	(585)
Profit/(Loss) before tax	1,452	3,592	(2,470)	(1,447)	1,127	(1,350)	–	(223)
Trade receivables	3,422	4,870	–	–	8,292	–	–	8,292
Total assets[1]	32,859	5,990	79,739	–	118,588	–	(17,506)	101,082
Segment liabilities[1]	(19,001)	(1,232)	(3,934)	–	(24,167)	–	–	(24,167)
Capital expenditure (including intangibles)	540	244	305	–	1,089	–	–	1,089

1. Total assets and segment liabilities exclude intercompany loan balances as these are not included in the segment results reviewed by the chief operating decision maker.
2. Eliminations represents the difference between the cost of subsidiary investments included in the total assets figure for each segment and the value of goodwill arising on consolidation.

2 Operating segments continued

Significant customers
No customers account for greater than 10% of the total Group revenue (2020: no customers).

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.

Consumer Legal services – Revenue is split along three separate streams being: a) Panel – revenue from the provision of personal injury and conveyancing enquiries to the Panel Law Firms, based on a cost plus margin model, b) Products – consisting of commissions received from providers for the sale of additional products by them to the Panel Law Firms, surveys and the provision of conveyancing searches and c) Processing – in the case of our ABSs and self- processing operations, 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.

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

Other items – Other items represent share-based payment charges and amortisation charges on intangible assets recognised as part of business combinations.

Exceptional items – items that are non-recurring and 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.

3 Administrative expenses and auditor's remuneration

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

	2021 £000	2020 £000
Depreciation of property, plant and equipment	171	169
Depreciation of right of use assets	306	430
Amortisation of intangible assets (not relating to business combinations)	324	421
Amortisation of intangible assets relating to business combinations	871	924
IFRS 9 provision charge	67	119
Government Grants	(13)	(410)
Auditor's remuneration	130	125

The analysis of the auditor's remuneration is as follows:

	2021 £000	2020 £000
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	125	120
Fees payable to the Company's auditors for other services:		
SAR audit	5	5

4 Exceptional items

Exceptional items included in the income statement are summarised below:

	2021 £000	2020 £000
Group strategic and reorganisation costs[1]	–	613
Group restructure[2]	–	399
Due diligence costs[3]	–	338
	–	1,350

1. Group strategic and reorganisation costs relate to project costs to implement fundamental strategic plans that fall outside of the core trading operations of the business.

2. Group restructure costs largely relate to redundancy costs and other one-off costs associated with the closure of the Chancery Lane office and merger of the Residential Property and Personal Injury businesses into a new Consumer Legal Services division.

3. Due diligence costs consisting of legal and advisory costs in respect of a potential offer made for the Group during the year.

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	
	2021	2020
Directors	**2**	2
Others	**257**	253
	259	255

The Group also has an average of 4 Non-executive directors (2020: 4) who provided services to the Group under service contracts.

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	**9,298**	9,364
Share based payments (see note 22)	**400**	523
Social security costs	**859**	909
Other pension costs	**223**	307
	10,780	11,103

6 Directors' emoluments

	2021 £000	2020 £000
Statutory Directors' emoluments	**444**	771

Statutory Directors' emoluments

	Salary and fees £000	**Benefits £000**	**Annual bonus £000**	**Pension £000**	**Total £000**
Year ended 31 December 2021					
Executive Directors					
J D Saralis	**200**	**17**	**–**	**2**	**219**
Non-Executive					
T J M Aspinall	**80**	**–**	**–**	**–**	**80**
G D C Kent	**50**	**–**	**–**	**–**	**50**
S P Tilleray	**50**	**–**	**–**	**–**	**50**
B Phillips	**45**	**–**	**–**	**–**	**45**
	425	**17**	**–**	**2**	**444**

6 Directors' emoluments continued

	Salary and fees £000	Benefits £000	Annual bonus £000	Pension £000	Total £000
Year ended 31 December 2020					
Executive Directors					
J R Atkinson[1]	159	13	–	2	174
J D Saralis	162	16	–	2	180
Non-Executive					
C Brown[2]	62	–	–	–	62
T J M Aspinall	58	–	–	–	58
G D C Kent	47	–	–	–	47
S P Tilleray	48	–	–	–	48
B Phillips[3]	23	–	–	–	23
	559	**29**	**–**	**4**	**592**

1. J R Atkinson resigned from the Board on 7 September 2020. Termination payments of £179,000 were made.
2. C Brown resigned from the Board on 8 October 2020.
3. Brian Phillips was appointed to the Board on 25 June 2020.

The Group contributed £2,000 to pension schemes in respect of Directors during the year (2020: £4,000). The emoluments of the highest paid Director were £219,000 (2020: £353,000).

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

	2021 £000	2020 £000
Bank interest income	**2**	10
Other income[1]	**83**	158
	85	168

1 Other income relates to financing income in respect of the time value of money adjustments required by IFRS 15 on receivables and accrued income expected to be settled within greater than 12 months.

8 Financial expense

	2021 £000	2020 £000
Interest on bank loans	**398**	469
Amortisation of facility arrangement fees	**99**	88
Interest on lease liabilities	**58**	28
	555	585

9 Taxation

Recognised in the consolidated statement of comprehensive income

	2021 £000	2020 £000
Current tax expense		
Current tax on income for the year	276	202
Adjustments in respect of prior years	13	26
Total current tax	289	228
Deferred tax credit		
Origination and reversal of timing differences	(210)	(226)
Total deferred tax	(210)	(226)
Tax expense in statement of comprehensive income	79	2
Total tax charge	79	2

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(Loss) for the year	156	(225)
Total tax expense	79	2
(Profit)/Loss before taxation	235	(223)
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%)	45	(42)
Non-deductible expenses	97	100
Adjustments in respect of prior years	13	26
Share scheme deductions	(8)	(11)
Short-term timing differences	(68)	(71)
Total tax charge	79	2

Changes in tax rates and factors affecting the future tax charge

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. This was substantively enacted at the reporting date and the effects are included within these financial statements.

10 Deferred tax asset

	2021 £000	2020 £000
At beginning of year	**14**	30
Recognised in statement of comprehensive income (see note 9)	**(27)**	(16)
Reclassified to liability (see note 11)	**36**	–
Deferred tax asset at end of year	**23**	14

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 2020	17	13	30
Reclassified to deferred tax liability	–	–	–
Recognised in statement of comprehensive income (see note 9)	(3)	(13)	(16)
At 31 December 2020	14	–	14
Recognised in statement of comprehensive income (see note 9)	(27)	–	(27)
Reclassified from deferred tax liability (see note 11)	36	–	36
At 31 December 2021	**23**	**–**	**23**

11 Deferred tax liability

	2021 £000	2020 £000
At beginning of year	**826**	1,068
Reclassified from deferred tax assets (see note 10)	**36**	–
Recognised in statement of comprehensive income (see note 9)	**(237)**	(242)
Deferred tax liability at end of year	**625**	826

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

	Property, plant & equipment £000	Intangible assets acquired on business combinations £000	Total £000
At 1 January 2020	30	1,038	1,068
Recognised in statement of comprehensive income	8	(250)	(242)
At 31 December 2020	38	788	826
Reclassified from deferred tax asset	36	–	36
Recognised in statement of comprehensive income	4	(241)	(237)
At 31 December 2021	**78**	**547**	**625**

12 Acquisitions and disposals

On 2 January 2020 the Group terminated its partnership in respect of National Law Associates LLP and relinquished its interest for nil consideration, recognising neither a profit or loss on disposal.

13 Goodwill

	Personal Injury £000	Critical Care £000	Residential Property £000	Total £000
Cost				
At 1 January 2020	39,897	15,592	4,873	60,362
At 31 December 2020	39,897	15,592	4,873	60,362
At 31 December 2021	**39,897**	**15,592**	**4,873**	**60,362**
Impairment				
At 1 January 2020	–	–	(4,873)	(4,873)
At 31 December 2020	–	–	(4,873)	(4,873)
At 31 December 2021	**–**	**–**	**(4,873)**	**(4,873)**
Net book value				
At 31 December 2020	39,897	15,592	–	55,489
At 31 December 2021	**39,897**	**15,592**	**–**	**55,489**

In 2020 the Group undertook a review of its operations and merged the Personal Injury and Residential Property cash generating units (CGUs) into one segment, Consumer Legal Services (see note 2). For the purposes of allocating goodwill, the goodwill relating to personal injury and residential property was allocated prior to this merger when the two businesses operated as separate CGUs. The impairment of the residential property CGU took place in 2019, prior to the restructure.

In 2019, in light of the losses incurred by the Residential Property CGU and the continued uncertainty in the market, the directors undertook an impairment review by considering the CGU's value in use compared to its recoverable amount and concluded that there were insufficient cash flows to support the recoverable value of goodwill attributable to the Residential Property CGU. As such, an impairment loss of £4,873,000 was recognised in the statement of comprehensive income in 2019.

Where goodwill arose as part of a business acquisition, 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 the goodwill is monitored for internal management reporting.

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 using the latest budget data for the coming year and forecasts for the next five years. These cash flows are discounted at a WACC of 7.8% for Critical Care (2020: 8.4%) and 8.4% (2020: 9.3%) for Personal Injury. 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 flows.

13 Goodwill continued

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

	2021	2020
Personal Injury	**86.4%**	49.8%
Critical Care	**15.8%**	14.5%

The key factor influencing the Personal Injury growth assumptions is the long business cycle of National Accident Law. A high proportion of profits generated from 2021 onwards relate to the settlement of claims first converted by National Accident Law in previous years. These forecasts are based on detailed financial models using assumptions such as lead to enquiry conversion, claim underway rate, claims win rate and average settlement values. These assumptions are based on the company's knowledge and experience on how cases settle gained from prior experience.

A growth rate that is higher than the long-term UK average growth rate of c. 2% has been applied to the Critical Care CGU. This is based on the recent, pre-COVID trading performance of the division over the past three years, the anticipated recovery from COVID and takes into account the strategic plans for the division over the coming years.

The operating profits have been adjusted for working capital movements to arrive at the operating cashflows. These working capital movements have been based on historic trends and adjusted for changes in the business model in Personal Injury.

The amount by which each CGUs recoverable amount exceeds its carrying amount is as follows:

PI – £26.4m

CC – £61.0m

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.

The impairment calculations are most sensitive to changes in assumptions regarding the cash flow forecasts and WACC. If the WACC were to increase by 25% the following decreases in cash flows would be needed in order to reduce the available headroom to nil:

Personal Injury – 12.7%

Critical Care – 55.9%

14 Members' Non-controlling interests in LLPs

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

				Ownership	
Name of subsidiary	**Country of incorporation and principal place of business**	**Nature of interest**	**Principal activity**	**2021**	2020
Your Law LLP	United Kingdom	LLP member	Personal injury lawyers	**75%**	75%
Law Together LLP	United Kingdom	LLP member	Personal injury lawyers	**50%**	50%

The ownership percentage is based on the proportion of capital contribution advanced by each of the corporate members. Profit share allocations and control are not determined by reference to this ownership percentage. 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.

14 Members' Non-controlling interests in LLPs continued

The balances owed to the non-controlling members' of these LLPs at the end of the year and movements during the year are as follows:

	2021 £000	2020 £000
Balance at start of the year	4,177	3,315
Profit allocation for the year	3,451	4,115
Disposal of interest in LLP	–	(54)
Drawings paid	(3,418)	(3,199)
Balance at the end of the year	**4,210**	4,177

15 Other Intangible assets

	Technology related £000	Contract related £000	Brand names £000	Software £000	Assets under construction £000	Total £000
Cost						
At 1 January 2021	167	8,466	885	2,455	217	12,190
Additions	–	–	–	99	240	339
Reclassifications	–	–	–	180	(180)	–
At 31 December 2021	**167**	**8,466**	**885**	**2,734**	**277**	**12,529**
Amortisation and impairment						
At 1 January 2021	167	5,206	839	1,421	–	7,633
Amortisation charge for the year	–	825	46	324	–	1,195
At 31 December 2021	**167**	**6,031**	**885**	**1,745**	**–**	**8,828**
Net book value						
At 31 December 2020	–	3,260	46	1,034	217	4,557
At 31 December 2021	**–**	**2,435**	**–**	**989**	**277**	**3,701**

15 Other Intangible assets continued

	Technology related £000	Contract related £000	Brand names £000	Software £000	Assets under construction £000	Total £000
Cost						
At 1 January 2020	167	8,466	885	1,815	37	11,370
Additions	–	–	–	633	187	820
Reclassifications	–	–	–	7	(7)	–
At 31 December 2020	**167**	**8,466**	**885**	**2,455**	**217**	**12,190**
Amortisation and impairment						
At 1 January 2020	167	4,381	740	1,000	–	6,288
Amortisation charge for the year	–	825	99	421	–	1,345
At 31 December 2020	**167**	**5,206**	**839**	**1,421**	**–**	**7,633**
Net book value						
At 31 December 2019	–	4,085	145	815	37	5,082
At 31 December 2020	**–**	**3,260**	**46**	**1,034**	**217**	**4,557**

In the statement of comprehensive income, the amortisation charge on business combinations and the amortisation charge for the year (on other assets) is included within 'operating expenses'.

16 Property, plant and equipment

	Fixtures & fittings & total £000
Cost	
At 1 January 2021	**2,205**
Additions	**281**
Disposals	**(69)**
At 31 December 2021	**2,417**
Depreciation and impairment	
At 1 January 2021	**1,838**
Depreciation charge for the year	**171**
Disposals	**(69)**
At 31 December 2021	**1,940**
Net book value	
At 31 December 2020	**367**
At 31 December 2021	**477**

16 Property, plant and equipment continued

	Fixtures & fittings & total £000
Cost	
At 1 January 2020	1,936
Additions	269
At 31 December 2020	**2,205**
Depreciation and impairment	
At 1 January 2020	1,669
Depreciation charge for the year	169
At 31 December 2020	**1,838**
Net book value	
At 31 December 2019	267
At 31 December 2020	**367**

17 Leases

This note provides information for leases where the Group is a lessee.

Amounts recognised in the balance sheet

	2021 £000	2020 £000
Right of use assets		
Buildings	**2,278**	2,699
Office equipment	**37**	62
	2,315	2,761

	2021 £000	2020 £000
Lease liabilities		
Current	**242**	248
Non-current	**1,953**	2,195

Right of use assets relate to the two head offices at Kettering and Daventry and printer leases. Additions to right of use assets of £nil (2020: £2,801,000) were made during the year.

The statement of comprehensive income includes the following amounts relating to leases:

	2021 £000	2020 £000
Depreciation charge of right of use assets		
Buildings	**280**	404
Office equipment	**26**	26
	306	430
Interest expense	**58**	28
Expenses relating to leases of low value assets	**–**	–

The total cash outflow for leases in 2021 was £166,000 (2020: £558,000).

18 Trade and other receivables

	2021 £000	2020 £000
Trade receivables: receivable in less than one year	**7,056**	7,493
Trade receivables: receivable in more than one year	**839**	799
Accrued income: receivable in less than one year	**12,414**	11,398
Accrued income: receivable in more than one year	**3,718**	7,029
Other receivables	**21**	14
Prepayments	**913**	703
Corporation tax	**136**	88
Recoverable disbursements	**8,307**	6,761
	33,404	34,285

A provision against trade receivables and accrued income of £740,000 (2020: £673,000) is included in the figures above.

Trade receivables and accrued income receivable in greater than one year are classified as current assets as the Group's working capital cycle is considered to be up to 36 months as extended credit terms are offered as part of commercial agreements.

19 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 24.

	2021 £000	2020 £000
Non-current liabilities		
Revolving credit facility	**18,000**	20,000
Less facility arrangement fees	**(90)**	(99)
Total other interest-bearing loans and borrowings	**17,901**	19,901

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 2021 £000	Carrying amount 2021 £000	Fair value 2020 £000	Carrying amount 2020 £000
Bank loan[1]	GBP	2.25% above SONIA	2024	**17,901**	**17,901**	19,901	19,901
				17,901	**17,901**	19,901	19,901

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. The facility was reduced to £20,000,000 in December 2021 and was extended with the facility now due to terminate on 31 December 2024. Interest is payable at 2.25% above SONIA per annum.

20 Trade and other payables

Amounts due within one year:	2021 £000	2020 £000
Trade payables	**1,452**	3,201
Disbursements payable	**7,222**	6,001
Other taxation and social security	**1,216**	1,791
Other payables, accruals and deferred revenue	**5,864**	5,849
Customer deposits	**457**	705
Total trade and other payables	**16,211**	17,547

21 Share capital

	2021	2020
Number of shares		
Opening: 'A' Ordinary Shares of £0.0025 each	**46,240,222**	46,178,716
Issued during the year	**85,000**	61,506
Closing: 'A' Ordinary Shares of £0.0025 each	**46,325,222**	46,240,222
	£000	£000
Allotted, called up and fully paid		
Opening: 46,240,222 (2020: 46,178,716) 'A' Ordinary Shares of £0.0025 each	**115**	115
Issued during the year: 85,000 'A' Ordinary shares of £0.0025 each	**1**	–
Closing: 'A' Ordinary Shares of £0.0025 each	**116**	115
Shares classified in equity		
Opening shares classified in equity	**115**	115
Issued during the year	**1**	–
Closing balance	**116**	115

The holders of 'A' Ordinary shares are entitled to one vote per share at the meetings of the Company and to dividends as declared in proportion to the amounts paid up on the ordinary shares.

22 Share based payments

The Group operates three employee share plans as follows:

SAYE plan

Options may be satisfied by newly issued Ordinary Shares, or by the transfer of Ordinary Shares held in treasury. The SAYE scheme is open to all employees of the Group. 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).

22 Share based payments continued

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, 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 and maximum life of options
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
SAYE Equity-settled award to 13 employees granted by the parent company on 23 October 2018	97,143 ordinary shares	Performance-based	1 December 2021
Restricted equity-settled award to 9 employees granted by the parent company on 23 April 2021	615,475 ordinary shares	Performance-based	Second anniversary of grant date
Restricted equity-settled award to 9 employees granted by the parent company on 23 April 2021	700,406 ordinary shares	Performance-based	Third anniversary of Date of Grant

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

	2021		2020	
	Weighted average exercise price £	**Number of options No.**	Weighted average exercise price £	Number of options No.
Outstanding at the beginning of the year	**0.20**	**1,039,791**	0.23	2,040,920
Granted during the year	**0.0025**	**1,686,327**	–	–
Cancelled during the year	**(0.86)**	**(79,016)**	(0.86)	(143,830)
Lapsed during the year	**(0.0025)**	**(530,868)**	(0.0025)	(368,112)
Vested during the year	**(0.46)**	**(182,143)**	(1.21)	(65,160)
Forfeited during the year	**(0.15)**	**(511,632)**	(0.22)	(261,271)
Outstanding at the end of the year	**0.0025**	**1,315,881**	0.20	1,039,791
Exercisable at the end of the year	**1.84**	**680,474**	1.92	648,491
Exercised during the year	**0.0025**	**85,000**	0.0025	61,506

22 Share based payments continued

A charge of £400,000 (2020: £523,000) 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 £0.0025 (2020: £0.0025). For shares outstanding at the year end, these are exercisable at an exercise price of £0.0025 and have a weighted average remaining life of 673 days.

There were 1,686,327 share options issued in 2021 (2020: none). The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% has been used as well as a risk-free interest rate (based on government bonds) of 0.04% – 0.85%. The weighted average share price used in the model is £0.73 and a dividend yield of between 0.0% –7.2% has been assumed. 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.

23 Earnings per share

The calculation of basic earnings per share at 31 December 2021 is based on profit attributable to ordinary shareholders of the parent company of £156,000 (2020: loss of £225,000) and a weighted average number of Ordinary Shares outstanding of 46,245,345 (2020: 46,238,878).

Profit/(Loss) attributable to ordinary shareholders

£000	2021	2020
Profit/(Loss) for the year attributable to the shareholders	156	(225)

Weighted average number of ordinary shares

Number	Note	2021	2020
Issued Ordinary Shares at 1 January	21	46,240,222	46,178,716
Weighted average number of Ordinary Shares at 31 December		46,245,345	46,238,878

Basic Earnings per share (p)

	2021	2020
Group	0.3	(0.5)

The Group has in place share-based payment schemes to reward employees. At 31 December 2021, 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 1,315,881 (2020: in line with IAS 33, as the group has a negative earnings per share, it is assumed there are no dilutive shares). There are no other diluting items.

Diluted Earnings per share (p)

	2021	2020
Group	(0.3)	(0.5)

24 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:

	Carrying amount 2021 £000	Fair value 2021 £000	Carrying amount 2020 £000	Fair value 2020 £000
Financial assets measured at amortised cost				
Cash and cash equivalents	2,458	2,458	3,609	3,609
Trade and other receivables	18,863	18,863	21,288	21,288
Disbursements (note 18)	8,307	8,307	6,761	6,761
Total financial assets	29,628	29,628	31,658	31,658
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 19)	17,910	17,910	19,901	19,901
Lease liabilities (note 17)	2,195	2,195	2,443	2,443
Trade payables (note 20)	1,452	1,452	3,201	3,201
Disbursements payable (note 20)	7,222	7,222	6,001	6,001
Other payables and accruals (note 20)	5,864	5,864	5,849	5,849
Total financial liabilities measured at amortised cost	34,643	34,643	37,395	37,395

(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.

A customer is considered to have defaulted on their debt if payment is not made within the agreed terms. Debts are written-off only when there are indicators that there is no reasonable expectation of recovery. Debts subject to enforcement activity are considered for impairment and the appropriate provisions are applied against them until there is no reasonable expectation of recovery at which point they are written off.

Exposure to credit risk

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

	2021 £000	2020 £000
Trade receivables	7,895	8,292
Accrued income	10,946	12,981
	18,841	21,273

Management consider the credit risk to be mitigated as a result of a) the holding of deposits for all significant panel law firm 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 2021 these deposits reflect 5.8% (2020: 8.5%) of the balance of trade receivables. At each balance sheet date, the amount of deposit held was:

	2021 £000	2020 £000
Customer deposits	457	705

24 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 2021 £000	Gross: Deferred Terms 2021 £000	Impairment 2021 £000	Total 2021 £000	Gross: Standard Terms 2020 £000	Gross: Deferred Terms 2020 £000	Impairment 2020 £000	Total 2020 £000
Not past due	2,273	1,752	(120)	3,905	2,441	1,683	(100)	4,024
Past due (1 – 30 days)	945	32	(38)	939	986	43	(26)	1,003
Past due (30 – 120 days)	1,025	62	(40)	1,047	926	45	(26)	945
Past due (Over 120 days)	2,183	223	(402)	2,004	2,431	222	(333)	2,320
	6,426	2,069	(600)	7,895	6,784	1,993	(485)	8,292

The Group offers standard credit terms of between 30–60 days to the majority of its customers. Deferred terms of between 12–24 months are offered to those panel law firms or customers with whom we hold strategic partnerships. The impairment for trade receivables is calculated based on a lifetime expected credit loss.

34.0% of standard terms trade receivables are 120 days or more past due (2020: 36.2%). These receivables arise primarily in Critical Care and Your Law where our standard credit terms are 30 days. 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.

Accrued income balances of £10,946,000 (2020: £12,981,000) represent amounts contractually due from customers that have not yet been invoiced but where there is a contractual obligation to settle funds once they become due. All accrued income of this nature is granted on extended credit terms of up to 36 months and none is yet due for payment.

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

	2021 £000	2020 £000
Balance at 1 January	673	554
Allowance released	67	119
Allowance utilised	–	–
Balance at 31 December	740	673

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.

The determination of the expected credit losses is detailed in the accounting policies under Critical accounting judgements and key sources of estimation uncertainty.

The Group determines whether its assets have a high level of credit risk or low level of credit risk on initial recognition by considering the past history of that customer (if known) or where assets relate to a new customer, credit checks are performed and the risk assessed based on the outcome of these reports. The Group determines whether the credit risk of its financial assets has increased since initial recognition by considering a) historical factors such as adherence to payment terms and length of time to settle payments and b) forward looking factors such as the anticipated condition of the market in which its customers operate. The Group has not identified any significant increases to the credit risk of any of its financial assets in 2021. This assessment applies to both trade receivables and accrued income.

24 Financial instruments continued

(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:

2021	**Secured bank loans £000**	**Lease liabilities £000**	**Trade and other payables £000**	**Total £000**
Carrying amount	**(18,000)**	**(2,195)**	**(15,754)**	**(35,949)**
Contractual cash flows:				
1 year or less	**(468)**	**(295)**	**(8,532)**	**(9,295)**
1 to 2 years	**(468)**	**(277)**	**(7,222)**	**(7,967)**
2 to 5 years	**(18,468)**	**(858)**	**–**	**(19,326)**
5 years or more	**–**	**(1,015)**	**–**	**(1,015)**
	(19,404)	**(2,445)**	**(15,754)**	**(37,603)**

2020	Secured bank loans £000	Lease liabilities £000	Trade and other payables £000	Total £000
Carrying amount	(20,000)	(2,443)	(16,843)	(39,286)
Contractual cash flows:				
1 year or less	(400)	(287)	(10,842)	(11,529)
1 to 2 years	(20,400)	(295)	(6,001)	(26,696)
2 to 5 years	–	(853)	–	(853)
5 years or more	–	(1,306)	–	(1,306)
	(20,800)	(2,741)	(16,843)	(40,384)

(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.

24 Financial instruments continued

At the balance sheet dates, the only interest-bearing financial asset is cash. Cash is held to meet liabilities as they fall due and is not held for investment purposes, therefore there is not considered to be an interest rate risk associated with cash.

	2021 £000	2020 £000
Variable rate instruments		
Financial liabilities	**18,000**	20,000
Total interest-bearing financial instruments	**18,000**	20,000

The Group manages the interest rate risk arising from its financial liabilities by monitoring its interest rates and the general market and consulting with its bankers to find the best way to mitigate any movements if it anticipates any significant changes to interest rates.

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.

	2021 £000	2020 £000
Profit for the year		
Increase	**90**	100
Decrease	**(90)**	(100)

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 2021 is 0.3:1.0 (2020: 0.3:1.0). The balance of the Group's capital as at 31 December 2021 was £74,619,000 comprising equity of £56,619,000 and bank loans of £18,000,000. The Group is subject to quarterly covenant testing against its bank loans. These covenants include minimum EBITDA and minimum free cash flow. The Group adhered to both these covenants in 2021 and is forecasting compliance for the foreseeable future.

25 Commitments

Capital commitments

At 31 December 2021 the Group had capital commitments of £nil (2020: £nil).

26 Transactions with owners, recorded directly in equity

Exercise of share options

During the year 85,000 (2020: 61,506) share options were exercised which resulted in the issue of 85,000 (2020: 61,506) new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £213 (2020: £154) for the Group.

27 Dividends

No dividends were paid in 2021 or 2020.

28 Related parties

Transactions with key management personnel

Key management personnel in situ at the 31 December 2021 and their immediate relatives control 0.3% (2020: 0.3%) 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 Law Limited, Homeward Legal Limited, 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

	2021 £000	2020 £000
Short-term employment benefits	**1,918**	1,897
Termination benefits	**129**	179
	2,047	2,076

29 Net debt

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

	2021 £000	2020 £000
Cash and cash equivalents	**2,458**	3,609
Other interest-bearing loans and borrowings	**(17,910)**	(19,901)
Net debt	**(15,452)**	(16,292)
Lease liabilities	**(2,195)**	(2,443)

29 Net debt continued

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

	2021 £000	2020 £000
Net (decrease)/increase in cash and cash equivalents	**(1,151)**	1,045
Net inflow from decrease in debt and debt financing	**2,000**	3,750
Movement in net borrowings resulting from cash flows	**849**	4,795
Non-cash movements – net release of prepaid loan arrangement fees	**(9)**	(57)
Net debt at beginning of period	**(16,292)**	(21,030)
Net debt at end of period	**(15,452)**	(16,292)

Set out below is a reconciliation of movements in lease liabilities arising from financing activities:

	2021 £000	2020 £000
Net outflow from decrease in lease liabilities	**166**	558
Movement in lease liabilities resulting from cash flows	**166**	558
Non-cash movements arising from initial recognition of new lease liabilities, revisions and interest charges	**82**	(2,754)
Lease liabilities at beginning of period	**(2,443)**	(247)
Lease liabilities at end of period	**(2,195)**	(2,443)

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Investments	2	**52,700**	52,700
Current assets			
Trade and other receivables	3	**32,334**	31,933
Net assets		**85,034**	84,633
Equity			
Share capital	5	**116**	115
Share option reserve		**4,312**	3,912
Share premium		**14,595**	14,595
Retained earnings at end of year		**66,011**	66,011
Shareholders' funds		**85,034**	84,633

The Company profit for the year was £nil (2020: £nil).

The notes on pages 130–135 form part of these financial statements.

These financial statements were approved by the Board of Directors on 28 March 2022 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 2021

	Note	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020		115	3,389	14,595	–	66,011	84,110
Total comprehensive income for the year							
Profit for the year		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–
Transactions with owners, recorded directly in equity							
Share based payments	6	–	523	–	–	–	523
Balance at 31 December 2020		**115**	**3,912**	**14,595**	**–**	**66,011**	**84,633**
Total comprehensive income for the year		–	–	–	–	–	–
Profit for the year		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–
Transactions with owners, recorded directly in equity							
Share based payments	6	–	400	–	–	–	400
Issue of share capital	5	1	–	–	–	–	1
Balance at 31 December 2021		**116**	**4,312**	**14,595**	**–**	**66,011**	**85,034**

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the year	**–**	–
Adjustments for:		
Share based payments	**400**	523
	400	523
Increase in trade and other receivables	**(401)**	(523)
Net cash generated from operating activities	**(1)**	–
Cash flows from financing activities		
New share issue	**1**	–
Dividends paid	**–**	–
Net cash used in financing activities	**1**	–
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 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 (2020: £nil).

Critical accounting judgements and key sources of estimation

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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

Calculation of value in use to support recoverable amount of investment in subsidiary undertaking

The Board has reviewed its 5-year forecasts based on current market trends and has factored in a slower market recovery than that used in previous years. Because of the inherent unknown speed of market recovery as the country recovers from COVID-19 in the coming years, the estimation of value in use may differ should the market recover at a differing speed than expected. This could lead to either a higher value in use if the market recovers quicker than anticipated or lower if there is a prolonged period of cautious consumer behaviour. A lower value in use may result in a potential impairment.

The Board considers that the assumptions adopted in the calculation of valuation in use are supportable, reasonable and based on the best evidence available at present. The key determination for the calculation is the number of enquiries generated by the Personal Injury business and growth in Critical Care. The Board has adopted a conservative approach to both of these assumptions and has assumed a cautious and gradual recovery to pre-COVID levels over the short-term.

New standards and amendments adopted by the Company

The Company has not adopted any new standards or amendments.

New standards, interpretations and amendments not yet effective

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

Going concern

The Company had net assets of £85,034,000 (2020: £84,633,000) and net current assets of £32,334,000 (2020: £31,933,000) as at each year end.

Details of the Directors' going concern assessment for the Group and Company can be found under 'Going Concern' in note 1 to the Group financial statements on page 94.

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.

1 Accounting policies continued

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 re-coverable 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 de-termine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Investments

The Company has the following investments in subsidiaries:

Name of subsidiary	Country of incorporation and principal place of business	Class of shares held	Principal activity	Ownership 2021	Ownership 2020
Consumer Champion Group Limited[2]	United Kingdom	Ordinary	Holding company	**100%**	100%
Bush & Company Rehabilitation Limited[2]	United Kingdom	Ordinary	Critical care services	**100%**	100%
Homeward Legal Limited[2]	United Kingdom	Ordinary	Agency services for solicitors	**100%**	100%
NAH Holdings Limited[2]	United Kingdom	Ordinary	Holding company	**100%**	100%
NAH Group Ltd[2]	United Kingdom	Ordinary	Holding company	**100%**	100%
NAHL Support Services Limited[2]	United Kingdom	Ordinary	Provision of shared services to the Group	**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%
National Accident Helpline Limited	United Kingdom	Ordinary	Dormant	**100%**	100%
NAH Legal Services Limited	United Kingdom	Ordinary	Dormant	**100%**	100%
Searches UK Limited[2]	United Kingdom	Ordinary	Agency services for solicitors	**100%**	100%
Inside Eye Limited	United Kingdom	Ordinary	Dormant	**100%**	100%
Project Jupiter Limited[2]	United Kingdom	Ordinary	Holding company	**100%**	100%
Your Law LLP[1]	United Kingdom	n/a	Personal Injury lawyers	**75%**	75%
National Accident Law Limited[2]	United Kingdom	Ordinary	Personal Injury lawyers	**100%**	100%
Law Together LLP[1]	United Kingdom	n/a	Personal Injury lawyers	**50%**	50%
National Conveyancing Partners Ltd[2]	United Kingdom	Ordinary	Outsourcing of staff	**100%**	100%

1. Your Law LLP and Law Together LLP are Limited Liability Partnerships. 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.

2. The above 100% subsidiaries have taken the exemption from audit under section 479a of the Companies Act 2006.

The registered office of all of the above 100% subsidiaries is Bevan House, Kettering Parkway, Kettering, Northamptonshire, NN15 6XR.

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

The registered office of Law Together LLP is Castlefield House, Liverpool Road, Manchester, M3 4SB.

2 Investments continued

At 31 December 2021 the value of the investment in Consumer Champion Group Limited, its only directly owned subsidiary, was as follows:

Valuation	Total £000
At 1 January 2021 and 31 December 2021	**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 2021 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 8.4%. 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 the value in use is most sensitive to changes in assumptions concerning the forecasts. See Critical accounting judgements and key sources of estimation uncertainty in note 1 for further details.

3 Trade and other receivables

	2021 £000	2020 £000
Amounts due from Group undertakings	**32,334**	31,933

Amounts due from Group undertakings are interest free and repayable upon demand.

4 Financial instruments

a) 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 management have undertaken a review of recoverability as part of their annual impairment assessment and have concluded that the subsidiaries are expected to be able to generate sufficient future cash flows to repay the balances in full. 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.

	Carrying amount 2021 £000	**Fair value 2021 £000**	Carrying amount 2020 £000	Fair value 2020 £000
Amounts due from Group undertakings	**32,334**	**32,334**	31,933	31,933
Total financial assets	**32,334**	**32,334**	31,933	31,933

b) Capital management

The Company'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 Company's equity, i.e. share capital including preference shares, share premium, own shares and retained earnings. The balance of the Company's capital as at 31 December 2021 was £85,034,000.

5 Share capital

	2021	2020
Number of shares		
Opening: 'A' Ordinary Shares of £0.0025 each	**46,240,222**	46,178,716
Issued during the year	**85,000**	61,506
Closing: 'A' Ordinary Shares of £0.0025 each	**46,325,222**	46,240,222
	£000	£000
Allotted, called up and fully paid		
Opening: 46,240,222 (2020: 46,178,716) 'A' Ordinary Shares of £0.0025 each	**115**	115
Issued during the year: 85,000 (2020: 61,506) 'A' Ordinary shares of £0.0025 each	**1**	–
Closing: 46,325,222 (2020: 46,240,222) 'A' Ordinary Shares of £0.0025 each	**116**	115
Shares classified in equity		
Opening shares classified in equity	**115**	115
Issued during the year	**1**	–
Closing balance	**116**	115

The holders of 'A' Ordinary shares are entitled to one vote per share at the meetings of the Company and to dividends as declared in proportion to the amounts paid up on the ordinary shares.

6 Share based payments

The Company operates three employee share plans. Details of these can be found in note 22 to the Group accounts.

7 Staff costs and numbers

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

8 Related parties

Details of transactions with key management personnel can be found in note 28 to the Group accounts.

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