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FOCUSED ON THE FUTURE

Annual Report
and Accounts
2019

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THE YEAR IN REVIEW

The Group faced challenging market conditions this year but we have continued to make good progress with our strategic change agenda.

Our supply of personal injury enquiries in 2019 was impacted by competitive markets which resulted in high acquisition costs; and the demand from our panel of law firms fluctuated throughout the year. Despite these challenges, we were able to grow underlying operating profit in Personal Injury, albeit these factors have an impact on our future profits as our Alternative Business Structure (ABS) law firms now have fewer enquiries to process than we had originally planned.

2019 saw us launch two new ABS law firms and we terminated our partnership in another, National Law Partners, in January 2020. We now move forward with three firms which continue to scale and add value to the Group. Of these, National Accident Law is our wholly-owned ABS law firm, which was launched in April 2019. This is a key element of our strategy for growth and, to date, we have been encouraged by its performance.

We continue to face challenging markets, not only with delays in personal injury reforms causing uncertainty but also with a housing market in the UK that proved very difficult in 2019. Our Residential Property business gained market share during 2019 but this also came at a higher than planned lead cost and the division made a small loss. Since the end of the year the residential property market has been further impacted by the emergence of COVID-19 and we are yet to see the full impact of this.

We were particularly pleased with the performance of our Critical Care division, which continues to grow its market share and profits. New branding and investment in the functionality of its website has led to a growth in its pipeline of work and we look forward to more of the same in 2020.

This backdrop has been difficult but whilst we continue to navigate challenging markets and regulatory reform we remain confident that our strategy is the right one to deliver the best proposition for our customers and long-term growth in value for our shareholders.

2019 OVERVIEW

Financial Highlights

Revenue increased by 4.8% to

£51.3m

(2018: £49.0m)

Underlying operating profit maintained at

£12.2m

(2018: £12.1m)

Profit before tax decreased to

£2.2m

(2018: £9.8m), a result of previously announced exceptional costs in Personal Injury and an impairment charge of £5.3m recognised in respect of the Residential Property division

Underlying EPS (before NAL start-up losses) of

14.4p

(2018: 18.2p)

Net debt at 31 December 2019

£21.0m

(2018: £15.5m)

Operational highlights

Continued progress made in transforming and positioning Personal Injury business for long-term growth, including launch of National Accident Law, on time and on budget in

April 2019

Launch of fourth ABS law firm, Law Together LLP, in

October 2019

and agreement reached to terminate the Group's relationship in National Law Partners with effect from 2 January 2020

Claim volumes in Group's ABS law firms increased by

46.0%

Critical Care achieved growth in underlying operating profit of

10.9%

This is the fourth consecutive year of growth since acquisition in 2015

NAH recognised by the Sunday Times as one of the Top 100 Best Small Companies To Work For 2019

AT A GLANCE

Trust in our vision

NAHL Group plc stands alongside consumers at key stages of their lives – when it really matters. Whether moving house, recovering from an injury or coming to terms with sustaining a life changing trauma, our customers need to know that the people they use to support them are capable and trustworthy.

Every business within our three divisions is committed to delivering the best possible consumer experience, giving great service to their consumers, clients and customers as well as their legal and specialist care partners. Our Personal Injury division is breaking new

ground in how people who sustain an injury that wasn't their fault are treated – from its technologically-enabled and easy to use platform to the empathic and customer-driven processes it champions, it leads the way in ethical marketing practices.



When I got the settlement, it was such a relief. I got the confidence to go back to the gym, I started to feel like myself again. I couldn't have asked for a better experience.

Amelia, a National Accident Helpline customer



125,811
customers supported

Our vision

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

- Creating trusted brands that enable consumers to access the law
- Forging strategic customer partnerships that create mutual value
- Embracing developing technologies to reach and interact with our consumers and customers

Our mission

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

Our values

- We are curious
- We are driven
- We are passionate
- We are unified



Personal Injury

Attracting customers via its market leading brand sympathetically validating the legitimacy of their claim and connecting to an appropriate expert law firm or our own self-processing operations



Critical Care

Market leading provider of case managers and expert witnesses to solicitors and insurance companies in support of clients who have sustained serious and catastrophic injuries

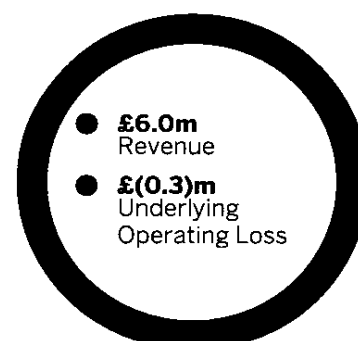
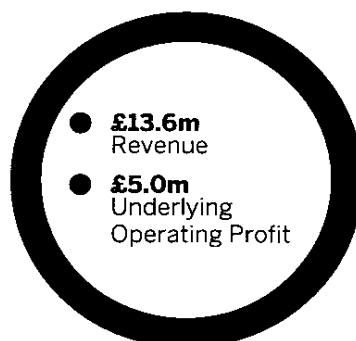


Residential Property

Provide support and information for consumers seeking conveyancing, searches and survey services, customers are then connected to a member of our carefully selected panel of law firms, conveyancers and solicitors.



BUSH & CO



YEAR OVERVIEW

Whilst the Group faced challenging market conditions, made more difficult by uncertainty around the forthcoming personal injury reforms, our businesses continued to make good progress with our strategic change agenda. The Personal Injury division launched its first wholly-owned ABS law firm; our Critical Care division strengthened its customer relationships delivering further growth; and despite a contracting market, our Residential Property division increased its market share.

2019 KEY ACHIEVEMENTS

2019 was another year of political and market uncertainty. Rather than waiting for events to happen the Group has proactively developed a strategy for growth that will enable it to take advantage of the new regulatory landscape as it emerges.

Personal Injury – delivering more value from a claim

Key to our strategy has been the launch of the Group's first wholly-owned ABS law firm, National Accident Law (NAL), providing customers with a technologically-enabled means of progressing their claim. Complementing the division's existing business model of panel law firms and joint venture ABS law firms, NAL is already making progress towards its ambition of becoming a market leading provider. This was coupled later in the year with the launch of a further ABS law firm, Law Together, which is operated in partnership with Horwich Cohen Coghlan Solicitors. This enhances the division's processing capacity while moving ever closer to the customer.

The division's vision and culture were recognised at the beginning of the year when it was placed in The Sunday Times Top 100 Best Small Companies to Work For list – an exceptional achievement.

The Sunday Times

100

Best Small
Companies to
Work For

A bold new look for Critical Care

Bush & Co has performed strongly again this year and has continued its growth trajectory. The launch of its new branding not only provided a bold, refreshed look but a website with enhanced functionality, that gives customers the ability to find exactly the right case manager or expert witness for them from Bush's roster of professional consultants.

Behind the scenes, Bush has begun the process of upgrading its technology platform to further improve performance and in January 2020 the business completed a move to new offices that will support its growth plans.

Bush & Co prides itself on its exceptional customer care and its commitment to delivering great support and value to the industry. This was recognised at the Personal Injury Awards in 2019 where it won the Supporting the Industry award, further enhancing its reputation in the market.



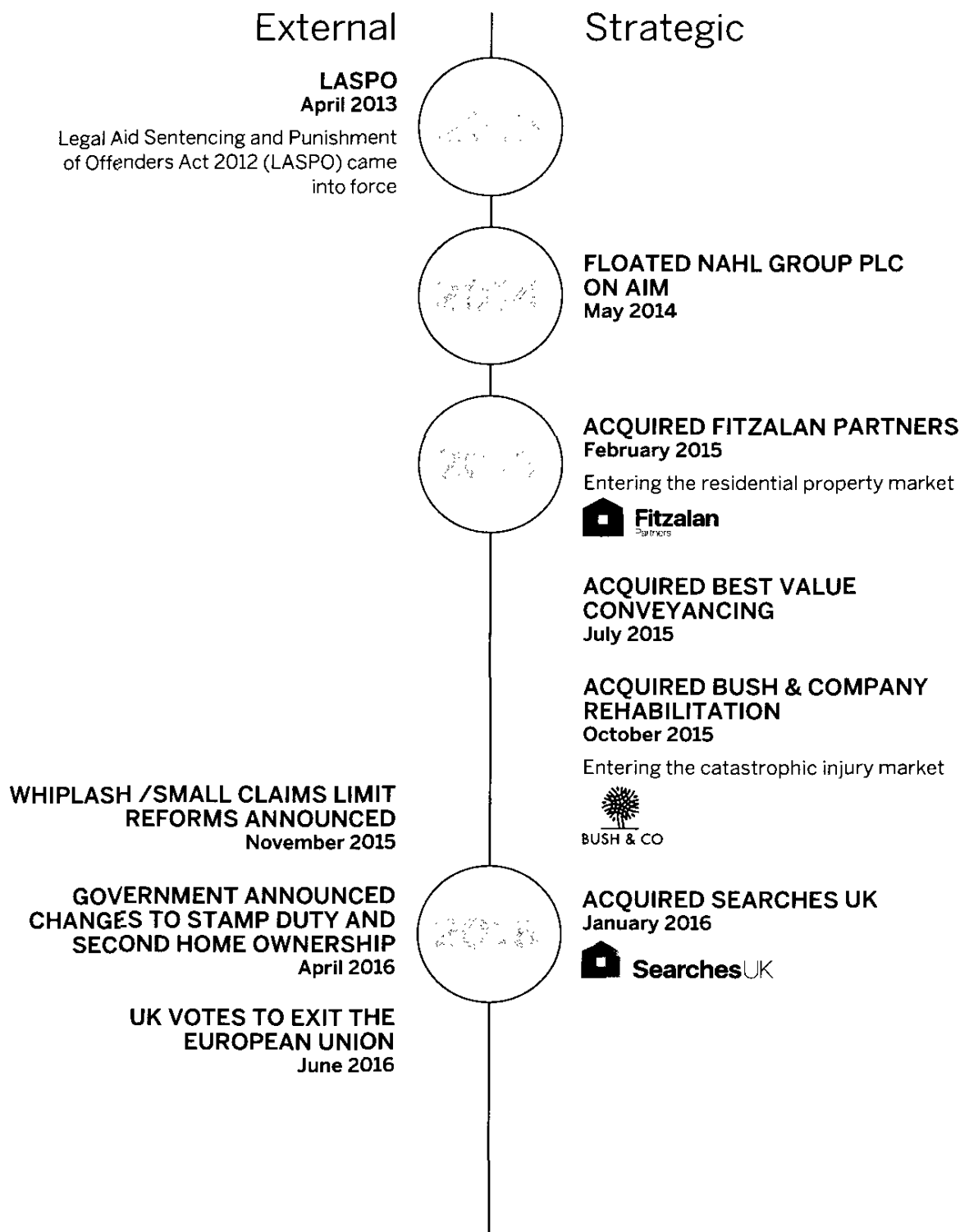
Growing market share in Residential Property

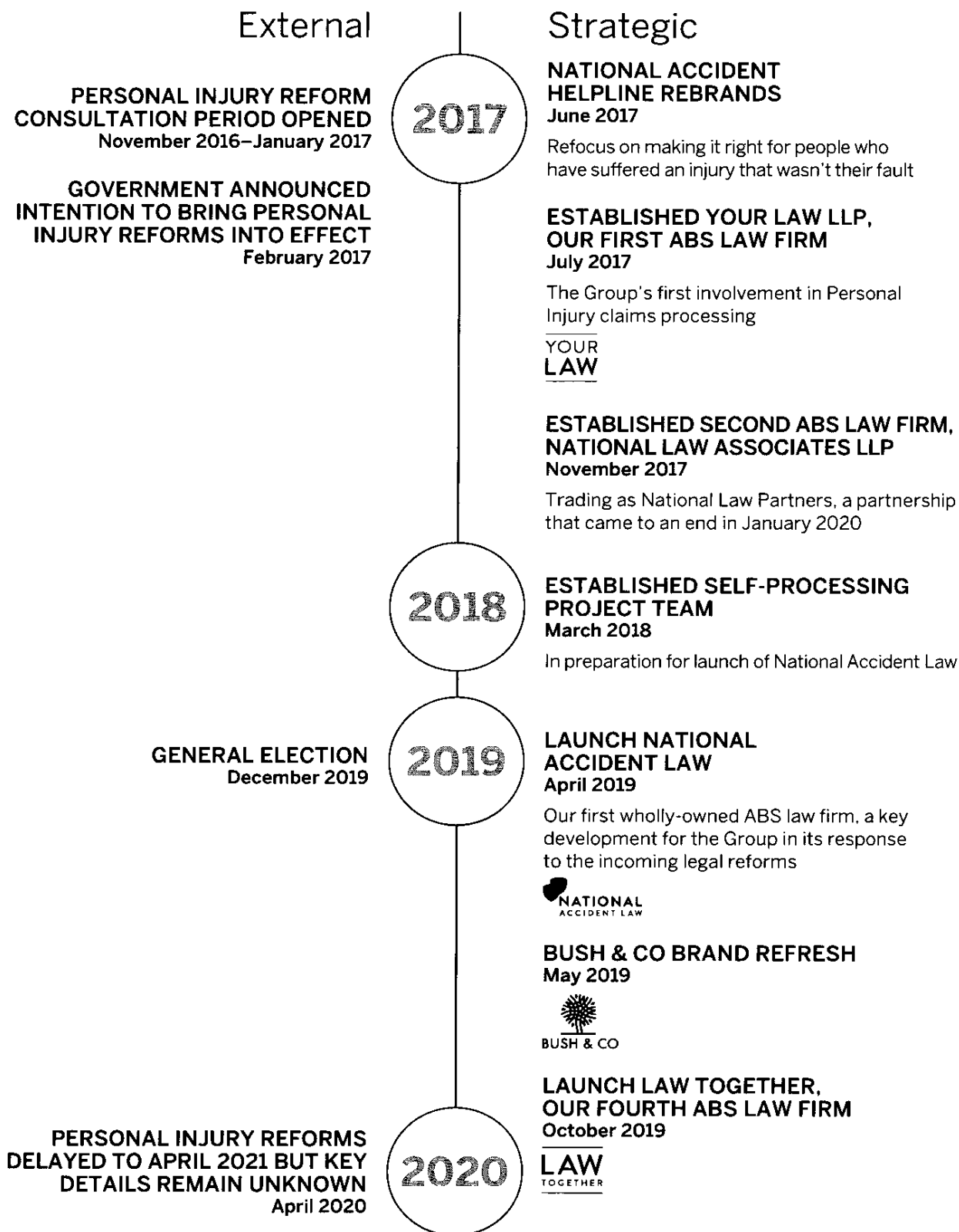
Despite the well-documented challenges in the housing market during 2019, the Residential Property division was successful in growing market share through a number of initiatives, including the development of strategic relationships with other market participants; and the launch of The Conveyancing Exchange, a platform targeted at estate agents.

The division also invested in re-platforming its websites and strengthened its management team to create a strong base for future growth. Unfortunately, the growth in market share came at a higher cost of acquisition than envisaged and the division made a small loss for the year.



TIMELINE





OUR BUSINESS

The Group operates across three sectors of the UK Legal Services Market which are valued at over £7bn. Our markets are evolving and in recent years have been challenged by political and regulatory uncertainties that have increased the risks we face. Our strategy is to leverage our brands, technology and deep understanding of our markets to deliver the best outcomes for our customers and maximise value for our shareholders.

MARKET OVERVIEW

Our evolving sectors

The markets that the Group operates in are constantly changing as external factors continue to impact customer behaviour. During 2019, the business experienced considerable volatility due to challenging conditions in the markets in which it operates. (Please see Chief Executive's Report on page 29 for more details).

UK Legal Services is a large market, estimated at over £37bn in size, that grew at 3.9% in the last year¹. The Group operates in three sectors of UK Legal Services corresponding to its three divisions.

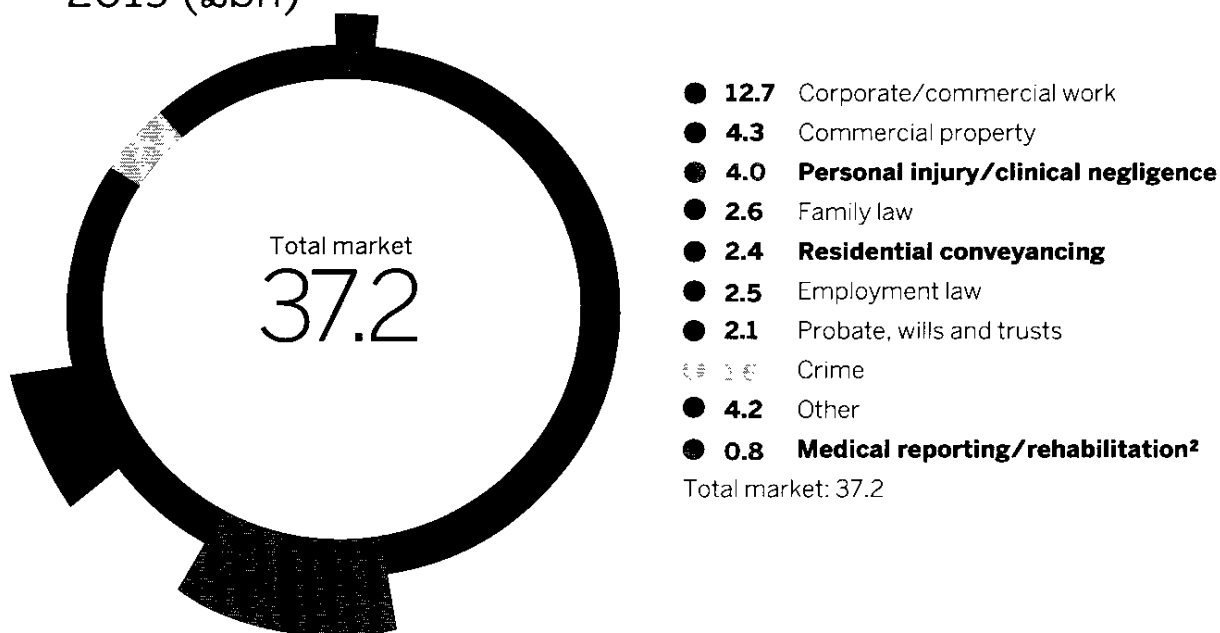
UK Legal Services:

- The personal injury market has been impacted by regulatory change with the latest set of reforms recently delayed again. The Government was targeting an implementation date of August 2020, however, with the COVID-19 crisis taking hold, this date will now be April 2021.
- In recent years the UK residential property market has been declining and this decline accelerated during 2019 with the delays to the UK's exit from the European Union creating uncertainty as homeowners and would-be homeowners deferred decision making. The COVID-19 outbreak brought the residential property market to a standstill in the first quarter of 2020 and we expect the continuing impact of this to be seen for much of the year.
- The catastrophic injury market is a sub-set of the medical reporting/rehabilitation market which has been less affected by regulatory or political factors and in recent years has grown broadly in line with inflation.

£7.2bn

Market Value of UK Legal Services sector serviced by NAHL Group plc companies

UK Legal Services Market by Key Practice Area, 2019 (£bn)¹



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

2017/18	853,615
2018/19	852,356

Claim type

- 2017/18
- 2018/19

Clinical Negligence	17,400	
	16,809	
Employer	69,230	
	89,461	
Motor	650,019	
	660,608	
Public	96,067	
	85,472	
Other*	19,172	
	7,614	
Liability not known	1,727	
	2,392	

*Not an area of focus for the Group

¹ Source: IRN Research, UK Legal Services Market Report, February 2020

² Source: IRN Medico-Legal Insurance Services Report, May 2019

MARKET OVERVIEW



Personal Injury

The Personal Injury market saw a small increase of 1% in claims registered with the Claims Recovery Unit (CRU) in 2018/19 with a total of 862,356 claims registered, providing a total market value of £4bn. Road Traffic Accidents (RTA) claim volumes have seen a return to modest growth in 2018/19.

Political uncertainty has led to a delay in the publication of the detail behind critical elements to the Government's personal injury reforms which will now take effect in April 2021. This continued uncertainty has led to ongoing volatility in panel demand and we expect further contraction in the volume of enquiries going to our panel. In addition, the large direct players who have not traditionally formed part of our panel, continue to compete heavily for enquiries driving our cost of acquisition up. We expect both these factors to be a continued feature of the market until the reforms are implemented.



Critical Care

The catastrophic injury market is a subset of the medical reporting/rehabilitation market that we estimate to be £85m–£90m in size. It is a relatively mature market and in recent years it has been growing at an inflationary rate.

The market continues to be highly fragmented, with numerous small-scale operations focused on providing a local service. We anticipate larger organisations with scale and procurement agility to grow market share by leveraging their national reach and formalised relationships with customers and insurers. Opportunity also exists for providers to expand their service offering into adjacent areas, thereby increasing the size of their available market.

The market for qualified consultants remains competitive with case management companies looking to attract the best talent. Successful providers remain focused on offering this group the best possible resources and support to deliver against their shared goals and to support their ongoing professional development.

Personal Injury Market

£4.0bn

Critical Care Market

£0.8bn



Residential Property

The residential property market in the UK contracted during 2019 as the uncertainty and delay stemming from the country's exit from the European Union affected consumer confidence.

Since the General Election in December 2019, there had been early signs of recovery in the market, however, this was prior to the emergence of COVID-19 in the UK in February 2020 which, subsequently, brought the property market to a standstill.

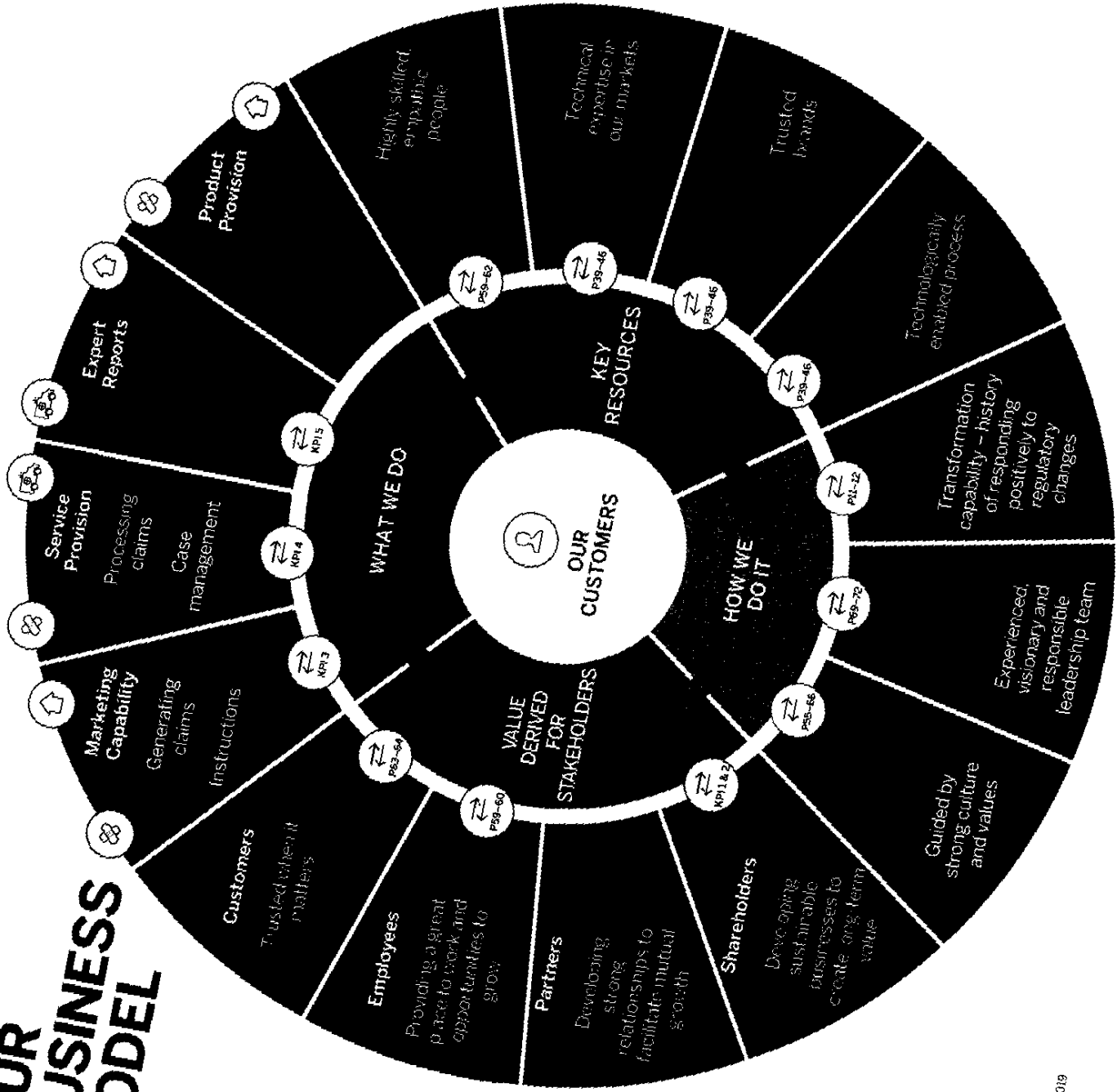
Residential Property Market

£2.4bn

OUR BUSINESS MODEL

Our business model has our customers at its heart. Using our market leading brands and reputation we generate leads for our expert services and products. These are delivered by our skilled, empathic and expert colleagues and our technologically-enabled processes. Guided by our strong culture and Values set, our experienced, visionary and responsible leaders draw on our history of transformational action to seek creative and industry disruptive solutions.

OUR BUSINESS MODEL



KEY PERFORMANCE INDICATORS

The Board monitors a number of Key Performance Indicators (KPIs) to assess the Group's performance against its strategic objectives. These KPIs 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 a number of non-financial KPIs that help it track progress in areas that are critical for the long-term success of the Group. These non-financial KPIs are not directly reflected in the Group's financial statements but are assessed on a regular basis and managed by the respective divisional management teams.

1 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/from non-controlling interests. The reduction of free cash flow is as a result of a delay in receiving amounts due from the Group's partners in National Law Partners. Following a settlement reached in December 2019, £5m will be paid to the Group in this regard over the next three years. (Please see CFO Report on page 35 for more details and note 2 for a reconciliation of this figure to statutory measures).

● Free cash flow (£'000)



2 Profitability Underlying Earnings per share (EPS)

Underlying EPS excludes the non-controlling interests' share of profits along with exceptional items and certain one-off costs, to derive a profit metric on a per share basis that reflects the underlying performance of the business. Underlying EPS has decreased year on year due to a higher proportion of profits being attributable to non-controlling interests (2019: £4.5m, 2018: £1.7m). (Please see CFO Report on page 35 for more details and note 2 for a reconciliation of this figure to statutory measures.)

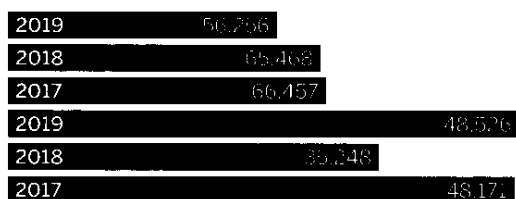
● Underlying Earnings per share (p)



3 Marketing services Enquiries/ Instructions generated

Our ability to generate personal injury enquiries and conveyancing instructions and balance these against market demand and available working capital, are a core element of our transforming business model. These represent leading indicators of our ability to generate revenue. Competitive pressure in the personal injury market and panel volatility led to a decline in enquiry volumes in National Accident Helpline whilst Residential Property were able to grow enquiry volume, albeit at an increased cost of acquisition. (Please see Chief Executive's Report on page 29 for more details).

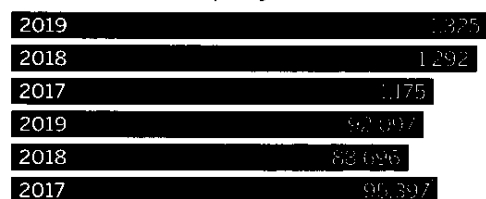
- National Accident Helpline
- Residential Property



5 Expert reports Reports issued – Critical Care/ Residential Property

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

- Critical Care
- Residential Property



4 Service provision Ongoing claims/ Open case management cases

Our ability to generate revenue on processing personal injury claims is dependent on successful settlement of claims. Our ongoing claims represents a store of value that will convert to revenue in future years as the claims progress through the legal process and, ultimately, settle. In Critical Care, we invoice on a monthly basis for support provided to clients. The growth in ongoing claims in ABSs is expected to grow in the mid-term as our two new ABSs launched in 2019 (National Accident Law and Law Together) continue to scale. Critical Care continues to grow case management cases organically. (Please see Chief Executive's Report on page 29 for more details).

- Open case management cases in Critical Care
- Ongoing claims in ABSs



STRATEGIC REPORT

Our businesses continued to prepare for legal reforms and changes in their markets, increasing market share and reshaping their business models for growth.

Alternative performance measures

Some commentary in this report uses alternative performance measures, denoted by the prefix “underlying”. Definitions and reconciliations to the IFRS measures are included in note 2 to the financial statements.

CHAIR'S REPORT

2019 has been a challenging year for NAHL Group plc and its Board and has tested the resilience of the operations and the adaptability of the team. 2020 is presenting a new set of challenges related to the spread of COVID-19.

During the year, continued political and regulatory uncertainties in our markets have increased the risks faced by the Group. Please see Principal Risks and Uncertainties on page 47 for more details. The residential property sector experienced depressed market conditions in 2019 and the personal injury market experienced challenges in both supply and demand. In light of a challenging set of circumstances, management has sought to mitigate operating risks during the year, including the slowing of investment in work in progress, with some success. The Group as a whole has fallen short of the financial targets set by the Board despite good performances from some of our businesses, most notably Critical Care.

2019 results

Group revenues increased to £51.3m (2018: £49.0m) and we made notable progress in delivering the Group's strategy. Despite this progress, underlying operating profit was flat at £12.2m (2018: £12.1m) due to difficult conditions in the residential property market. Profit before tax declined to £2.2m (2018: £9.8m) as a result of exceptional costs in Personal Injury and an impairment charge recognised in respect of the Residential Property division. Basic earnings per share declined to (6.4)p (2018: 14.5p) and year end net debt was £21.0m (2018: £15.5m). Please see CFO Report on page 35 for further details.

Our Critical Care business continued its impressive growth trajectory in the year, achieving revenues of £13.6m (2018: £12.4m) and delivering 10.9% annual growth in underlying operating profit (2019: £5.0m; 2018: £4.5m). During the year, the business continued to invest in the development of its core markets, increasing its market share and growing its pipeline of work.

The Personal Injury division grew revenues to £31.7m (2018: £29.5m) and whilst underlying operating profit grew to £9.1m (2018: £8.4m), the amount of profit attributable to non-controlling interests in our joint venture ABS law firms increased to £4.5m (2018: £1.7m). Our business transformation continued with the successful launch of our wholly-owned ABS law firm, National Accident Law, and the establishment of a new joint venture ABS law firm, Law Together.

We experienced reduced supply in the market for personal injury enquiries and higher costs to acquire them amidst competitive pressures, together with declining processing appetite from our panel law firms.

Results in our Residential Property division, particularly in the second half, disappointed with revenues of £6.0m (2018 £6.4m) and an underlying operating loss of £0.3m (2018 profit £0.7m). In light of the obvious weaknesses in the UK housing market, further evidenced by the recent impact of COVID-19, the Directors have decided to book an impairment provision against the goodwill and other intangible assets relating to this division. Please see Chief Executive's Report on page 29 and divisional reports on pages 39–46 for more details on divisional performance.

Operating cash flows were adversely impacted by the specific commercial challenges seen in the Personal Injury division. However, the previously announced negotiated settlement with a former joint venture partner will result in the Group receiving £5m over the next three years. Year end net debt was higher than anticipated at £21.0m; we will work to reduce this in 2020 whilst investing carefully in processing claims in our ABS law

firms. Despite the Personal Injury division facing its challenges, it was nonetheless pleasing to see growth in the number of ongoing claims in our legal services business. This represents a store of value, which we are confident will deliver growth in future years, as the claims are realised in full.

Governance

Following an evaluation in the first half of 2019, we took steps to strengthen the Board in terms of experience and governance. In July, Sally Tilleray, a finance specialist and Non-Executive Director, joined the Board. She became Chair of the Audit & Risk Committee in September. In early 2020, we appointed Tim Aspinall as Senior Independent Director. He is a seasoned legal professional who has served on our Board since June 2016. Please see Governance Statement on page 75 for more details.

Dividend

The Group had paid an interim dividend for the year ended 31 December 2019 of 2.6p per share (2018: 3.2p). As previously announced, in early 2020 the Board took the difficult decision to suspend the dividend and not to propose a final dividend. This decision allows us to reduce net debt and de-risk the balance sheet.

Summary

The resulting 2019 outturn, together with continued regulatory uncertainty, has meant that the financial returns from the strategic transformation of our Personal Injury business model are taking longer than expected to be realised. We remain committed to our strategy of maximising the value of the work that we generate through a combination of self-processing and the application of consumer-focused technological solutions.

I want to express the Board's appreciation to all our customers, employees and partners working with the Group as we navigate what are now extremely challenging market conditions in light of the COVID-19 global pandemic. Our Group has a strong purpose and I am extremely grateful for our employees' enthusiasm and dedication. Finally, I would like to thank our shareholders for their patience whilst the Board takes the necessary steps to deliver value and a sustainable business model.

Caroline Brown

Chair

27 April 2020

Group revenues
increased to

£51.3m

(2018: £49.0m)

Underlying operating profit

£12.2m

(2018: £12.1m)

Critical Care annual growth
in underlying operating profit

10.9%



Following a Board evaluation in the first half of 2019, we took steps to strengthen the Board in terms of experience and governance.



CHIEF EXECUTIVE'S REPORT

Navigating change in complex markets

Overview

2019 was undoubtedly a challenging trading year for the Group. The markets in which we operate were volatile and competitive, while the long-awaited clarification of the timing and nature of the regulatory reforms in the personal injury market failed to materialise. This resulted in continued uncertainty amongst our key customer base. We also faced some commercial challenges as we sought to optimise our ABS law firm processing operations. The ongoing funding of work within our Personal Injury business impacts short-term profit recognition and cash conversion and this is clearly reflected in our year-on-year comparisons.

However, we made solid strategic progress across the Group successfully implementing several key initiatives including the launch of National Accident Law, our wholly-owned Personal Injury processing unit and a new ABS law firm partnership, Law Together. These initiatives were delivered on time and on budget and represent the fundamental building blocks of the future growth of the business.



We made solid strategic progress across the Group successfully implementing several key initiatives including the launch of National Accident Law, our wholly-owned Personal Injury processing unit and a new ABS partnership, Law Together.



Additionally, I am delighted with the progress that we have made in Critical Care which has, once again, delivered double-digit profit growth.

Results

The Group delivered underlying operating profit of £12.2m from revenue of £51.3m for the year. This was lower than the Board's original expectations caused mainly by the changing business mix and exceptional costs in the Personal Injury division and the Residential Property division returning a modest loss. Residential Property operates in a UK market that has been dominated by political uncertainty and which contracted in 2019. On a more positive note Critical Care had another strong year of underlying operating profit growth.

Toward the end of the year, as previously announced, the Group reached an agreement to terminate its relationship in respect of National Law Partners, one of its ABS law firm partnerships. As part of this agreement the Group will receive £5m over three years in payment for historic panel enquiries while registering a one-off provision

recognised in exceptional costs amounting to £1.2m in the 2019 financial year. This settlement avoided a protracted dispute and the prospect of complex and time-consuming litigation between the parties.

The Group continues to carefully manage its balance sheet and net debt as we transform the Personal Injury business to take advantage of market opportunity and invest in Critical Care to underpin its future growth.

Market overview

The Group operates leading brands in the large and fragmented UK legal services market with a focus on personal injury, medical reporting/ rehabilitation and residential conveyancing.

The overall personal injury market peaked at a level of just over one million claims in 2013 and since that point volumes have decreased primarily as a result of reductions in Road Traffic Accident (RTA) claims. The main claim types that make up the personal injury division's focus, non-RTA, have remained broadly static with any reductions taking place in sectors such as travel sickness claims which are not part of our core personal injury target market.

Law firms are feeling the cumulative impact of previous legislation and the prospect of the forthcoming reforms. The increase in the small claims limit to £5,000 in RTA (£2,000 in non-RTA) removes the prospect of legal fees for a large proportion of their work which, combined with a significant reduction in damages for consumers, will have a material impact on law firm revenue. This has led many traditional panel firms to question the long-term viability of their business model in personal injury. Overall, market conditions reduce demand for the type of enquiries we provide. Our anticipation of this has been the driving force behind our strategy to build our own processing capability. However, in addition to long term reductions in panel demand, we have seen some of the larger players in the field continue to compete aggressively as they build their book of work prior to reform implementation.

From a regulatory perspective the Civil Liabilities Bill received Royal Assent in December 2018 and, until recently, implementation was planned for August 2020. However, with the emergence of the COVID-19 epidemic, the Ministry of Justice recently announced that this will now take effect in April 2021.

Our Critical Care division trading as Bush & Co. is the brand leader in the catastrophic injury segment of the medical reporting and rehabilitation market, where we provide expert witness and case management services. This market is growing at between 1 and 2%¹ per annum and is not directly affected by the personal injury reforms.

Residential Property operates within the UK residential housing market and as such the division has been directly impacted by well-documented challenges facing this sector. The decline in transaction volumes accelerated during the year as political uncertainty drove caution amongst buyers and sellers. Despite making gains in market share during the year the overall decline created challenges for the division.

Strategic development

Personal Injury

As already mentioned, the core of our Personal Injury strategy has been driven by significant structural change in the market. Whilst the continuing delays and uncertainties surrounding the timing and implementation of the reforms have made navigating the transformation of our Personal Injury business challenging, we have nevertheless made excellent progress. In April we launched National Accident Law (NAL) our wholly-owned ABS law firm focused on processing our own enquiries in a post-reform environment. We have been very pleased by early trading at NAL and are confident that we have created an efficient, technologically-enabled business unit that will be a leading processor of personal injury claims in the post-reform world and, in particular, those claims that will be defined as small claims.

In addition, we are happy with continued progress and delivery from the Group's wider legal services strategy. Our first and largest ABS, Your Law LLP, continues to perform well and is profitable in its own right. We are also encouraged by the early results from our new partnership, Law Together. These self-processing operations continue to scale up and we have significantly increased the number of cases we are handling.

The Group's Personal Injury business now comprises the following:

- National Accident Helpline (the UK's most trusted personal injury brand)
- National Accident Law (wholly-owned ABS law firm)

¹ Management Estimate

At the end of 2019 we had, since inception:

Over

5,000

cases already won.

27,000

claims underway.

£19.3m

in damages recovered for individuals who have been a victim of someone else's negligence.

- Your Law (joint venture ABS law firm)
- Law Together (joint venture ABS law firm)

During 2019 Personal Injury faced a competitively challenging market and continued panel volatility. This required us to manage volumes carefully and optimise placement throughout the year resulting in a lower overall volume of enquiries than planned with fewer going into NAL. However, we did grow the overall book of cases by 46.0%. This careful management of working capital to balance risk and reward is a continuing feature of our business as we progress through the transition period.

Critical Care

In Critical Care we are examining the opportunities provided by both our core market and adjacent markets. We can use the skill sets we possess to expand our market share and to provide products and services in areas such as Court of Protection and Care which will underpin our continued growth over future years.

Residential Property

In Residential Property we are conducting a small-scale test on processing our own work in conjunction with a partner. Unlike personal injury claims, conveyancing instructions do not require any significant working capital investment but should enable us, over time, to offer consumers a better end-to-end service which will strengthen our marketing proposition.

¹ Gallup – State of the Global Workplace Report 2017

* Underlying earnings is based on profit attributable to shareholders of NAHL (i.e. excluding profits attributable to non-controlling interests) before the deduction of non-underlying costs.

Brands

The National Accident Helpline (NAH) brand remains the most trusted on the market¹ and during 2019 we continued our investment in TV advertising which underpins our significant commitment to digital marketing and Search Engine Optimisation. As we have already mentioned we faced ongoing competitor activity throughout the period which required us to continually review and alter our volumes and we adjusted our TV investment to be always on air which helps the brand remain front of mind for consumers. During the final quarter we began work to refresh the NAH campaign to ensure it continues to cut through in a busy TV advertising market.

Bush & Co once again grew its market share and following a full marketing audit launched a brand refresh which included upgrading our websites and developing the capability to receive enquiries digitally. Our centrepiece annual clinical conference was again a great success, bringing together up to 200 lawyers, consultants and partners from across the industry. As well as this, we were pleased to receive the Supporting the Industry award at 2019's Personal Injury Awards.

Within Residential Property work commenced on a project to streamline its brand proposition providing greater focus on those brands that drive volume and value and reduce the costs of supporting a broad brand portfolio.

Operations and IT

A fundamental building block of our strategic transformation in Personal Injury is the technology that supports our processing. In order to create our own ABS law firm we invested in a new case management platform. This has enabled us to build our own bespoke interfaces and develop a consumer journey that is optimised for the new market realities as well as being highly efficient. This was launched on time and to budget and has been operating well since NAL commenced trading in April 2019.

We have also made excellent progress on our small claims proposition although, as we have stated, we require the MoJ to finalise several important matters prior to completing the operating system. We will also upgrade our legal support centre software during 2020 to enhance our ability to offer a seamless process for consumers.

During 2019 we also transitioned our NAH website moving it onto a new platform, which has enhanced loading speeds by up to 50% and improved the consumer experience. We also conducted a similar exercise in Residential Property which has improved our ability to adapt our messages in a timely fashion.

In addition, we have begun the process of upgrading our systems in Critical Care. We will be upgrading our core case management and office packages and developing a state-of-the-art reports tool that will enable our consultants to work more efficiently.

These investments support the continued growth of the Group and enable us to better adapt to the continually changing market circumstances that we face.

¹ Independently researched by The Nursery Research & Planning Ltd – November 2019

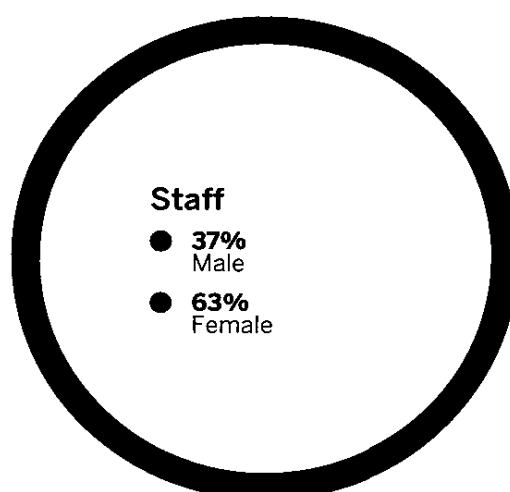
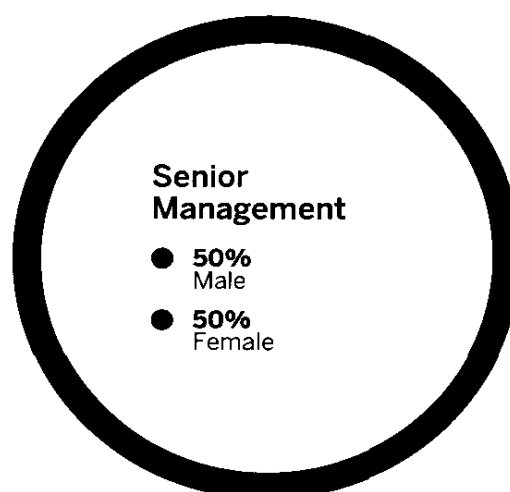
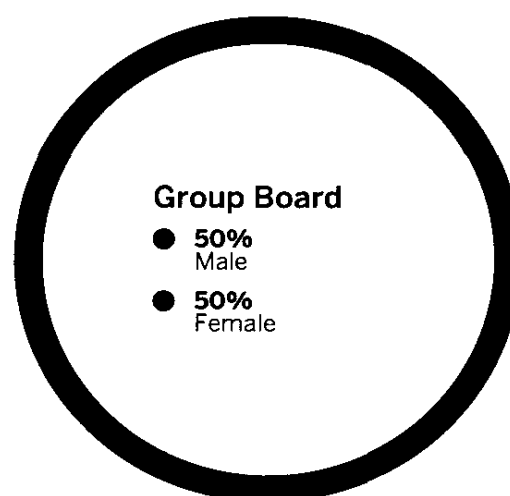
People and values

Delivering the transformation agenda across the Group against a backdrop of challenging market conditions requires a talented and committed team who can support our customers with a first-class service. Our values are central to the way that we do business and we are delighted with the way our people have supported the Group through this period of great change. We have continued to make significant progress with our people initiatives:

- Employee engagement scores that continue to significantly outperform the national average (79.5% against a UK average of 11%¹)
- 17 staff undertaking training through our Pathway to Leadership Programme
- Investors in People Silver awarded to Residential Property to go alongside our Silver award in Critical Care and Gold in NAH;
- NAH being recognised by The Sunday Times as one of the Top 100 Best Small Companies To Work For 2019; and
- Extending our in-house learning academy to benefit employees across the Group.

Our people and values make us who we are and our staff body (now in excess of 250 people and growing) is the cornerstone of our future growth.

Key to this is ensuring a positive gender balance in our leadership, management and staff bodies. This is evidenced by the following male/female gender split:



¹ OwnIt! survey results/Gallup State of the Workforce Report 2017

Outlook

As we started 2020, we were confident that the continued transformation of our Personal Injury division was progressing well; that Critical Care would continue to grow; and that Residential Property would gain market share and return a modest profit.

However, during March 2020 the emergence of COVID-19 in the UK and its potential impact on our business became our primary focus. In common with most other businesses, we are facing a major economic challenge which has the potential to severely disrupt demand for our offerings, erode confidence in our markets and create ongoing issues with delivering service. Our priority is the wellbeing of our employees and supporting our customers and business partners through these unprecedented times.

In response to this challenge, we have been developing and implementing business continuity plans that allow us to continue to trade and our well-supported systems are enabling home working and remote access for the vast majority of our teams. This has enabled us to continue to support customers and clients across our three divisions.

We have developed several scenarios to help us model the potential financial impacts on our business, although at present it is difficult to predict the broader and ongoing economic ramifications of the situation.

In our Personal Injury business, whilst we have seen a significant reduction in new enquiries our ABS law firms continue to process historic claims, agree settlements and generate cash. In order to manage our cash position during this period of uncertainty, the management are controlling enquiry volumes and placement decisions and reducing costs including adjusting marketing spend. However, these measures are expected to result in a reduction in volume of new claims placed into our ABS law firms which will impact future profits.

Since mid-March, the Group's Critical Care division has remained resilient with only a modest impact noted to date and this is expected to continue in the short to medium term. However, in adapting to new Government restrictions, conducting virtual expert witnesses and case management assessments may result in lower revenues per case. We have been able to utilise our newly developed technology to enable remote working which, when combined with the flexibility of our workforce, is enabling us to continue to support our clients through this difficult time.

In Residential Property, market volumes have been significantly impacted with any nascent housing market recovery failing to materialise as property viewings are cancelled, impacting both conveyancing activity and search volumes.

We have proactively taken measures to reduce our costs across the Group and ensure we have sufficient liquidity to operate the business through this period. We will continue to evaluate and implement further measures as necessary to optimise the structure of the business, maximise savings, reduce property and lease costs, leverage IT to support broader based home working and delay capital expenditure. Our aim is to ensure the sustainability of our business and to position it to benefit from the recovery in confidence that will follow. After the initial shock, during which the business adapted quickly, I expect the recovery will be a gradual process. Our experience in managing change in difficult markets should hold us in good stead.

NAHL Group plc is a resilient business with talented and committed people who are working through the impacts of this rapidly changing environment and I am confident that we can navigate the weeks and months ahead, emerging with our long term growth strategy in place.

Russell Atkinson

Chief Executive Officer

27 April 2020

CHIEF FINANCIAL OFFICER'S REPORT

Overview

The Group faced a number of challenges in 2019, including a weak residential property market; competitive pressures in personal injury exacerbated by uncertainty around the forthcoming Government reforms; and instability in some of its partner relationships. Although this led to a set of financial results that were lower than originally planned, it is clear that there are also some positives to draw out.

From an operational perspective, the Group grew revenue by 4.8% in 2019 and delivered £2.2m of profit before tax (2018: £9.8m). Our Critical Care division had another strong year, delivering growth in underlying operating profit of 10.9% and our Personal Injury division delivered marginally ahead on the Board's underlying operating profit expectation. In addition to this, the Group has built up claim volumes in its ABS law firms (including National Law Partners) from 10,274 ongoing claims at the start of the year to 15,005 at the end of the year (a growth of 46.0%). This represents a store of value, much of which has yet to be recognised in the financial results but will deliver growth in future years.

2019 was an important year strategically for the Group. We launched two new ABS law firms in the year, including our wholly-owned ABS, National Accident Law (NAL), on time and on budget in April 2019. We also continue to make good progress with our small claims proposition and started a programme of investment in technology and building new propositions in Critical Care as we look to develop our track record of growth in this business.

We invested in working capital during the year to facilitate growth in our ABS law firms and this required an increase in our net debt to £21.0m at year-end. The actions that the Board took in January 2020 to slow the deployment of working capital and suspend the dividend were aimed at de-risking the business. In light of COVID-19, we are carefully monitoring our balance sheet and believe that the Group will be able to manage net debt within the current headroom.

Review of income statement

	2019 £m	2018 £m	Growth %
Personal Injury	31.7	29.5	7.4
Critical Care	13.6	12.4	9.6
Residential Property	6.0	6.4	(5.3)
Pre-LASPO ATE	-	0.7	-
Revenue	51.3	49.0	4.8
Personal Injury – Excluding NAL start-up losses	10.0	8.4	19.1
Personal Injury – NAL start-up losses	(0.9)	-	-
Personal Injury	9.1	8.4	8.1
Critical Care	5.0	4.5	10.9
Residential Property	(0.3)	0.7	(142.4)
Group Costs	(1.6)	(1.5)	5.0
Underlying operating profit	12.2	12.1	0.5

Revenue

Revenue increased in the year by 4.8% from £49.0m to £51.3m, compared to a decrease of 5.7% in 2018.



The Group has grown claim volumes in its ABS law firms by 46.0% during the year. These represent a store of value that will contribute to growth in future years.



The Personal Injury division grew revenue by 7.4% from £29.5m to £31.7m in 2019. This compares with a contraction in revenue of 6.8% last year. As anticipated, revenue from Panel Law Firms continued to decline but this was offset by strong growth in legal services revenue as the Group's ABS law firm strategy started to deliver a material contribution. Our revenue recognition policy for the provision of legal services is set out in note 1 to the financial statements. Revenue in the law firms is recognised in milestones such that no revenue is recognised until liability for a claim is admitted by the defendant and much of the 2019 revenue relates to claims commenced in prior years.

As planned, Critical Care delivered another good performance, growing revenue 9.6% (2018: 12.2%) from £12.4m to £13.6m. It was pleasing to see both the case management and expert witness parts of the business performing strongly, with the former delivering 12.0% revenue growth.

Unfortunately, Residential Property faced significant market challenges as the number of transactions in the UK property market contracted further in 2019. As a result, revenues in this division fell by 5.3%.

An analysis of revenue by division is set out in the operating segments note on page 120. Further commentary on the performance of each division is included in the Chief Executive's Report on page 29.

Underlying operating profit

Underlying operating profit increased in the year by 0.5% from £12.1m to £12.2m at an underlying margin of 23.8% (2018: 24.8%).

Despite the cost of enquiry acquisition remaining higher than anticipated due to high levels of competition in the market, the Personal Injury division delivered growth in underlying operating profit of 8.1% from £8.4m to £9.1m. This was after deducting £0.9m of start-up losses in the Group's wholly-owned law firm, National Accident Law.

Whilst these do not meet the Group's definition of exceptional items, they are one-off in nature. Before these losses, the increase in underlying operating profit was 19.1%.

The Critical Care division traded strongly in the year and the organic revenue growth translated into increased underlying operating profit, which rose by 10.9% from £4.5m to £5.0m. The division invested in business development and technology but maintained its strong margin (2019: 37.0%; 2018: 36.5%).

Underlying operating profit in the Residential Property division fell as a result of the revenue challenge and the business made a small loss of £0.3m (2018: £0.7m profit). Group costs were flat year-on-year at £1.6m (2018: £1.5m).

Exceptional and non-underlying items

The Group's policy, set out in note 1 to the financial statements, is to separately identify exceptional and non-underlying items and exclude them from underlying performance measures to provide readers of the financial statements with a consistent basis on which to track the core trading performance.

The Group incurred a number of exceptional items in the year which are set out in note 4 to the financial statements totalling £7.9m (2018: £0.4m). These include £1.3m of restructuring costs associated with the Group's strategic transformation, a £1.2m write-down relating to the termination of its partnership in National Law Associates LLP and a £5.3m impairment charge in respect of Residential Property.

Share-based payments and amortisation of intangible assets acquired on business combinations were in line with plan.

Taxation

The Group's tax charge of £0.6m (2018: £1.4m) represents an effective tax rate of 29.5% (2018:

14.2%). The effective tax rate is higher than the standard corporation tax rate of 19.0% for the reasons set out in note 9 to the financial statements. The most significant of these is the non-taxable impairment of goodwill and intangible assets and that the Group does not account for the non-controlling interests' share of tax within its ABS law firms. This results in a reduction in effective tax rate of 11.4% (2018: 3.3%) which is significantly higher than the previous year due to the growth in the ABS law firm profits attributable to non-controlling interests. The deferred tax expense originates from temporary differences in intangible assets acquired on business combinations and bad debt provisions.

Earnings per share and dividend

Basic earnings per share (Basic EPS) for the year was (6.4)p (2018: 14.5p) and the diluted EPS was (6.4)p (2018: 14.3p). The dilution in EPS in 2018 derived from share options schemes which are explained in note 22 to the financial statements.

In order to compare EPS year-on-year, earnings have been adjusted to exclude certain exceptional items, amortisation of intangible assets acquired on business combinations and share-based payments (net of the standard rate of corporation tax). This is explained in note 1 to the financial statements. On this basis, underlying EPS (before NAL start-up losses) was 14.4p (2018: 18.2p).

The fall in EPS is due to a greater proportion of profits being attributable to non-controlling interests (NCI) and reducing the profit attributable to shareholders of the parent company. (In 2019 NCI was £4.5m and in 2018 it was £1.7m).

The Group paid an interim dividend of 2.6p per share in May 2019 (3.2p in May 2018). The Board is not recommending a final dividend in respect of 2019 (2018: 5.7p).

Review of the statement of financial position

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

Goodwill and intangible assets

Goodwill and other intangible assets amounted to a combined total of £60.6m (2018: £66.8m). The movement since last year is shown in notes 13 and 15 to the financial statements and comprises

£0.5m of new other intangible assets less £1.3m of amortisation and less a £5.3m impairment. The amortisation is consistent with our accounting policy to amortise intangible assets over their estimated useful lives.

Goodwill is tested annually for impairment. In undertaking the review in the current year, the Directors gave careful consideration to the levels of uncertainty in the UK housing market at the end of 2019 and the disappointing performance of the Residential Property division in the year. Further evidence of this market weakness was provided by the impact of the COVID-19 virus in March 2020. Accordingly, the Directors have concluded that it is appropriate to book an impairment of £5.3m to the goodwill and other intangible assets attributed to this division in the financial statements. No impairment to goodwill relating to the other divisions was deemed necessary. Refer to the Audit & Risk Committee report on page 80 and note 13 to the financial statements on page 127 for further details of this review.

Working capital

Trade and other receivables less trade and other payables totalled £20.7m at year-end (2018: £13.7m).

As anticipated, the increase primarily arose in the Personal Injury division as the Group progressed its transition to a model of increasing self-processing in its ABS law firms. This is a more capital-intensive model, particularly in the early years of these firms before they build up a mature book of work-in-progress (WIP), but it will generate higher returns on investment over the case settlement cycle.

At 31 December 2019, the Group had accrued income balances totalling £18.8m (2018: £8.4m). Of this amount, £4.1m (2018: £1.4m) relates to WIP recognised on personal injury claims in the ABS law firms. These claims are yet to reach the settlement stage but have all had liability admitted by the defendant, in line with the Group's accounting policy for legal services revenue in note 1 to the financial statements.

There is a significant element of uncertainty in estimating the WIP recognised in the ABS law firms, 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 ABS law firms and by our panel. These assumptions are updated with actual results as claims settle.

A further £4.3m of accrued income relates to non-contingent future settlements relating to the termination of the Group's partnership in National Law Partners which are due to be settled by the end of April 2022.

Net debt

The Group had net debt at year-end of £21.0m (2018: £15.5m). This is defined in note 29 to the financial statements and comprised of £2.6m of cash (2018: £1.6m) offset by borrowings of £23.6m (2018: £17.1m).

The borrowings represent a balance on the Group's revolving credit facility (RCF). This facility, with Yorkshire/Clydesdale Bank, expires in December 2021 and provides up to £25m of credit at a reasonable interest rate of up to 1.65% over LIBOR. The growth in the usage of the facility during the year has been due to investment in working capital, payment of the dividend and a delay in the receipt of amounts due from the Group's partners in National Law Partners.

Review of the cash flow statement

The Group increased cash and cash equivalents by £1.0m in the year (2018: £0.7m). The significant items in the consolidated cash flow statement are net cash from operating activities; non-controlling interest drawings; dividends paid to shareholders; and new borrowings.

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

The Group made £3.8m of dividend payments to shareholders during the year (2018: £6.4m), which represented the 2018 final dividend and the 2019 interim dividend paid in October 2019.

£2.2m (2018: £0.9m) of drawings were paid to the ABS law firm partners during the year under the terms of our agreements. This increase year-on-year reflects the growth in claims won during the year.

The Group drew down £6.5m (2018: £4.1m) on its RCF during the year to fund working capital investments and dividend payments.

Free cash flow (FCF) is the Group's KPI with regards to cash flow (see page 23). FCF in 2019 was £(1.7)m compared to £2.9m in 2018. The primary reason for the reduction was a delay in receiving amounts due from the Group's partners in National Law Partners. As part of the termination agreement, these amounts are now due in future years. The Group anticipates

returning to higher levels of FCF in 2020 as the ABS law firms mature. The Group also monitors underlying cash conversion, which was lower than the Board expected at 40.5% (2018: 65.6%) for the same reasons.

New accounting standards

The Group has adopted one new accounting standard during the year – IFRS 16 Leases – from 1 January 2019.

As was anticipated in last year's financial statements, the adoption of IFRS 16 did not result in a fundamental change on the financial statements, as the Group does not have many high value leases and those it has do not have long to run. Therefore, in adopting this standard, the Board decided to take the modified retrospective approach permitted by IFRS 16 whereby comparative information is not restated.

The full details of the change are presented in note 31, but in summary this required a change in the accounting policy and the recognition of a right of use asset of £640,000 and a lease liability for all operating leases of £673,000. The rent expense in the income statement is replaced with a depreciation charge on the asset and an interest charge on the liability.

Conclusion

In conclusion, despite facing a number of market and commercial challenges in 2019, the Group has made substantial progress on its strategic transformation programme. Whilst 2020 brings a fresh challenge in the form of COVID-19, the decisions we have taken to protect cash, reduce costs and ensure there is sufficient liquidity to run the business through a prolonged period of disruption give me confidence in the Group's ability to emerge from this period as a sustainable business.

James Saralis

Chief Financial Officer

27 April 2020

PERSONAL INJURY DIVISIONAL OVERVIEW

Creating a platform for growth

Our ambition is simple and clear – we aim to be the leading personal injury services provider in the UK with a strategy that capitalises on the opportunity provided by regulatory change and creates a platform for growth. 2019 was an important year for us in this journey and whilst there is more to do, we are pleased with the progress we have made with our change agenda.

Growing in a changing market

The next stage of our transformation – our small claims proposition – will be ready to launch in Q3 of this year.

We plan to continuously improve the customer journey, provide a technologically-enabled and easy-to-use online portal for large parts of the claims process as well as bringing the post-reform Road Traffic Accident (RTA) enquiries we generate exclusively into our new ABS law firm, National Accident Law (NAL).

The launch of our first wholly-owned ABS law firm was a focus in 2019 and will be pivotal to the delivery of our strategy. NAL began trading in April 2019, on time and to budget and is already delivering for our customers.

Continuing to invest in our brand

The National Accident Helpline (NAH) brand continues to perform well and we will continue to invest in this key asset. In 2019 we brought more of our marketing provision in-house by enhancing our team and ensuring our intellectual property remains within the business.

In 2019 we invested in NAH's website by moving it to a new platform. This significant piece of work aims to reduce page loading speed times by up to 50% and deliver a much-improved customer experience. At the start of 2020, we launched a new advertising campaign, focusing on our national reach while developing the core principles of our brand.



Increasing options for lead distribution

The launch of National Accident Law has enabled the division to adapt its distribution of leads and potential claims. Our panel of law firms, while contracting in size, has remained a core element of our offering, especially for non-RTA claims. The panel is complemented by our joint venture ABS law firms, with Your Law, as the more mature of these, operating well. Once the anticipated personal injury reforms go live Your Law will work exclusively on non-RTA claims.

In October 2019 we launched a further joint venture ABS law firm, Law Together, in partnership with Horwich Cohen Coghlan Solicitors and its early metrics are encouraging.



One business, one regulator

From Q2 of 2020 all marketing, contact centre and legal processing activity conducted in the division will be regulated by the Solicitor's Regulation Authority (SRA). This move provides a number of opportunities for our business. It will improve our ability to generate high quality personal injury enquiries while better managing our costs. The division will benefit from customer journey improvements and efficiencies as our legal support centre will be able to manage a larger element of the claim process. It will also provide significant brand benefits by allowing us to position ourselves as a law firm. National Accident Helpline working in the same regulatory authority as our panel firms will also provide consistency of approach and greater opportunities to collaborate.



National Accident Law – Showing great promise

The Group launched National Accident Law in April 2019 on time and to budget. We are pleased with operational performance metrics to date which are line with our expectations. Following the introduction of the Personal Injury reforms, we anticipate that, National Accident Law will process and manage all the division's RTA work. Whilst the business is still in its formative stages, significant progress is being made and we are confident that it will provide the platform to seize the opportunity the upcoming reforms will provide.

In a world where there is an ongoing drive for an improved customer journey and efficiencies in every area, we continue to invest in new technology to support this. In addition, we are looking at ways to bring National Accident Helpline and National Accident Law closer together – beginning with a move to operate under one regulator.

Embracing and thriving in change

While the personal injury market remains tough and competitive we are confident that by pursuing our ambitious change agenda and business model we can take full advantage of the opportunities that the next five years will present us with.

Personal Injury division in numbers:

In 2019:

94,941

Customers were supported

43

Number of law firm relationships

Since inception:

Over

5,000

Cases won by ABS law firms including NAL

Over

£19.3m

Damages recovered by ABS law firms including NAL

A young woman scarred for life

Claire* sustained a painful and damaging chemical burn at work. For a young girl, this was psychologically damaging as well as physically challenging. With skin grafts not a viable option, Your Law arranged for Claire to have a 2-hour consultation with an expert in cosmetic camouflage.

Claire learned about the make-up, brushes and sponges that she would need, as well as the practical life skill of how to apply the make-up for maximum coverage. The damages awarded covered the future cost of all these items that she would need for the rest of her life.

*Name changed for confidentiality purposes

Making it right

Simon Rees, solicitor for Your Law said



This was a really interesting and unusual case for us. It wasn't just a matter of receiving a lump sum of money, it was about giving Claire the skills to cover up her injury. This has, in turn, increased her confidence which was impacted by sustaining an injury of this kind at such a young age.



CRITICAL CARE DIVISIONAL OVERVIEW



BUSH & CO

Investment and growth

2019 has been a year of investment and further growth for Bush & Co. The business capitalised on investment in business development, deepening its relationship with customers through focused networking, better developed marketing channels and more interaction with the insurance sector. This delivered an 8% increase in the number of clients supported across all services. Bush's UK-wide network of expert witnesses grew, introducing new specialisms to expand its portfolio including dermatology, dietetics, sonography and cosmetic surgery nursing experts.

Bush & Co refreshed its brand during the year and unveiled a new look that reflects the professionalism and expertise for which it is best known. It developed new marketing collateral and a website with integrated live chat functionality that has made it even easier for customers to do business with Bush & Co.

Investing in staff, processes and collateral

2019 also saw the Group invest in Bush's effectiveness through the introduction of a new Customer Relationship Management (CRM) system to support its customer relationships and growing networks with enhanced management information. Bush has maintained its ISO9001:2015 accreditation, further recognising its ability to consistently provide products and services that meet customer needs and regulatory requirements.

We invested in the business capability by recruiting a new Client Director, a Partnership Liaison Manager, a Clinical Governance Co-ordinator and two new Operations Managers. We also doubled the size of our Behaviour Service Team in preparation for further expansion in 2020.

Bush's strong clinical leadership team will continue to support case managers through their newly introduced case clinics which bring new perspective to clinical challenges.

Enhancing our strategic partnerships

Bush has continued to invest in and grow its partnerships in 2019, celebrating its first year working with the Child Brain Injury Rehabilitation Service and Spinal Injuries Association Case Management. During 2019, these new partnerships have continued to provide the very best case management to customers and clients. These services leverage the capability and expertise of Bush & Co alongside two of the UK's largest charities in child brain injury and spinal cord injury.

2019 also saw Bush launch a new partnership with Barclaycare, a specialist provider in nurse-led care packages. This venture allows Bush to develop enhanced services for clients who require support workers and nurses to care for them in their home following injury.

The Thalidomide Trust continues to work closely with Bush to support the future needs of its beneficiaries and make arrangements to help them access care and equipment.

Breaking the stigma

Bush led the way in 2019 with its annual conference which concentrated on breaking down barriers and stigmas by focusing on topics that are rarely spoken of. The event was attended by almost 200 professionals. It shared best practice and knowledge on neurological, psychological and practical challenges for clients and led the thinking on how the sector can keep the conversation going and bring real value to it.

Award-winning Bush & Co

Bush was proud to win the prestigious Supporting the Industry title at the Personal Injury Awards during the year. The judges commended Bush's commitment to customers and clients in recognition of the ongoing development of its services, proving the value of its continued investment in this area. Bush was also delighted when one of its team of case management experts, Spencer Rathbone, won the CMSUK Vocational Case Manager of the Year award. This fiercely contested award recognised Spencer's experience and expertise in supporting a young adult client to regain their independence and return to the workplace following injury.

Giving back

Throughout the year Bush has continued to support Para Dance UK, raising over £5,000 to provide specialist wheelchairs for athletes to train and compete in Para Dance global championships.

It has also continued its relationship with the Rugby Football Union Injured Players Foundation where it supports players who have sustained a catastrophic injury with their onward rehabilitation and return to work.

Looking ahead

In 2020 we will continue to invest in developing our capability and the proposition of Bush & Co. We are upgrading our case management systems and exploring how technology can make us more efficient and improve our processes for producing expert reports. We are also exploring opportunities in adjacent markets and how we can use our core competencies to provide services to customers in areas such as Court of Protection and care.

We are pleased with the progress Bush & Co has made in the year and look forward to another strong performance in 2020.

416

Law firm relationships

193

Care experts

RESIDENTIAL PROPERTY DIVISIONAL OVERVIEW

Conditions in the UK property market continued to prove difficult through 2019. Uncertainty, caused by the political delays in Britain's exit from the European Union, resulted in many prospective sellers delaying the listing of their houses, and buyers being cautious about making a new purchase. Lower market transaction levels drove the need to create new sources for instructions which increased the cost of acquisition.

Against this backdrop, the division continued to build a foundation for future growth to ensure it is in a stronger position to take advantage of any improvements in the market when they come.



We have been with SearchesUK for, in excess of, 10 years. Their standard of service is excellent. We cannot fault them in any way.

Bob Bastian, Stephen Rimmer Solicitors



Increase instructions

Despite the challenging market conditions, we succeeded in helping more people with their conveyancing requirements and increasing our market share in 2019. This was achieved as a result of our refocus on digital marketing and affiliate partnerships, which generated increased enquiry volume, albeit, at a higher unit price than previous years.

A new business to business proposition

In 2019 the division established a clear vision to become a leading player in the conveyancing market, with the objective of leveraging technology to improve the conveyancing process for home-movers and stakeholders alike. The team established a strategy and action plan to achieve these goals, and changes were made across a number of key business areas including marketing, digital capability, product management and business development.

The strategy began to take effect with the appointment of a new Head of Marketing and the re-platforming of the division's web estate to deliver a better customer experience and increase customer acquisition. The division also realised a key pillar of the strategy with the launch of a business-to-business proposition targeting estate agents, independent financial advisors and mortgage brokers in order to capture a greater share of this market. The Conveyancing Exchange was launched in Q1, with distribution growing steadily through the year.



Investing in people

The division has also invested in its people and reputation in 2020 by embarking on its first ever Investors in People assessment leading to it being awarded Silver status. This is not only a great achievement in its own right but provides a blueprint for further improvements over the next two years.

INVESTORS IN PEOPLE™
We invest in people Silver

Looking Ahead

Although there were signs of an improving market at the beginning of 2020, the emergence of the global pandemic of COVID-19 in February has brought the wider UK property market to a standstill. Since then the division has seen a significant decline in activity and is reducing its cost base in line with the current level of demand. The focus for 2020 has shifted from gaining market share and returning the division to growth to minimising the financial impact of the decline in trading and ensuring we have a sustainable business model to see us through these challenging times.

PRINCIPAL RISKS AND UNCERTAINTIES

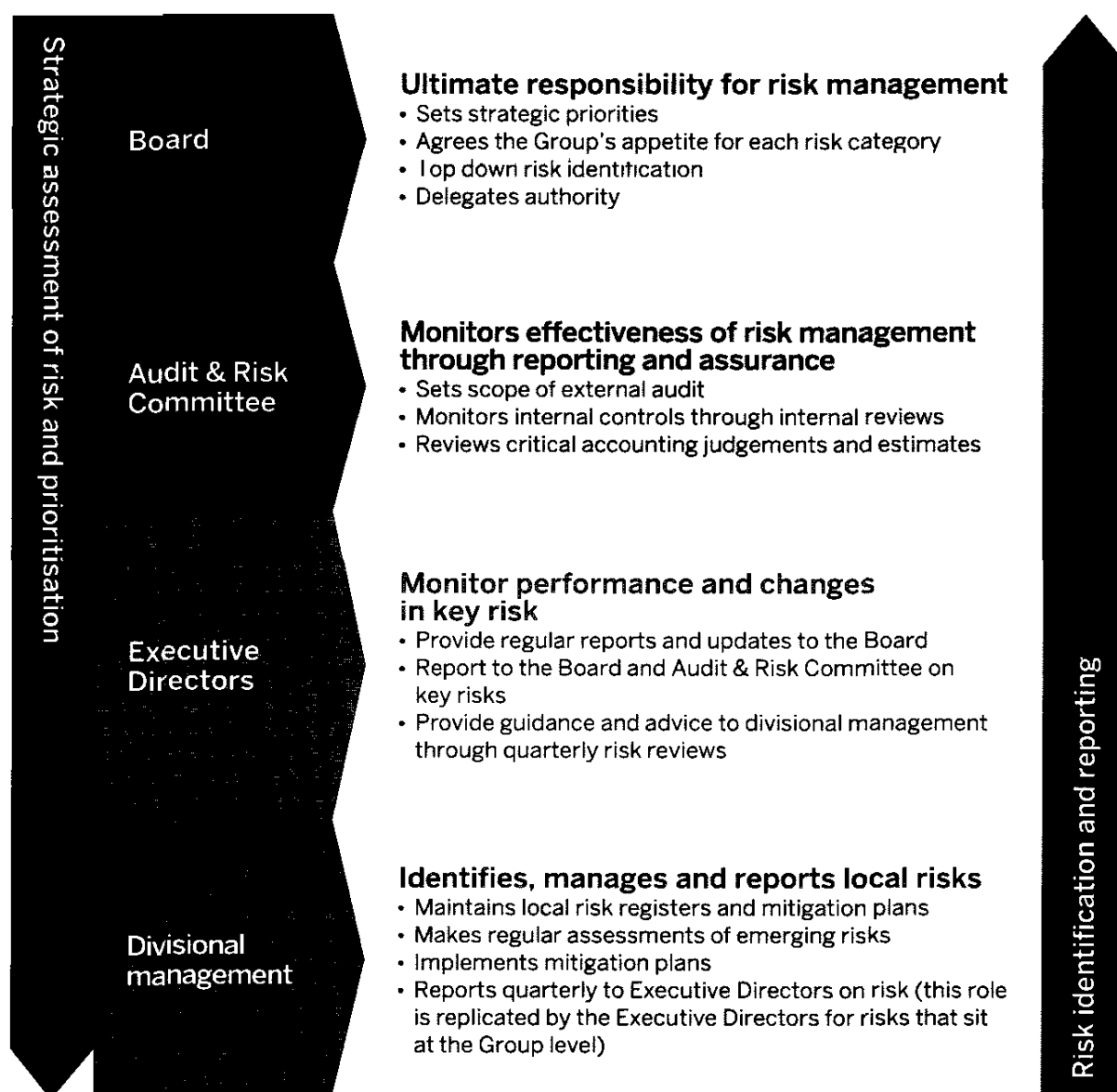
The Board is mindful of the detrimental impact that the Group's principal risks and uncertainties could have on its ability to deliver on its strategic priorities. It seeks to identify, assess and manage these risks through its risk management framework and regular reporting and review, combined with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

Our risk management framework

The Board has implemented a risk management framework (figure 1) 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 Executive Directors. Once risks are identified and the Group's appetite for each risk determined, risks are prioritised and mitigating actions implemented.

Figure 1 – Risk management framework



Risk appetite

Every year, the Board reviews and sets the Group's appetite for risk. This is done by scoring each of the seven risk categories that the Board has identified (figure 2) on a scale of 1 (lowest risk) to 12 (highest risk). A score of 1–3 is described as an averse appetite; 4–5 is a cautious appetite; 7–9 is a 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 Directors and risks are prioritised across the Group. The highest rated risks are denoted principal risks and are reported by the Executive Directors to the Audit & Risk Committee and the Board. The Audit & Risk Committee developed a new risk management framework during the year.





Figure 2 – Risk categories



The principal risks it identified differ from the prior year and are detailed below:

Principal risk	Category	Impact	Control
Credit exposure The Group has a number of historic and ongoing arrangements with panel law firms, some of which involve deferred payments, and which create a credit risk in the event of partner insolvency or dispute.	Financial 	Balanced	The Group has processes to approve credit limits and monitor exposures. Contractual provisions are put in place, such as financial disclosure obligations and set-off clauses to mitigate the risk for material debts. All material deals are subject to Board approval.
Accuracy of business model assumptions The Personal Injury business model relies on several key assumptions which remain unproven and which, if not delivered, have a material impact on financial performance and strategy. These include assumptions relating to: <ul style="list-style-type: none"> • Enquiry generation • Case processing performance • Small claims processing. 	Strategic 	Balanced	Model assumptions are determined by management with oversight from Executive Directors and the Board. Sensitivities are performed on the key assumptions. The assumptions are regularly scrutinised with reference to management information provided by ABS law firm partners and from National Accident Law.
Delivery of key strategic projects The Group has several key strategic projects underway and a delay or failure to deliver any of these could have a material impact on its financial plan. These projects include: <ul style="list-style-type: none"> • Small claims processing • Regulatory consolidation • Improving call handling efficiency • Insurer and product deals • IT infrastructure and systems changes. 	Transformation 	Balanced	Dedicated project management resource is in place to support delivery with a strong focus from management. Oversight is provided by Executive and Non-Executive directors and specialist or backfill resource is contracted in where necessary.

Financial	Operational	People	Digital
<h3>Demand for consultants</h3> <p>An inability to attract and retain relationships with high quality self-employed consultants in Bush & Co could result in the Group missing its financial and strategic objectives.</p>	Operational 	Balanced	<p>Clear demonstration of our value proposition to our consultants, including access to clinical specialists and administrative support, good levels of fees, access to training and networking opportunities with their peers. Once engaged, strong contracts are put in place to protect both parties.</p>
<h3>Adapting to new markets</h3> <p>The Group's chosen strategy in Critical Care includes leveraging our core competencies to move into adjacent markets. As we are less familiar with these markets, there is a heightened risk that we will not be successful and fail to deliver our strategic and financial targets.</p>	Strategic 	Balanced	<p>The Group is partnering with established providers in new markets to help us learn and gain traction. Where possible we are looking to exploit existing relationships in new markets and minimise set-up costs.</p>
<h3>Cyber security</h3> <p>Many of the Group's interactions with its customers are online and 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.</p>	IT, systems and data security 	Balanced	<p>The Group takes data security very seriously and has put in place robust policies and procedures to ensure it is compliant with the Data Security act 1998, GDPR and other relevant regulations, including regular penetration testing. It also has a disaster recovery plan, which is regularly tested, to protect its operations.</p>

Principal risks	Impact	Likelihood	Mitigation
<p>Reliance on third-party suppliers</p> <p>The Group uses a third-party system for customers to order residential property search packs. Any interruption in the service of this system would result in disruption and loss of revenue.</p>	<p>Operational</p> 	<p>Balanced</p>	<p>The Group is investigating ways to reduce risk in this area.</p>
<p>Working capital management</p> <p>The Group is currently in a period of net investment in working capital as it builds its book of personal injury claims in its ABS law firms. These claims can take up to 2–3 years to process and it is at the settlement point of each successful claim that cash is received. If the Group has insufficient working capital then it could fail to capitalise on the opportunity and miss its financial forecasts.</p>	<p>Financial</p> 	<p>Balanced</p>	<p>The Board closely monitors the use of capital and uses short and medium-term forecasts to plan future requirements. Day-to-day capital is provided through the Group's revolving credit facility (RCF) with Yorkshire/ Clydesdale Bank and levels of utilisation and compliance with the debt covenants is reviewed on a monthly basis by the Executive Directors. Board decisions around capital allocation and dividends are made with consideration to future capital requirements.</p>
<p>Impact of COVID-19</p> <p>The COVID-19 outbreak continues to develop, with impacts felt globally across all business sectors. Detailed risks for our business include the health and availability of our people to run the business, in particular key individuals; accessibility of our customers and their appetite for our services during the peak of the outbreak; the resilience of suppliers and partners; the resilience of our systems and the ability of our people to work from alternative locations. In addition to operational risks, there are financial risks stemming from the potential for delayed receipts of cash if customers and partners start to preserve their own cash; and the impact of a downturn in our revenues on our RCF headroom.</p>	<p>Operational and financial</p>  	<p>Balanced</p>	<p>Management has developed a set of plans to mitigate the potential impact on our staff and customers. These include the ability to work remotely using existing technology. We are working closely with key suppliers and strategic partners to safeguard continuity of service; and, having stress-tested our financial models, we are adapting our plans to delay discretionary spend and capital expenditure until the outlook becomes more clear.</p>

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 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 Chair's Report and Chief Executive's Report on pages 27 and 29 respectively. Our trusted brands (Chief Executive's Report page 32), industry awards (Critical Care Divisional Overview page 43) and Investors in People commitment (Investing in Our People, page 59) are all testament to how the business strives to maintain its reputation for high standards of business conduct.

The stakeholders the Board has identified with regard to this are:



OUR EMPLOYEES



**OUR CUSTOMERS
AND PARTNERS**



OUR SUPPLIERS



OUR INVESTORS



**OUR COMMUNITIES AND
THE ENVIRONMENT**

The Board sees the value of building and maintaining strong relationships with these stakeholders and is committed to delivering regular and sustained ways of doing so, with a view to this activity providing an exceptional customer experience as well as delivering long-term value for shareholders.



Our Employees

The business is committed to open and transparent communication with its staff, primarily through the delivery of quarterly all staff meetings where strategic and performance updates are delivered by company directors and the senior management team and two-way communication is encouraged.

In addition to gathering feedback throughout the year through regular meetings, the company also encourages employees to share their views via its annual staff survey, the results of which are shared and actions taken as a result. Colleagues are invited to invest directly into the company's performance through its Save As You Earn share schemes which are open to all employees. For more information please see Investing in Our People on page 59.



Our customers

The Group's customers fall into two distinct categories covering both business-to-business and business-to-consumer sectors and the company 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. The Group further invests in its technologies with a view to ensuring that this customer base has a market-leading consumer experience.



Our Suppliers

The Group works with a number of key suppliers, primarily providers of marketing support services, self-employed consultants and search agents and surveyors. Again, each division has a dedicated marketing and operations team who work closely with these suppliers to ensure the successful delivery of these services for both parties.



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 meeting investors at our annual general meeting and twice yearly roadshows following the announcement of the full year and interim results. The Chair and Senior Independent Director are 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.



Our communities and the environment

While our businesses have limited direct impact on the environment we are mindful of our responsibility in this regard. To this end, a staff body has been developed to look at ways that our businesses can limit their impact on the environment. Recent successes include the Critical Care division's new offices using 96% clean energy and plans in the Personal Injury division for electric car charging points.

Our employees remain committed to their local communities with senior staff offering their skills and experience to local schools and academies in a mentoring capacity through Dragon's Den events and similar. Staff also take part in regular fundraising activities including sleep outs, organising fundraising lunches and fundraising for and contributing to their chosen, business-related charities.

This strategic report was approved by the Board on 27 April 2020 and signed on its behalf by:

Caroline Brown

Chair

Our Values and our belief in trust continue to inspire what we do and how we do it. Our customers are at the heart of what we do while our people remain our most important asset.

2019 was a year of further investment in our people – both in terms of their personal and professional development. National Accident Helpline joined the ranks of The Sunday Times Top 100 Best Small Companies to Work For, Critical Care continued its work with Investors in People, having secured Silver status in 2017 and the Residential Property division attained Silver status too at its first assessment.

DRIVEN BY OUR VALUES

Our Group Values have been in place since 2014 and are designed to provide inspiration for staff throughout the business whilst giving every colleague a blueprint for who we are both as a business and as people. They have become an integral part of how our businesses operate.

Our Values are



Values deliver business benefits

Our colleagues have taken these Values to heart and this has led to great developments in the culture and operations of our businesses. Keeping our Values front and centre isn't just about making our businesses great places to be, it also has important business benefits.

For example, one colleague in the Personal Injury division noticed a potential process improvement. Curious to know why the process happened in the way it did and Driven to find a solution, she researched the issue and presented a different methodology. This was adopted by the business and resulted in increased efficiencies while providing a much-improved customer journey.

Keen to learn, delivering impact

We love to hear our staff asking why? Why is this done that way? Why does it work the way it does? If our colleagues are asking why it's because they have a Curious mind which means they are both keen to learn and have an impact. This, in turn, means that the other Values flow from it.

Our Values – making change happen

The creation of our first wholly owned ABS law firm involved utilising all the Values to deliver this important project in a short time frame. Bringing together a team of some of the brightest minds in the division, some of whom may never have worked closely together before and shared the same Values-set ensured the project was successfully delivered.

Being Unified in vision, Driven in determination to make it happen, Passionate in making National Accident Law a really different kind of law firm operationally and culturally and being Curious about how that could be done most effectively meant that this project created something genuinely different. This endeavor will benefit both customers and our Group for years to come.

Award-winning, Values-driven recognition strategy

In recent years, our Values have become a focus for our Employee Value Proposition, which drives how we attract, recruit and retain staff to our business. This has been recognised by a number of industry awards and, even more importantly, our staff engagement scores. Our recognition and reward strategy begins with e-cards that colleagues send one another for excellent performance and behaviours and goes all the way to the awarding of our Values Champions at the end of the Year.

Our dynamic and exciting culture

Our Values Champions are colleagues who, during the course of the year, have truly excelled on their demonstration of our Values. This is the high point of our Values-driven recognition scheme.

We're extremely proud of our people-centred and Values-driven approach to our businesses which form the bedrock of our dynamic and exciting Group culture. It is this strong, embedded culture that underpins our strategy and enhances our ability to meet our short and long-term goals.

INVESTING IN OUR PEOPLE

As previously mentioned, our staff are our number one asset and this is evidenced in the way that we support and invest in them. In 2019 we have done this to a greater level than ever before – in both their personal and professional development.

The Sunday Times Top 100 Best Companies to Work For Success

We started the year by celebrating National Accident Helpline being placed in The Sunday Times Top 100 Small Companies to Work For. To have broken into this prestigious and exclusive group of businesses at its first time of trying was an extraordinary achievement. Competition for these places is high and results are based entirely on staff feedback, making this achievement all the more pleasing.

As it's our people that make our businesses tick, we celebrated by taking 16 colleagues to the awards evening in London and prepared further celebrations at the office after the event.

CEO of the Personal Injury division, Simon Trott, said:



Our teams work so hard to ensure that our customers who have suffered an injury that wasn't their fault are able to make it right so to know that, in return, we're providing them with a great culture, one that recognises their skills and their achievements; that we've made it right for them, is hugely satisfying.



Continuing our Investors in People journey

2019 has seen us strengthen our commitment to Investors in People. Building on the Silver award attributed to Bush & Co in 2017 and the Gold award attributed to National Accident Helpline in 2018, our Residential Property division has now also been awarded Silver status.

Bush & Co is continuing to build on its Silver award and is engaging staff to drive forward continuous improvements in preparation for its re-assessment in 2020.

Succession planning

While turnover for our leadership team has remained low throughout the transformation period, succession planning is vital in ensuring future stability for our business.

Each of our senior leaders has now completed a development plan and there is a succession plan in place for each of their roles. Of the vacancies filled in this category in 2019, over a third were filled by internal candidates, showing that the process is already beginning to deliver benefits.

Diversity is vital for any business to be successful. By the end of 2019 a total of 50% of our top tier positions were held by women, a number that has been steadily increasing over the last two years. Our Group Board is similarly well-balanced with a 50/50 gender split.

Raising up new leaders

Investing in our people in order to develop future leaders comprises a considerable part of our business culture and 2019 saw this commitment continue to grow. Building on the previous year, 2019 saw a cohort of 12 colleagues take part in the Pathway to Leadership programme. This year-long development opportunity instils business and leadership essentials across six training days. The topics covered at these sessions included Performance Management, Presentation Skills, Communications and Influencing as well as a study of what leadership is. Each delegate also had the benefit of receiving a minimum of six mentoring sessions from the most senior leaders from across the business, which is incredibly well received and appreciated by all the delegates.

Ben Needham-Holmes, Operations Manager at Bush & Co said:



Pathway to Leadership was an excellent year of study and self-reflection. I found the mentoring sessions invaluable. They provided me with an opportunity to really explore where I wanted my career to go.



Accelerated learning through the Leadership School

In May, 13 graduates from 2018's Pathway to Leadership cohort continued their professional development with the Group through an intensive 3-day residential retreat known as The Leadership School. This accelerated opportunity gave each delegate the chance to further embed and develop their learnings to date.

Hannah Banks, General Manager at SearchesUK said:



This was a fantastic opportunity to learn and develop really relevant skills which will help me in my role as a people manager for many years to come. The school was intrinsically linked to trust. I really believe that any manager who has the opportunity to learn more about this should jump at the chance!



Our apprentices

Where many businesses bring new staff into their companies via apprenticeship schemes the Personal Injury division has seen the opportunity to invest in existing staff and develop their roles whilst equipping them for their long-term futures. In 2019 we saw 10 colleagues take this opportunity to receive training in specialisms that include business administration, customer service and paralegal training. These courses give our colleagues a great grounding in their chosen specialism while enabling them to put their learning into immediate practice and we'll be looking to develop this across the Group in 2020.

Investing in staff wellbeing

Complementing the investment we make in our staff's professional performance is the support we give to their wellbeing. With one in four people living with mental health challenges at any given time, it's important that our staff have the support that they need on hand when they need it. To this end, we trained 7 staff across all our businesses to be Mental Health First Aiders, enabling them to support staff in a crisis and signpost them to further help. We also trained all our line managers in mental health, making them aware of the kinds of challenges their staff could be dealing with and how they can best support them.

Of course, prevention is better than cure, so we have also run a number of self-confidence training workshops to help staff identify their skills and to encourage them to be confident in who they are. We're certain that this training can help to prepare staff for possible career advancement. More importantly, it's the right thing to do and it enables colleagues to be the best they can be.

This commitment to the personal and professional development of our people has had a direct impact on colleague's satisfaction at work, as evidenced in our OwnIt! staff survey results where the number of staff who feel they have access to activities and opportunities that develop them increased by over 23% in a two year period.

Working towards more sustainable business environments

2019 saw the launch of the Passionate Planet People (3P) team – a small, enthusiastic group-wide panel of like-minded colleagues who are dedicated to identifying the small (and sometimes bigger) changes that we can make in each location to be more sustainable while educating colleagues about the choices they can make to be more sustainable in their own lives.

Question

My personal growth is important to my manager

● 53.8% 2017

● 70.4% 2018

● 74.5% 2019

Question

I have access to activities and opportunities that develop me

● 53.8% 2017

● 77.8% 2018

● 77.0% 2019

Creating communities

In a world where it can be hard to find real-life community with others, our businesses have established ways to provide this for staff both on and offline. Our online communications platform, Sourcelt! and our closed Facebook Group for staff, Sourcelt! Social, give colleagues the chance to send one another e-cards for a job well done and share best practice and stories of what's going on in their particular team.

Each business in the Group has its own sense of community, influenced by our Values and brought to life by our people. Our development opportunities create supportive communities for those, for example, on the Pathway to Leadership and Leadership School programmes with each cohort having its own WhatsApp group where the development continues as colleagues share videos, books and podcasts that will help their ongoing study.

A further community of self-learners has started a book club where participants read a development book together and share the learnings they are taking from it and implementing into their lives. These staff-led special interest groups are improving staff morale and fostering a real sense of connectedness across the businesses with a recent survey saying that 89% of staff value the interaction they have with colleagues and 79% saying that coming to work makes them feel part of a community.

Q Sourcelt!
Find it. Use it. Buy it. Own it.

Preparing our people for exciting futures

The success of our ambitious strategies across all our businesses will depend greatly on our people and their capacity to deliver. We are confident that we have the right people in place to rise to these challenges. We are, therefore, committed to developing their personal and professional skills to ensure that they are well-prepared for the exciting futures that lie ahead for them and our company.

89%
of staff value the
interaction they have
with colleagues

OUR CUSTOMERS

Our business depends on our customers and our ground-breaking changes have our customers at their heart – delivering the best possible customer experience, whilst ensuring we provide the help that they need. Our customers in our different divisions have varying requirements and our highly skilled and empathic staff ensure that these needs are met.

Our Personal Injury division

For our Personal Injury division customers, someone who is knowledgeable and who understands and empathises with their vulnerability is vital. When Martin was hit by a car on the school run he couldn't work and struggled to make ends meet.

Our Critical Care division

When you suffer a catastrophic, life-changing injury it's not just the physical aspects of your accident that can take their toll. For Mark, his loss of confidence and subsequent PTSD after he sustained a spinal cord injury playing rugby, was affecting his ability to deal with his new reality.

Our Residential Property division

As well as supporting the conveyancing, survey and searches needs of its own customers, our Residential Property division supplies search packs to other industry professionals. The division has an excellent reputation in the field.

Martin's story:

Martin was collecting his son from school when he was hit by a car, tearing two ligaments in his knee. His injury meant he couldn't work for weeks and struggled with his everyday tasks as a parent.

Money was a worry, too – Martin had to take his car off the road and try to cope financially without an income.

Martin contacted us and we introduced him to a specialist solicitor who handled his case. When his compensation was paid, Martin was able to pay his rent up to date, get his car back on the road, and move on with his life.



Every bill that you pay off with that compensation when it comes through is just a reminder that the system works. It was a sigh of relief, like a weight had been lifted off my shoulders.





Mark's* story:

Mark is 33 and was 18 when he sustained a spinal cord injury playing rugby. His injury left him with limited functionality in his hands alongside problems with his bladder and bowel function and an increased susceptibility to urinary tract infections.

Mark suffered with anxiety and depression, showed signs of PTSD and was disengaging with society. Spencer, a Bush & Co case manager, worked with Mark to set some short- and medium-term goals and secured him a volunteering role with a local sports partnership for two days a week. This role became a four-year workplace business degree opportunity, allowing him to work and study at the same time, giving him a renewed sense of purpose and some much needed independence.

This is the first time since my injury that I can see a future for myself.



*name changed for confidentiality purposes



Having worked with SearchesUK for around 5 years, we know they are a company who have expertise and knowledge in the property market. Offering and understanding a full range of professional conveyancing services, they have a true commercial standing within the UK, and always work with professionalism and a personal touch."

Andrew Crawshaw,
Strategic Account Manager at GroundSure



TRUST IN OUR BUSINESS

As we learn to navigate a world experiencing an extraordinary level and speed of change, attitudes are changing. Power is no longer the most important factor in the supplier/customer relationship, trust is. Customers have an innate sense of right and wrong and they passionately believe in the businesses they support doing the right thing.

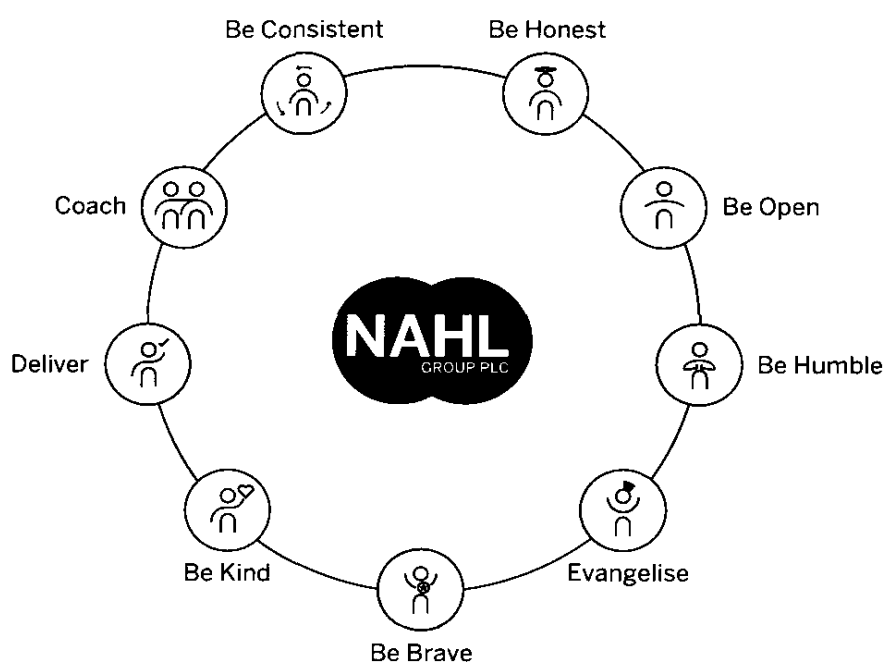
The Group has been able to absorb this change better than most, due to its commitment to its firmly held company Vales and, in recent years, its adoption of the practice of The Trusted Executive programme.

Our trust framework

The Group's Values of Passionate, Curious, Driven and Unified are not ideas that employees hear about at induction and never again. They are the bedrock of our business. They are in the language we use, the way we attract, recruit, retain, reward and recognise our colleagues. They inspire and influence all our decision-making.

Since 2017, these Values have been complemented by the practice of the Habits and Pillars of The Trusted Executive programme.

This model turns organisational leadership on its head – basing business success on the three Pillars of integrity, ability and benevolence and the nine leadership behaviours that underpin them: Coach, Be Consistent, Be Honest, Be Open, Be Humble, Evangelise, Be Brave, Be Kind and Deliver.



Rapid and frequent change – managing our response

The world we operate in now sees business success as dependent upon how it responds to the increased frequency and speed of change and responding in the right way – ethically. The future success of the Group depends on how we continue to equip ourselves to manage change and to do it in the right way – because it's the right thing to do.

When organisations lose public trust individual reputations are lost and it's extremely difficult, even impossible, for businesses to re-establish themselves as authoritative voices in their fields. What's more, no organisation is immune.

In 2019 our commitment to ensuring our businesses are trusted and trustworthy progressed as we continued to embed the Habits and Pillars of The Trusted Executive into our business culture. The programme forms a component part of our Leadership School for middle managers and our current senior executives use the framework to pursue their own improvement in their practice of the Habits. These behaviours are now endemic throughout the business and sit alongside our company Values.

Dr John Blakey, founder of the Trusted Executive said "There are few businesses that have taken on the principles of The Trusted Executive to the degree that NAHL Group plc has. These are now firmly embedded within its leadership team and communicated throughout the organisation. I'm confident that this commitment will really impact the bottom line of these companies as well as provide an exceptional culture for its staff."

At a time when trust is a rare commodity in all areas of public life, we will continue to highlight our focus on trust as a differentiator for NAHL Group plc. It is an important part of who we are and we do it simply because it's the right thing to do.



I'm confident that this commitment will really impact the bottom line of these companies as well as provide an exceptional culture for its staff.

Dr John Blakey



Being consistent is crucial in a values-led organisation. It's no use being driven 80% of the time or being 'Unified' on Tuesdays and Fridays, but not on a Monday, Wednesday or Thursday. Leaders adopting a consistent approach means people know what's expected and it helps to engender trust in the working environment.

Adam Nabozny, MD, Legal Services



LEADERSHIP AND GOVERNANCE

Good corporate governance is vital to support long-term growth in shareholder value. To support this, we have an efficient, effective and dynamic management framework accompanied by clear communication in order to promote confidence and trust.

BOARD OF DIRECTORS

Caroline Brown

Non-Executive Chair

Caroline became Chair in January 2019 having joined the Board on 18 December 2018. She is a Non-Executive Director and commercially

focused business leader with 20 years' main Board experience driving strategic growth and leading high performing teams in the media, professional services, energy, and technology sectors. Caroline sits on the Remuneration Committee and Nomination Committee and chaired the Audit Committee until July 2019.

She has delivered business strategy across EMEA, the Americas, former-CIS, India and the Far East in commercial leadership roles for FTSE 100 groups, mid-cap companies, and innovative small and medium sized enterprises.

Caroline is also a Non-Executive Director of Georgia Capital plc, Luceco plc & IP Group plc.

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

Russell Atkinson

Chief Executive Officer

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

He joined National Accident Helpline in 2012 as Managing Director and had a pivotal role in implementing its strategy following regulatory change in 2013.

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

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

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

Tim Aspinall

Non-Executive Director and Senior Independent Director

Tim Aspinall became Non-Executive Director in June 2016 and sits on the Audit &

Risk, Remuneration and Nomination Committees. In January 2020 Tim was appointed Senior Independent Director.

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

Tim is also a Non-Executive Director of Premier Medical Holdings Limited which is one of the leading providers of medical reports in the UK. 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.

James Saralis

Chief Financial Officer

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

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

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

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

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

Sally Tilleray

Non-Executive Director

Sally Tilleray became Non-Executive Director on 19 July 2019 and is Chair of the Group's Audit & Risk Committee, as well as sitting on the Remuneration and Nomination Committees.

Sally founded her own consulting business and is currently Chair of Cognito Media, an integrated communications consulting firm. She is also a Non-Executive Director of Mind Gym plc, the AIM quoted behavioural science training and business improvement group.

In her executive career, Sally was previously joint Group Chief Operating Officer and Finance Director at Huntsworth plc, the 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.

Gillian Kent

Non-Executive Director

Gillian Kent became Non-Executive Director in November 2014 and is Chair of the Group's Remuneration Committee. She also sits on the Audit & Risk Committee and Nomination committee.

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

EXECUTIVE MANAGEMENT TEAM

Simon Trott

Chief Executive Officer – Personal Injury

Simon is responsible for the Personal Injury division's executive leadership and business operations, including

National Accident Helpline and the ABS law firms Your Law, Law Together and National Accident Law.

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

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

Will Herbertson

Managing Director – Residential Property

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

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

Will brings extensive commercial, marketing and digital leadership experience to the division. Prior to joining the Group, Will was a Commercial Director at MoneySupermarket where he had responsibility for one of the company's three product verticals.

Will has also held both UK and international sales and marketing positions at Procter & Gamble, where he started his career. He has a Bachelor's Degree in Management Science from the University of Warwick Business School.

Helen Jackson

Managing Director – Critical Care

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

Responsible for overall strategy and leadership within the division as well as business development, quality and clinical independence, Helen has driven a number of business improvements.

More recently of note Helen led Bush in launching two industry leading ventures with the Spinal Injuries Association and Child Brain Injury Trust. 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 HR Director

Marcus joined as Group HR Director in July 2016.

During his time with the Group, Marcus has embarked on delivering improvements

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

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

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 2019. 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.

Board effectiveness

The Board is an important part of our governance framework and I am pleased to say that it has been strengthened this year by the addition of a further Non-Executive Director. The Board comprises four Non-Executive Directors and, in line with best practice, three of these are independent. It also has two Executive Directors, allowing it to be well balanced with individuals possessing a diverse range of experience and skills and from a variety of backgrounds. This provides independent, effective and entrepreneurial leadership within the framework of a strong company purpose and values-led culture. This was confirmed by the results of a Board evaluation exercise conducted in 2019, through an internal process which is further described on page 76. The internal evaluation made a number of recommendations which have now been implemented.

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 (April 2018 edition). We believe that the QCA code is a pragmatic, principles-based tool that enhances the Group's ability to explain its approach to corporate governance. 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.

Compliance with the QCA Corporate Governance Code

The ten principles of the code are set out in the table on page 79. I can confirm that we are in compliance with the requirements of the code and the table provides signposts to the relevant disclosures and explanations.

Shareholder engagement

An important part of the QCA code concerns engagement and communication with our shareholders. Our Investors section of our website explains how we have sought to do this, including meeting investors at our Annual General Meeting. I would like to extend an invitation to all shareholders to attend our AGM which will be held in June 2020 and to engage with the Board and other members of our senior leadership team who will be in attendance.

Caroline Brown

Chair



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



GOVERNANCE STATEMENT

The Board

Board composition

The Board comprises the Non-Executive Chair, three independent Non-Executive Directors and two Executive Directors. Their biographies can be found on pages 69–70.

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

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

The Board has determined that the Non-Executive Directors are independent, experienced and influential individuals with complementary skill sets. Tim Aspinall is the Senior Independent Non-Executive Director. Members of the Board maintain memberships of a number of professional bodies and ensure their skill sets are constantly developed. As part of our ongoing commitment to staff development, Executive Directors and senior leaders have personal development programmes which include mentoring 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 47.

The Board met 10 times during 2019 and the meetings last for approximately half a day. In addition to this, all Directors attend an annual strategy planning day, which was held on 30 September 2019, and the Group's Annual General Meeting, which is usually held in May. Additional meetings or conference calls are convened as required. Members of the Board also chair and sit on the Board committees and these each have their own time commitments.

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

Table of Board attendance

	Board	Audit	Remuneration	Nomination
Caroline Brown	9/9	1/1	3/3	1/1
Steve Halbert ¹	1/1	N/A	N/A	N/A
Russell Atkinson	9/9	N/A	N/A	N/A
James Saralis	9/9	N/A	N/A	N/A
Gillian Kent	9/9	2/3	3/3	1/1
Tim Aspinall	8/9	3/3	3/3	1/1
Sally Tilleray ²	4/4	2/2	1/1	N/A

1. Steve Halbert resigned from the Board on 30 January 2019.

2. Sally Tilleray was appointed to the Board on 19 July 2019.

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 2019 which was supervised by the Nomination Committee with the assistance of the Company Secretary. It was decided that the approach taken would be to issue a questionnaire, followed by a discussion with the full Board.

The questionnaire consisted of 118 questions split into 15 sections, including Board composition and governance, Board operations, strategy, stakeholder relations and the performance of individual Directors and Board Committees.

Following completion of the questionnaire, the results were evaluated, and the following key areas of focus and subsequent actions were agreed by the Board:

i. Developing the next stage of the Group's strategy

The Board held a strategy day in September 2019 and it was agreed that the Board should review its current strategy in 2020, in light of regulatory developments in the personal injury market, the state of the UK residential property market and the levels of competition in all of the Group's key markets. This process will be led by the CEO.

ii. Scope of the Audit Committee and the recruitment of an independent Chair of the Audit Committee

The Audit Committee developed and managed an enhanced risk framework for the Group which can be seen on page 47. This process was developed

by the CFO. As a result, a new independent Non-Executive Director was appointed to chair the Committee, which has been renamed the Audit & Risk Committee. The Report of the Audit & Risk Committee for the year can be found on page 80.

iii. Whether the Board should appoint a Senior Independent Director (SID)

The Nomination Committee recommended that the Board appoint a SID, whose role will be to support the Chair in her role; to act as an intermediary for other non-executive directors when necessary; to lead the non-executive Directors in the oversight of the Chair; and to ensure there is a clear division of responsibility between the Chair and Chief Executive. Following a process run by the Nomination Committee, the Board appointed Tim Aspinall to the role of SID on 30 January 2020.

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 & Risk Committee.

Board committees

To assist in carrying out its duties the Board has set up a number of committees, including the Audit & 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 & Risk Committee

The Audit & Risk Committee consists of:

Sally Tilleray (Chair)

Gillian Kent

Tim Aspinall

Caroline Brown chaired the committee during 2019 until Sally Tilleray's appointment on 19 July 2019.

The Audit & 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)

Caroline Brown

Tim Aspinall

Sally Tilleray

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

Nomination Committee

The Nomination Committee consists of:

Caroline Brown (Chair)

Gillian Kent

Tim Aspinall

Sally Tilleray

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 2019 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 & 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 Our Business Model (page 21) and divisional overviews (pages 39–46) |
| 2. Seek to understand and meet shareholder needs and expectations | See Chair's Introduction to Governance (page 73) |
| 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success | See Our Business Model (page 21) and Section 172 Statement (page 53) |
| 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation | See Principal Risks and Uncertainties (page 47) |

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 75) |
| 6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities | See Governance Statement (page 75) |
| 7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement | See Governance Statement (page 75) |
| 8. Promote a corporate culture that is based on ethical values and behaviours | See Our Culture (pages 55–66) |
| 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board | See Governance Statement (page 75) |

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 75) and Section 172 Statement (page 53) |
|---|--|

AUDIT AND RISK COMMITTEE REPORT

Dear Shareholder,

I am pleased to present my report of the Audit & Risk Committee for the year ended 31 December 2019. This is my first such report since my appointment as independent Chair of the Audit & Risk Committee in July 2019.

The composition and responsibilities of the Committee are set out on page 77. The Chair, Chief Executive Officer, Chief Financial Officer and external auditors attend the Committee by invitation if required.

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

External audit process

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

Following its review, the Auditor presented its findings to the Audit & 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.

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.

PricewaterhouseCoopers LLP (PwC) were first appointed as the Group's external auditor in 2018 and conducted the audit of the Group's financial statements for the financial year to 31 December 2018. At the Annual General Meeting in May 2019 PwC were re-appointed for 2019.

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 tax advice and compliance for the Group.

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

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 109. 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 three Limited Liability Partnership (LLP) law firms in the financial statements. The Committee considers that Your Law LLP, National Law Associates LLP, trading as National Law Partners, 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, and so the Group are correct in consolidating these entities within the financial statements with a corresponding non-controlling interest recognised for our partner firms' share of profit, total comprehensive income and net assets.
- The 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 118). 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 it does not warrant disclosure in note 1 as a critical accounting judgement.

The Committee has also considered the key sources of estimation uncertainty set out in note 1 to the financial statements on page 109, 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 109), 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, in particular the £0.3m loss in Residential Property and the levels of uncertainty in the UK housing market throughout the year. Further evidence of this market weakness was provided by the impact of the COVID-19 virus in March 2020. Accordingly, the Directors have concluded that it is appropriate to book an impairment of £5.3m to the goodwill and other intangible assets attributed to this division in the financial statements. The Committee agreed with this assessment and is satisfied that no impairment to goodwill relating to the other divisions was deemed necessary. Having reviewed the assumptions used in the calculation of carrying value, and the sensitivity analysis performed, the Committee were satisfied that sufficient headroom to the carrying value existed for Personal Injury and Critical Care and that for Residential Property, no significant changes in assumptions would change the impairment conclusion reached. Accordingly, the Committee concluded that this did not warrant disclosure under the key estimates in note 1.

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

Going Concern

The Audit & Risk Committee has reviewed the Going Concern assessment prepared by management. The assessment includes detailed financial forecasts covering a range of potential scenarios that account for the impact of COVID-19 on the business. 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 £25.0m revolving credit facility ('RCF') with its bankers and at the time of writing, it has drawn £23.8m of this facility and has cash of £2.7m. 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.

However, the Group's RCF is subject to quarterly covenant testing and the scenarios modelled suggest that the Group may exceed its leverage covenant from Q2 2020. The Group are currently in supportive discussions with the bank to secure a relaxation of the covenant.

Further details of the going concern review are given on page 92.

The impact of COVID-19 on the potential covenant breach indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The Company and Group financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern. Notwithstanding this material uncertainty, the Directors have a reasonable expectation that the Company and Group has 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.

New and forthcoming accounting standards

As was planned last year, the Group has adopted one new accounting standard during the year, namely IFRS 16 Leases. The Committee has reviewed accounting papers presented by the finance function that describe how the provisions of these standards have been applied to the Group and have also received reports from the external auditors on their review of these papers. The Committee has concluded that this standard has been appropriately applied in the financial statements. This change in accounting does not have any impact on the Group's financial covenants associated with its borrowing facility.

Risk Management Framework and controls

One of the recommendations of the Board effectiveness review, which was conducted during 2019, was that the Audit Committee should develop and manage an enhanced risk framework for the Group and to reflect this change the committee should be renamed the Audit & Risk Committee. This change has been made and an increased focus on risk management has been adopted by the Committee.

To that end, the Committee has been developing a new risk framework during the year which is described on page 47 of the Strategic Report. This process was led by the CFO and overseen by the Committee. During the first quarter of 2020, the Committee has reviewed the framework and is satisfied that appropriate mitigating actions are in place.

At present the Group does not have an internal audit function, but the finance function conducts quarterly reviews of the financial controls operating within each of the businesses, identifies areas to be improved and reports the outcomes to management and the Executive Directors. The planning for this process for 2020 was overseen by the Committee and the finance function will now also report an overview of their findings for the year to the Committee in September.

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.

Sally Tilleray

Chair of the Audit & Risk Committee

REMUNERATION COMMITTEE REPORT

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 2019.

The composition and responsibilities of the Committee are set out on page 77.

We presented the 2018 Directors' Remuneration Report which was subject to an advisory vote by shareholders at the Annual General Meeting (AGM) in May 2019. The Directors' Remuneration Policy was approved in May 2018 and the Committee believes that the Policy remains appropriate and will continue to apply it in 2020.

Accordingly, we have not included the Directors' Remuneration Policy in this Directors' Remuneration Report, however, a copy is available in our 2017 Directors' Remuneration Report on our website.

The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 December 2019 and how the Directors' Remuneration Policy will be operated for the year commencing 1 January 2020.

Review of the 2019 financial year

2019 has been a challenging year with continued political and regulatory uncertainty impacting our business. The Personal Injury division faced difficult market conditions with increased competitive pressures for enquiries and volatility among our panel law firms. Against this backdrop, they continued to make significant progress on the business transformation with our third ABS law firm, and the launch of our new wholly-owned ABS law firm, National Accident Law (NAL), both of which launched well. While the division performed marginally ahead of Board expectations for 2019, the mix of enquiry placements during the year will delay the growth in case processing within NAL. Our Residential Property division was significantly impacted by the depressed conditions of the UK property market, however our Critical Care division continued to trade well with good organic and market share growth.

The Group closed with revenue of £51.3m for the year ended 31 December 2019 and profit before tax of £2.2m. The 2019 annual bonus was assessed against underlying operating profit less non-controlling interest as regards 75% of the award and individual objectives as regards 25% of the award. The target threshold for underlying operating profit after deduction of non-controlling interests of £9.6m for 2019 was not achieved and in line with the rules of the annual bonus scheme, no bonus was payable against the individual objectives. Overall the Executive Directors were not eligible for a bonus.

Long Term Incentive Plan (LTIP) awards granted on 31 October 2017 in the form of nominal cost share options were subject to EPS and TSR performance measures (weighted equally) over the three-year period ended 31 December 2019. Overall 0% of the award vested. Further details are set out on page 87.

Board changes

On 30 January 2019, the Board appointed Caroline Brown to succeed Steve Halbert as Non-Executive Chair. On the 19 July 2019, the Board appointed Sally Tilleray to the position of independent Non-Executive Director and Chair of the Group's Audit & Risk Committee. Sally took on the responsibilities of Chair of the Audit Committee from Caroline Brown.

Outlook for the 2020 financial year

Details in relation to the application of the Directors' Remuneration Policy in 2020 are set out on page 89 however, the key elements will be as follows:

- The CEO and CFO have been awarded a 2% increase in base salary with effect from 1 March 2020, in line with the percentage increase in base salary awarded to the wider workforce. In response to the impact of COVID-19, this increase has been deferred and will be reviewed on an ongoing basis.
- The CEO's annual bonus opportunity for 2020 will continue to be subject to a maximum of 100% of base salary and the CFO's to 80% of base salary.
- Annual bonus awards for 2020 will be based on underlying operating profit and individual objectives which are aligned to the Company's strategy.
- It is proposed that LTIP awards will be granted to Executive Directors during 2020, details of the size of the awards and the performance measures attaching to the awards will be disclosed at the time of grant and in the Company's 2020 Annual Report on Remuneration.
- Non-Executive Directors' basic fees were increased by 2% with effect from 1 March 2020. In response to the impact of COVID-19, this increase has been deferred and will be reviewed on an ongoing basis.
- On 30 January 2020 the Board appointed Tim Aspinall to the position of Senior Independent Director with a fee of £5,000 per annum to reflect the increased remit in his role and responsibilities.
- As of April 2020, the Board has taken a 20% reduction in salaries or fees for an initial 3 months as part of the cost-saving measures implemented in light of the COVID-19 crisis. This reduction will be reviewed on an ongoing basis.

Conclusion

We are committed to a responsible and transparent approach in respect of executive pay and as a result the Annual Report on Remuneration will be subject to an advisory vote at the forthcoming 2020 AGM. The Committee believes that the advisory vote provides accountability and gives shareholders a say on this important area of corporate governance. The Committee will continue to monitor the Directors' Remuneration Policy to ensure it remains aligned to business strategy and delivery of shareholder value.

The Directors' Remuneration Policy is due for renewal in 2021 and we will be reviewing it during the year to ensure it remains aligned to the business strategy and delivery of shareholder value. We continue to welcome any feedback from Shareholders and hope to receive your support at the 2020 AGM.

Gillian Kent

27 April 2020

Single figure of remuneration (audited)

The table below details the elements of remuneration receivable by each Director for the financial year ended 31 December 2019 and the total remuneration receivable by each Director for that financial year and for the financial year ended 31 December 2018.

	Salary and fees	Benefits	Annual Bonus	Pension	Total Remuneration 2019	Total Remuneration 2018
	£000	£000	£000	£000	£000	£000
Executive Directors						
J R Atkinson	226	18	–	2	246	241
J D Saralis	167	17	–	1	185	168
Non-Executive Directors						
C A Brown ¹	84	–	–	–	84	4
T J M Aspinall ²	55	–	–	–	55	48
G D C Kent	50	–	–	–	50	50
S A Tilleray ³	22	–	–	–	22	–
R S Halbert ⁴	7	–	–	–	7	87

1. C A Brown was appointed to the Board on 18 December 2018 and appointed to Non-Executive Chair on 30 January 2019

2. T J M Aspinall received a fee of £10,000 as Chair of the Personal Injury Law Firm Governance Committee in 2019. This forms part of the £55,000 disclosed above

3. S A Tilleray was appointed as a Director on 19 July 2019

4. R S Halbert resigned and stepped down from the Board on 30 January 2019

The taxable benefits received during the financial year ended 31 December 2019 are principally car allowance and private medical insurance.

Individual elements of remuneration (audited)

Base salary and fees

The base salaries for 2019 and 2020 are as set out below:

	2019	2020	% increase
	£000	£000	
J R Atkinson	226	231	2%
J D Saralis	170	173	2%

Details of Non-Executive Directors' fees for 2019 and 2020 are as set out below:

	2019	2020	% increase
	£000	£000	
Chair's fee ²	80	82	2%
Non-Executive Director's fee	45	46	2%
Senior Independent Director ³	–	5	n/a
Chair of the Audit & Risk Committee	5	5	2%
Chair of the Remuneration Committee	5	5	2%

1. Salary/Fee increase with effect from 1 March 2020.

2. The proposed salary increase for the Chair's fee in March 2019 did not take effect and the Chair's fee was maintained at £80,000 throughout 2019

3. A supplementary fee of holding office of Senior Independent Director has been introduced to reflect the work and responsibility of the role.

Annual bonus plan (audited)

The maximum annual bonus opportunity for the CEO was 100% of salary and for the CFO was 80% of salary in respect of the year ended 31 December 2019. 75% of the annual bonus was assessed against underlying operating profit performance and 25% was assessed against individual objectives. The threshold operating profit for bonus payments was not achieved and in line with the annual bonus rules the CEO and CFO were not eligible for a bonus payment.

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

CEO Russell Atkinson

Performance measure	Weighting	Target or threshold	Bonus earned
Operating profit ¹	75%	Operating profit threshold of £9.6m was not achieved.	0
Personal objectives ²	25%	These included the strategic development of the Group, divisional strategy support including the re-engineering of the Personal Injury division, and strategy and operational planning in Residential Property and Critical Care, Investor relations and personal leadership development	0

CFO James Saralis

Performance measure	Weighting	Target or threshold	Bonus earned
Operating profit ¹	75%	Operating profit threshold of £9.6m was not achieved.	0
Personal objectives ²	25%	These included development of the finance function, ensuring a smooth transition to new auditors and a new Chair of the Audit & Risk Committee, investor relations, supporting the re-engineering of the Personal Injury division, and Residential Property and Critical Care in the delivery of their plans	0

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

2. No bonus was payable against the individual element as the operating profit threshold was not achieved.

Long-term incentives (audited)

On 31 October 2017, J R Atkinson was granted 87,552 shares in the form of nominal cost share options which were subject to the following performance conditions:

50% of the award was subject to the Company's underlying EPS performance for the year ended 31 December 2019. These targets were underlying EPS of 15.7p (at which level 60% of the EPS element would vest) and 17.3p for maximum performance. The Company's underlying EPS as at 31 December 2019 was 14.4p therefore 0% of this element of the award vested.

50% of the award was subject to the Company's absolute TSR performance for the year ended 31 December 2019. These targets were TSR of £2.20 (at which level 25% of the TSR element would vest) and £2.50 for maximum performance. The Company's absolute TSR performance was £1.39 therefore 0% of this element of the award vested.

No options were exercised, hence no gains or losses were made by the Directors.

Awards granted during the financial year

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

Awards granted on 18th April 2019

Director	Grant date	Type of award	Performance condition	Number of shares	Face value awarded	Term of award
J R Atkinson	18 April 2019	Nominal cost share option	100%	185,175	227,765	3 years
J D Saralis	18 April 2019	Nominal cost share option	80%	110,568	135,999	3 years

1. The mid-market closing share price on the date immediately prior to the grant date (£1.23) was used to determine the face value of the awards.

75% of the award vests subject to EPS performance and 25% of the award vests subject to free cash flow performance. The Committee decided to replace TSR with free cash flow as it is a key area of focus for the Group and is a metric which Executive Directors and other LTIP participants consider they have greater control over compared to TSR. The targets are as follows:

Underlying EPS for the year ended 31 December 2019	Percentage of award vests
Less than 16.5p	0%
16.5p	25%
17.2p	50%
18.1p or more	100%

Free Cash Flow for the year ended 31 December 2019	Percentage of award vests
Less than £6.3m	0%
£6.3m	25%
£7.7m	50%
£8.1m or more	100%

1. Free Cash Flow is defined as the cash that the Group has generated from operations less net cash used in investing activities, less payments made to non-controlling interests and less principal elements of lease payments. See note 2 of the financial statements for further details.

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 2019 and as at 31 December 2018 were as follows:

As at 31 December 2019		
As at 31 December 2018		
Executive Directors		
J R Atkinson	1.15%	1.12%
J D Saralis	0.06%	0.00%
Non-Executive Directors		
C A Brown	0.00%	0.00%
T J M Aspinall	0.02%	0.02%
G D C Kent	0.00%	0.00%
S A Tilleray	0.00%	0.00%
R S Halbert	n/a	1.39%

The interests of each Executive Director of the Company as at 31 December 2019 in the Company's share schemes were as follows:

Director	Scheme	As at 31 December 2019			
		LTIP (nominal cost options)	EMI	SAYE	Total
J R Atkinson	LTIP (nominal cost options)	–	–	337,673	–
	EMI	–	124,999	–	–
	SAYE	–	–	–	14,913
J D Saralis	LTIP (nominal cost options)	–	–	–	–
	EMI (nominal cost options)	–	–	202,031	–
	SAYE	–	–	–	10,514

Implementation of Directors' Remuneration Policy for the financial year commencing 1 January 2020

Information on how the Company intends to implement the Directors' Remuneration Policy for the financial year commencing on 1 January 2020 is set out below:

Salary/Fees

The CEO and CFO were awarded a 2% increase to base salary, with effect from 1 March 2020, in line with the percentage increase awarded to the wider workforce. In response to the impact of COVID-19, this increase has been deferred and will be reviewed on an ongoing basis.

Non-Executive Directors' basic fee and the Chair's fee were increased during the year by 2%, with effect from 1 March 2020. In response to the impact of COVID-19, this increase has been deferred and will be reviewed on an ongoing basis.

Annual bonus plan

The maximum bonus opportunity for the CEO will be 100% of salary and the CFO 80% of salary for the 2020 financial year.

75% of the annual bonus will be assessed against underlying operating profit performance and 25% will be assessed against individual objectives. Performance targets will continue to be set at the challenging levels of previous years. The individual objectives will be focused around the key areas of the strategic development and leadership of the Group and the strategic and operational planning and delivery in each division. The actual performance targets are not disclosed as they are considered to be commercially sensitive at this time. The targets will be disclosed in next year's Directors' Remuneration Report or at such point that the Committee considers that the performance targets are no longer commercially sensitive.

Long-term incentives

LTIP awards are made to Executive Directors on an annual basis to ensure they are appropriately incentivised and aligned with shareholder's interests over the longer term. The Committee has yet to determine details of the awards to be made to Executive Directors for 2020. Full details of the size of the awards and the performance measures attaching to the awards will be disclosed at the time of grant and in the Company's 2020 Annual Report on Remuneration.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is composed of the Company's independent Non-Executive Directors, Gillian Kent (Chair), Tim Aspinall, Caroline Brown and Sally Tilleray (appointed 19 July 2019). Executive Directors only attend meetings by invitation.

The Committee's key responsibilities are:

- reviewing the ongoing appropriateness and relevance of remuneration policy;
- reviewing and approving the remuneration packages of the Executive Directors;
- monitoring the level and structure of remuneration of the senior management; and
- production of the Annual Report on the Directors' remuneration.

Advisors

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

Director Remuneration Report voting at the 2019 AGM

The table below sets out the voting outcome at the Group's AGM held on 21 May 2019 in respect of the resolution to approve the Directors' Remuneration Report contained in the Group's 2018 Annual Report and Accounts.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approval of Directors' Remuneration report	23,510,797	97.34%	642,469	2.66%	24,153,266	0

Approval

This report was approved by the Board on 27 April 2020 and signed on its behalf by:

Gillian Kent

DIRECTORS' REPORT

The Directors of NAHL Group plc present their Annual Report and audited consolidated financial statements for the year ended 31 December 2019.

Results and dividend

The Group's profit after tax for the year was £1.5m (2018: £8.4m).

The Directors do not propose a final dividend (2018: 5.7p per share).

A review of the business, including future developments, is included in the Strategic Report on pages 25–54.

Post balance sheet events

On 2 January 2020 the Group terminated its partnership in respect of National Law Associates LLP and relinquished its interest for no consideration. Exceptional costs of £1.2m were recognised in the 2019 results as part of the termination agreement.

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:

- Schroder Investment Management 16.70%
- Lombard Odier Asset Management 14.97%

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:

C A Brown (Chair from 30 January 2019)

J R Atkinson (Chief Executive Officer)

J D Saralis (Chief Financial Officer)

G D C Kent (Independent Non-Executive)

T J M Aspinall (Senior Independent Non-Executive)

S A Tilleray (Independent Non-Executive, appointed 19 July 2019)

R S Halbert (Chair to 30 January 2019, Resigned 30 January 2019)

Biographies of the present Directors of the Company are listed on pages 69–70.

Details of the remuneration of the Directors is disclosed in the Remuneration Report on pages 83–90.

Political donations

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

Auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the year have been included in the Strategic Report on pages 25–54 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 136.

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.

In addition to the normal process of producing detailed forecasts of future trading, profits and cash flows on a CGU basis the Board have also considered the potential impact of COVID-19 on the cash flows of the Group for a period in excess of 12 months from the date of signing the financial statements. This has been done by modelling the financial impact of a range of potential COVID-19 scenarios on the business, resulting in a best-case, worst-case and most probable scenario.

Since mid-March, the Group's Critical Care business has remained resilient with only a modest level of impact to date. However, the Group's Personal Injury division has seen a more significant impact with a reduction in new enquiries and activity in the Residential Property division has materially reduced in line with the UK property market which has come to a standstill. We expect that these challenges will impact the business in both the short and longer-term but given the rapidly evolving Government response, it is too early to quantify the full impact with any degree of certainty. For further details refer to the Chief Executive's Report.

The Board has implemented several cash saving measures including reducing property and lease costs, leveraging IT to support broader based home working, delaying capital expenditure and optimising the structure of the business to maximise efficiencies. Members of the Group's leadership team have voluntarily taken a temporary salary cut of between 10% and 20%; the Board has taken a 20% reduction in salaries or fees; and the Group has deferred its annual salary review. The Group is also making use of the Government Job Retention Scheme and has furloughed approximately one third of staff.

As a result of the recent restructuring of the Group's Personal Injury operations, a significant proportion of the Group's cash receipts planned for this year are derived from historic enquiries, whether panel firms benefiting from deferred terms, or settlement of claims in the Group's ABS law firms. In the short-term, there is therefore less reliance on current enquiry levels to generate cash. The Directors note that there is a risk over recoverability of debts from the Group's customers, as these customers may themselves be impacted by COVID-19. The Directors have conducted an assessment of the recoverability of these balances and reflected the results in the scenarios.

The ability of the Group to operate as a going concern relies on it being able to meet its debts as they fall due and being able to operate within its financial covenants. The Group has access to a £25.0m revolving credit facility ('RCF') with its bankers which expires in December 2021 and at 31 December 2019, has net debt of £21.0m. In the scenarios the Group has modelled, including estimates regarding the impact of COVID-19, the Group expects to retain sufficient headroom within its current RCF to meet its liabilities as they fall due and does not foresee the need to access additional funding.

However, the Group's RCF is subject to quarterly covenant testing and the scenarios modelled suggest that the Group would breach its leverage covenant from Q2 2020. The Group are currently in supportive discussions with the bank to secure a relaxation of the covenant, however at the date of approving the financial statements the covenant relaxation has not been approved in writing by the bank.

If the potential breach was not remedied then the Group has a number of mitigating options it could consider, including operating more aggressive cost saving exercises to increase profitability and seeking alternative funding, such as the Government's Coronavirus Large Business Interruption Loan Scheme.

The impact of COVID-19 on the potential covenant breach indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The Company and Group financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern. Notwithstanding this material uncertainty, 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.

Group response to Modern Slavery Act 2015

Organisational structure and recruitment processes

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

Recruitment processes include the monitoring of passport documentation, with all new recruits expected to show their passport as a proof of identity. The Group also reviews shared

addresses. In addition, the Group monitors the ongoing wellbeing of its employees through line management relationships and 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.

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 services in Personal Injury and specialist consultants 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.

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 Financial Reporting Standards (IFRS) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

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

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors 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.

Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Group and 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 Financial Officer
27 April 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NAHL GROUP PLC

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated and company cash flow statements, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and company's ability to continue as a going concern. The scenarios modelled by the directors to take account of the potential impact of COVID-19 suggest that the Group would breach its leverage covenant on its revolving credit facility from Q2 2020. This condition, along with the other matters explained in note 1 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

What audit procedures we performed

In concluding there is a material uncertainty, we performed the following procedures:

- Evaluated the directors' forecast scenarios, including challenging key assumptions being the profile of forecast cash flows and variability of the cost base;
- Checked the integrity of the directors' model, as well as agreeing underlying data to source documents;

- Assessed whether the directors' mitigating actions are reasonably achievable based on our understanding of the business, including the nature of its cost base;
- Evaluated forecast covenant compliance calculations;
- Evaluated the directors' assessment of customer credit risk; and
- Obtained evidence to support disclosures within the financial statements and checked that the disclosures within the annual report are consistent with the financial statements and knowledge gained on the audit.

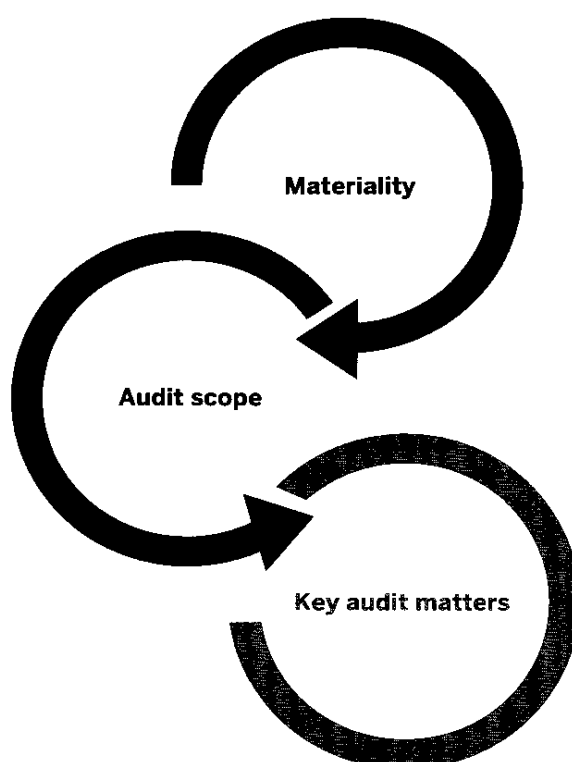
Our audit approach

Overview

- Overall group materiality: £479,000 (2018: £505,000), based on 5% of profit before tax before exceptional items.
 - Overall company materiality: £841,000 (2018: £651,310), based on 1% of total assets.
-
- We performed full scope audits over five financially significant components as well as NAHL Group plc entity. The audit of these components provided coverage of 85% revenue, 71% profit before tax and 58% total assets.
 - In addition, we performed testing over significant balances within a further three non-significant components. Testing over financial statement line items which are managed at head office were audited in full, including goodwill, tax, external borrowings, and directors' emoluments.
-
- Going concern (Group and Company – refer to Material uncertainty section above)
 - Recoverability of trade receivables and accrued income (Group)
 - Carrying value of goodwill (Group) and investments (Company)
 - Presentation and disclosure of exceptional items (Group)
 - Impact of COVID-19 (Group and Company)

The scope of our audit

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



Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our

procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Recoverability of trade receivables and accrued income (Group)</p> <p>A provision of £0.6m is recognised against trade receivables and accrued income of £29.0m. The provision involves judgement in determining the expected credit loss for the Group.</p> <p>The Group enters into contracts with the customers on varied credit terms, some of which are extended terms up to two years. There is a risk that customers are unable to meet their payment obligations over this time.</p> <p>In addition, accrued income includes an element of revenue recognised based on estimated final damages to be awarded to the client, therefore involving judgement.</p> <p>Refer to the Audit and Risk Committee Report on page 81 and the Accounting Policies note 1 for details of this critical accounting estimate.</p>	<p>We performed a combination of targeted and non-statistical sampling across customer balances to obtain evidence to support both their existence and valuation. Procedures performed were specific for each customer, and included a combination of one or more of the tests below:</p> <ul style="list-style-type: none"> • Obtaining independent confirmation from the customer of their balance; • Obtaining a copy of signed agreement confirming the balance will be settled over an agreed period; • Vouching subsequent cash receipts post year end to the bank statement; • Confirming payments made during the year to agreed payment plans and tracing those to bank statements to support timeliness of settlement; • Agreeing guaranteed amounts per claim to contracts; • Recalculating accrued income balances based on total enquiries passed to customers, agreed fees, and historical success rates to determine estimated recoverable amounts; and • Performing a look back test comparing actual collections and write offs against prior year receivables and accrued income amounts in order to assess the director's estimate of the expected credit loss provision. <p>We found the recoverability of trade receivables and accrued income balances at the year-end date to be consistent with the evidence obtained.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of goodwill (Group) and investments (Company)</p> <p>The carrying value of goodwill in the consolidated statement of financial position is £55.5m (2018: £60.4m), and the carrying value of investments in the company balance sheet is £52.7m (£52.7m). An impairment charge of £4.9m has been recognised in the year against the Residential Property division goodwill.</p> <p>An annual impairment review is performed in order to assess the recoverability of these assets. The directors apply value-in-use ('VIU') methodology, and this calculation includes assumptions such as future cash flows, discount rate and long term growth rate. The VIU is inherently judgemental as it is based on future forecasts and a change in assumptions can result in a material change in the valuation.</p> <p>Refer to the Audit and Risk Committee Report on page 81, note 13 Goodwill to the consolidated financial statements, and note 3 Investments to the company financial statements for further details.</p>	<p>The valuation methodology used for impairment assessment has been reviewed to ensure that it is compliant with the requirements of IAS 36 Impairment of assets.</p> <p>We obtained the directors' value in use model for each cash generating unit ('CGU'). These were recalculated to ensure the mathematical accuracy of the model.</p> <p>Key assumptions were tested as follows:</p> <ul style="list-style-type: none"> • For each CGU, cash flow forecasts were agreed to Board approved budgets and reviewed in order to ensure that only cash flows relating to the asset at the balance sheet date were included. We performed a look back analysis to determine the directors' forecasting accuracy over the last four years and used this in performing sensitivity analysis; • Discount rates were recalculated with each input traced to supporting market available data. We inquired of our valuations experts in order to ensure the discount rate assumptions were in line with expectations; and • We considered the long term growth rate used in the model and compared this with the long term growth rate for the UK economy. <p>We performed sensitivity analyses on the Personal Injury and Critical Care models, adjusting for downside in cash flows, historic budgeting accuracy, and changes to discount and long term growth rates. This was used to determine the change in assumptions which would be required in order to create an impairment charge.</p> <p>We performed sensitivity analysis on the Residential Property model, adjusting for downside in cash flows, historic budgeting accuracy, and changes to discount and long term growth rates. We verified that the forecast value in use within this model resulted in a full impairment of the goodwill to a nil carrying value.</p> <p>We have reviewed the directors' disclosure in note 13 including the assumptions used and sensitivities.</p> <p>We found the carrying value of goodwill and investments at the year end date, and the impairment of goodwill within Residential Property, to be consistent with the evidence obtained.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Presentation and disclosure of exceptional items (Group)</p> <p>The financial statements include certain items which are disclosed as exceptional items, and therefore adjusted for in the reconciliation of accounting profit to the adjusted measure, underlying operating profit.</p> <p>The nature of exceptional items is set out in the group accounting policy and includes non-recurring items that are material by nature, for example reorganisation and restructuring costs, and acquisition related costs.</p> <p>In the year, exceptional items are recognised in relation to group strategic and reorganisation costs (£1.3m), termination of strategic partnership (£1.2m) and impairment of goodwill and intangible assets (£5.3m).</p> <p>We focus on this area as judgement is required by the directors in determining whether items classify as exceptional.</p> <p>Refer to the Audit and Risk Committee Report on page 81 and note 4 to the consolidated financial statements for further details.</p>	<p>We assessed the appropriateness of the group's accounting policy for exceptional items with reference to accounting standards.</p> <p>We considered whether the items presented as exceptional in the current year were consistent with the accounting policy and the treatment of exceptional items in prior years.</p> <p>For group strategic and reorganisation costs, we verified a sample of costs to invoices, payroll and other supporting documentation.</p> <p>For termination of strategic partnership costs, we agreed these costs to the supporting calculations, signed settlement agreement and accounting records.</p> <p>For impairment of goodwill and intangible assets, we performed the testing outlined in the Key Audit Matter above in respect of the carrying value of goodwill and investments.</p> <p>We considered whether there are any other one-off or notable credits or charges recognised in underlying earnings to ensure consistent treatment.</p> <p>We found the presentation and disclosure of exceptional items to be consistent with the evidence obtained.</p>
<p>Impact of COVID-19 (Group and Company)</p> <p>The emergence of Coronavirus ("COVID-19") during Q1 2020 has impacted all businesses, both financially and operationally. The directors have performed a detailed assessment of the potential impact of COVID-19, specifically in respect of the preparation of the financial statements on a Going Concern basis.</p> <p>The directors believe that COVID-19 is a non-adjusting post balance sheet event.</p> <p>Refer to Note 1 Accounting Policies - Going Concern for further details.</p>	<p>The work we performed and our conclusion in respect of going concern is included in the "Material uncertainty related to going concern" section above.</p> <p>We assessed the directors' view that COVID-19 represents a non-adjusting post balance sheet event and agreed with this view. We are satisfied that the related disclosures are appropriate.</p>

How we tailored the audit scope

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

The Group has five wholly owned trading subsidiaries, three controlled but not wholly owned trading subsidiaries, and a number of intermediate holding companies. We defined a component to be an individual entity for which management prepares financial information. Accordingly, the parent company and each subsidiary is a component.

We identified five financially significant components based on their contribution to the group's profit for the year. A full scope audit was performed over each of these, as well as over the parent company. Significant balances were identified in three remaining components and therefore testing on specific financial statement line items was performed to obtain audit evidence in support of those balances within the consolidated accounts. The remaining unaudited entities were subject to a desktop review.

In addition we performed audit procedures at a group level over financial statement line items which are managed at head office, including goodwill, tax, external borrowings, and directors' emoluments.

One financially significant component was audited by a non-PwC component auditor. We have instructed them, held calls during the audit process, performed a review of working papers with particular focus on the audit of areas of heightened audit risk, and received reporting from them. Based on our involvement in the component auditor's work, sufficient appropriate evidence has been obtained in support of the group audit. Other than this one component, all audit work was performed by the group engagement team.

The audit of the financially significant components provided coverage of 85% revenue, 71% profit before tax and 58% total assets. The audit of the significant balances in the remaining components increased the coverage of revenue to 96% and total assets to 97%, and also increased the coverage of profit before tax due to testing of further income and expenses within the group.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£479,000 (2018: £505,000).	£841,000 (2018: £651,310).
How we determined it	5% of profit before tax before exceptional items.	1% of total assets.
Rationale for benchmark applied	Profit before tax before exceptional items is a key measure used by the shareholders in assessing the performance of the Group, and is a generally accepted adjusted profit benchmark. We have applied a rule of thumb of 5% of this benchmark which is appropriate for a profit oriented listed entity.	NAHL Group plc is an investment holding company with no trading operations. The benchmark for this entity is total assets as this is the primary value recognised in the financial statements for the Company. We have applied a rule of thumb of 1% which is standard for this benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £100,000 and £400,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,000 (Group audit) (2018: £25,250) and £42,000 (Company audit) (2018: £32,570) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Skedgel

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes
27 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Revenue	1.2	51,314	48,957
Cost of sales		(24,990)	(24,254)
Gross profit		26,324	24,703
Administrative expenses	3	(23,761)	(14,683)
Underlying operating profit	1	12,192	12,132
Share-based payments	22	(811)	(457)
Amortisation of intangible assets acquired on business combinations	15	(960)	(1,270)
Exceptional items	4	(7,858)	(385)
Operating profit	2	2,563	10,020
Financial income	7	202	222
Financial expense	8	(615)	(470)
Profit before tax		2,150	9,772
Taxation	9	(635)	(1,389)
Profit and total comprehensive income for the year		1,515	8,383
Profit and total comprehensive income is attributable to:			
Owners of the company		(2,959)	6,674
Non-controlling interests		4,474	1,709
		1,515	8,383
	Note	2019 p	2018 p
Earnings per share (p)			
Basic earnings per share	23	(6.4)	14.5
Diluted earnings per share	23	(6.4)	14.3

The notes on pages 107–142 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Non-current assets			
Goodwill	13	55,489	60,362
Other intangible assets	15	5,082	6,400
Property, plant and equipment	16	267	195
Right of use assets	17	264	–
Deferred tax asset	10	30	177
		61,132	67,134
Current assets			
Trade and other receivables (including £8,279,000 (2018: £6,603,000) due in more than one year)	18	37,871	28,806
Cash and cash equivalents		2,564	1,598
		40,435	30,404
Total assets		101,567	97,538
Current liabilities			
Trade and other payables	20	(17,216)	(15,111)
Lease liabilities	17	(187)	–
Other payables relating to legacy pre-LASPO ATE product	2	–	(301)
Current tax liability		(363)	(975)
		(17,766)	(16,387)
Non-current liabilities			
Lease liabilities	17	(60)	–
Other interest-bearing loans and borrowings	19	(23,594)	(17,122)
Deferred tax liability	11	(1,068)	(1,342)
		(24,722)	(18,464)
Total liabilities		(42,488)	(34,851)
Net assets		59,079	62,687
Equity			
Share capital	21	115	115
Share option reserve		3,389	2,578
Share premium		14,595	14,595
Merger reserve		(66,928)	(66,928)
Retained earnings		104,593	111,380
Capital and reserves attributable to the owners of NAHL Group plc		55,764	61,740
Non-controlling interests		3,315	947
Total equity		59,079	62,687

The notes on pages 107–142 form part of these financial statements.

These financial statements on pages 103–142 were approved by the Board of Directors on 27 April 2020 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 2019

Note	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Capital and reserves attributable to the owners of NAHL Group plc £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2018	115	2,121	14,507	(66,928)	111,079	60,894	103	60,997
Total comprehensive income for the year								
Profit for the year	–	–	–	–	6,674	6,674	1,709	8,383
Total comprehensive income	–	–	–	–	6,674	6,674	1,709	8,383
Transactions with owners, recorded directly in equity								
Issue of new Ordinary Shares 26	–	–	88	–	–	88	–	88
Member drawings	–	–	–	–	–	–	(865)	(865)
Share-based payments 22	–	457	–	–	–	457	–	457
Dividends paid 27	–	–	–	–	(6,373)	(6,373)	–	(6,373)
Total transactions with owners, recorded directly in equity	–	457	88	–	(6,373)	(5,828)	(865)	(6,693)
Balance at 31 December 2018	115	2,578	14,595	(66,928)	111,380	61,740	947	62,687
Adjustment on initial application of IFRS 16, net of tax 31	–	–	–	–	4	4	–	4
Restated balance at 1 January 2019	115	2,578	14,595	(66,928)	111,384	61,744	947	62,691
Total comprehensive income for the year								
Profit for the year	–	–	–	–	(2,959)	(2,959)	4,474	1,515
Total comprehensive income	–	–	–	–	(2,959)	(2,959)	4,474	1,515
Transactions with owners, recorded directly in equity								
Member capital	–	–	–	–	–	–	50	50
Member drawings 14	–	–	–	–	–	–	(2,156)	(2,156)
Share-based payments 22	–	811	–	–	–	811	–	811
Dividends paid 27	–	–	–	–	(3,832)	(3,832)	–	(3,832)
Total transactions with owners, recorded directly in equity	–	811	–	–	(3,832)	(3,021)	(2,106)	(5,127)
Balance at 31 December 2019	115	3,389	14,595	(66,928)	104,593	55,764	3,315	59,079

The notes on pages 107–142 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		1,515	8,383
<i>Adjustments for:</i>			
Property, plant and equipment depreciation	16	147	173
Right of use asset depreciation	17	419	–
Amortisation of intangible assets (not relating to business combinations)	15	372	187
Amortisation of intangible assets relating to business combinations	15	960	1,270
Impairment of goodwill and intangible assets		5,322	–
Financial income	7	(202)	(222)
Financial expense	8	615	470
Share-based payments		811	457
Taxation		635	1,389
		10,594	12,107
Increase in trade and other receivables		(8,880)	(7,358)
Increase in trade and other payables		1,836	2,775
Decrease in other payables relating to legacy pre-LASPO ATE product		–	(375)
		3,550	7,149
Interest paid		(529)	(474)
Tax paid		(1,479)	(2,202)
Net cash generated from operating activities		1,542	4,473
Cash flows from investing activities			
Acquisition of property, plant and equipment		(219)	(145)
Acquisition of intangible assets		(463)	(640)
Disposals of property, plant and equipment		–	42
Interest received		9	35
Non-controlling interest member capital		50	–
Net cash used in investing activities		(623)	(708)
Cash flows from financing activities			
New share issue		–	88
Proceeds from borrowings		6,500	4,125
Principal element of lease payments		(465)	–
Dividends paid		(3,832)	(6,373)
Non-controlling interest drawings	14	(2,156)	(865)
Net cash generated from/(used in) financing activities		47	(3,025)
Net increase in cash and cash equivalents		966	740
Cash and cash equivalents at 1 January		1,598	858
Cash and cash equivalents at 31 December		2,564	1,598

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 1430 Montagu Court, Kettering Parkway, Kettering, Northants, England, NN15 6XR.

The Consolidated Financial Statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The 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.

In addition to the normal process of producing detailed forecasts of future trading, profits and cash flows on a CGU basis the Board have also considered the potential impact of COVID-19 on the cash flows of the Group for a period in excess of 12 months from the date of signing the financial statements. This has been done by modelling the financial impact of a range of potential COVID-19 scenarios on the business, resulting in a best-case, worst-case and most probable scenario.

Since mid-March, the Group's Critical Care business has remained resilient with only a modest level of impact to date. However, the Group's Personal Injury division has seen a more significant impact with a reduction in new enquiries and activity in the Residential Property division has materially reduced in line with the UK property market which has come to a standstill. We expect that these challenges will

impact the business in both the short and longer-term but given the rapidly evolving Government response, it is too early to quantify the full impact with any degree of certainty. For further details refer to the Chief Executive's Report.

The Board has implemented several cash saving measures including reducing property and lease costs, leveraging IT to support broader based home working, delaying capital expenditure and optimising the structure of the business to maximise efficiencies. Members of the Group's leadership team have voluntarily taken a temporary salary cut of between 10% and 20%; the Board has taken a 20% reduction in salaries or fees; and the Group has deferred its annual salary review. The Group is also making use of the Government Job Retention Scheme and has furloughed approximately one third of staff.

As a result of the recent restructuring of the Group's Personal Injury operations, a significant proportion of the Group's cash receipts planned for this year are derived from historic enquiries, whether panel firms benefiting from deferred terms, or settlement of claims in the Group's ABS law firms. In the short-term, there is therefore less reliance on current enquiry levels to generate cash. The Directors note that there is a risk over recoverability of debts from the Group's customers, as these customers may themselves be impacted by COVID-19. The Directors have conducted an assessment of the recoverability of these balances and reflected the results in the scenarios.

The ability of the Group to operate as a going concern relies on it being able to meet its debts as they fall due and being able to operate within its financial covenants. The Group has access to a £25.0m revolving credit facility ('RCF') with its bankers which expires in December 2021 and at 31 December 2019, has net debt of £21.0m. In the scenarios the Group has modelled, including estimates regarding the impact of COVID-19, the Group expects to retain sufficient headroom within its current RCF to meet its liabilities as they fall due and does not foresee the need to access additional funding.

However, the Group's RCF is subject to quarterly covenant testing and the scenarios modelled suggest that the Group would breach its leverage covenant

from Q2 2020. The Group are currently in supportive discussions with the bank to secure a relaxation of the covenant, however at the date of approving the financial statements the covenant relaxation has not been approved in writing by the bank.

If the potential breach was not remedied then the Group has a number of mitigating options it could consider, including operating more aggressive cost saving exercises to increase profitability; and seeking alternative funding, such as the Government's Coronavirus Large Business Interruption Loan Scheme.

The impact of COVID-19 on the potential covenant breach indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The Company and Group financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern. Notwithstanding this material uncertainty, 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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

Control over an investee

Within its Personal Injury division the Group has interests in three Limited Liability Partnerships (LLPs) in conjunction with third party law firms. The LLPs are called Your Law LLP, National Law Associates LLP which trades as National Law Partners and Law Together LLP. 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

1 Accounting policies continued

Boards, with the remainder being appointed by the respective third-party law firm.

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

Key sources of estimation uncertainty

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

At the year-end, the Group has accrued revenue balances of £4,134,000 (2018: £1,379,000) calculated using this estimation technique.

Recoverability of trade receivables

Trade receivables are reflected net of an estimated provision for impairment losses. In line with IFRS 9, the Group uses an expected credit loss model to determine the provision for doubtful debts and also specific provisions for balances for which it has specific concerns over recoverability. The expected credit loss model involves segmenting debtors into groups and applying specific percentages to each of these debtor groupings. The Group has considered the profile of its debtor balance and has determined that a grouping based on credit terms is considered to be appropriate given the significant level of deferred debt. These groupings are based on those debtors due on standard terms, 6-12 month terms, 12-18 month terms and 18-24 month terms with higher percentages being applied the longer the term with the view that there is a greater risk of unforeseen circumstances arising the further away the settlement date. Standard debtors are also then reviewed for those past due and a percentage applied to those that are current, between 30-60 days, 60-90 days and 90+ days overdue. See notes 18 and 24 for further information. At the year end, the Group had provisions for receivables of £554,000 (2018: 909,000) calculated using this method. The percentages applied to each grouping of debtors ranged from 0.5% to 35% with the final provision equating to 1.9% of the total gross trade receivables and accrued income balances. If the percentages used for each grouping were to be increased/decreased by one percentage point, this would result in an increase/decrease to the bad debt provision of £135,000.

New standards and amendments adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2019:

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

In light of this new standard, the Group revised its accounting policies and made the necessary

opening balance adjustments following the adoption of IFRS 16. The changes as a result of adopting IFRS 16 are disclosed in note 31.

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.

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 111 and the principles to identify adjusting items have been applied on a basis consistent with previous years with the exception of exceptional revenues arising from the release of the pre-LASPO ATE liability. Given the magnitude of the pre-LASPO ATE liability, it is no longer considered to be a material item and therefore from 1 January 2019 the Directors have made the decision to no longer include revenues related to the release of this liability as an exceptional item. The key adjusting items in arriving at the APMs are as follows:

- **IFRS 2 Share-based Payments** – This is the charge for share-based payments calculated in line with IFRS 2. IFRS 2 requires the fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. The calculation behind the charge can fluctuate year-on-year as new grants are made depending on inputs such as the expected volatility, the share price, exercise price etc. and therefore the charge can vary with little correlation to the underlying trading activities. For example, in the six years since the Group's flotation on AIM, the IFRS 2 charge has been as low as £182,000 and as high as £1,052,000. Management therefore believe it is appropriate to exclude this charge from the underlying operating profit to allow for greater comparability of the underlying core trading performance of the Group year-on-year.
- **IFRS 3 (Revised) Business Combinations** – This is the amortisation charge for intangible assets arising on acquisitions and expenditure arising from acquisition activity. Under IFRS 3 all acquisition costs are required to be expensed in the Group Income Statement and intangible assets arising on acquisition are required to be amortised over their useful economic life. Management believes that it is useful to separately identify these costs due to their materiality to the Group results and due to the fact that the amortisation is calculated on a straight-line basis. It therefore has little correlation to the trading activities of the acquired entity in any particular year. To allow for greater comparability of the trading results year-on-year, this charge is therefore excluded from underlying operating profit.
- **Exceptional items** are non-recurring items that are material by nature and separately identified to allow for greater comparability of underlying Group operating results year-on-year. Examples of exceptional items in the current and/or previous years include reorganisation and restructuring costs; revaluation of liability associated with legacy ATE products; and acquisition related costs. Exceptional costs are separately identified to allow for greater comparability of underlying Group operating results year-on-year.

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

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Underlying Basic EPS (before NAL start-up losses)	Basic EPS	Consolidated income statement	Based on the related IFRS measure but calculated using underlying profit for the year attributable to shareholders.	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 receivables less the movement in trade payables.	Allows management to assess the short-term cash flows from movements in the more liquid assets.
Net debt	Not defined by IFRS	Consolidated cash flow statement	Net debt is defined as cash and cash equivalents less interest bearing borrowings net of loan arrangement fees.	Allows management to monitor the overall level of debt in the business. As stated in the strategic report, loan funding is key to the Group's future strategy as an increasing proportion of profits and cash flows are deferred until case settlement.

A reconciliation of each measure is provided as follows:
Underlying operating profit

	2019 £000	2018 £000
IFRS measure – operating profit	2,563	10,020
Exceptional items	7,858	385
Share-based payments	811	457
Amortisation of intangible assets acquired on business combinations	960	1,270
Underlying operating profit	12,192	12,132

1 Accounting policies continued

Underlying operating cash flow and underlying cash conversion:

12 months ended 31 December 2019	2019 Underlying operations £000	2019 Exceptional items £000	2019 Total £000	2018 Underlying operations £000	2018 Exceptional items £000	2018 Total £000
Operating profit	10,421	(7,858)	2,563	10,405	(385)	10,020
Amortisation of intangible assets acquired on business combinations	960	–	960	1,270	–	1,270
Share-based payments	811	–	811	457	–	457
Underlying operating profit	12,192	(7,858)	4,334	12,132	(385)	11,747
Depreciation and amortisation (excluding amortisation on intangible assets acquired on business combinations)	938	–	938	360	–	360
Impairment of goodwill and intangible assets	–	5,322	5,322	–	–	–
Increase in trade/other receivables	(10,027)	1,147	(8,880)	(7,358)	–	(7,358)
Increase in trade/other payables	1,836	–	1,836	2,825	(50)	2,775
Decrease in liabilities relating to Pre-LASPO ATE product	–	–	–	–	(375)	(375)
Underlying operating cash flow	4,939	(1,389)	3,550	7,959	(810)	7,149
Underlying operating cash conversion	40.5%			65.6%		
Interest paid			(529)			(474)
Tax paid			(1,479)			(2,202)
Net cash generated from operating activities			1,542			4,473
Net cash used in investing activities			(623)			(708)
Lease payments ¹			(465)			–
Payments to/from non-controlling interests			(2,156)			(865)
Free cash flow			(1,702)			2,900

¹ In the prior year payments made in respect of leases were included within operating cash flows.

Underlying basic EPS (before NAL start-up losses):	2019 £000	2018 £000
IFRS measure – (loss)/profit for the year attributable to shareholders	(2,959)	6,674
Exceptional items	7,858	385
Start-up losses associated with NAL	926	–
Share-based payments	811	457
Amortisation of intangible assets acquired on business combinations	960	1,270
Tax effect of the above	(962)	(393)
Underlying profit for the year attributable to shareholders	6,634	8,393
Weighted average number of shares (note 23)	46,178,716	46,160,172
Underlying basic EPS (before NAL start-up losses) (pence)	14.4p	18.2p

Working capital:	2019 £000	2018 £000
Movement in trade and other receivables	(8,880)	(7,358)
Movement in trade and other payables	1,836	2,775
Working capital	(7,044)	(4,583)
IFRS 9 opening balance adjustment	–	1,002
Movement in interest accruals	(114)	(268)
Corporation tax debtor	(103)	–
IFRS measure – movement in trade and other receivables less movement in trade and other payables	(7,261)	(3,849)

Net debt is defined in note 29.

Revenue

Marketing services

Personal Injury – Solicitor income (traditional)

Marketing services resulting in the provision of enquiries to Panel Law Firms. Management have determined that there is a single performance obligation being the provision of marketing services. As the Group undertakes this service on behalf of its customers, the service is considered to be simultaneously delivered and consumed by the customer and so it is considered to be satisfied over time. The transaction price is set for each customer based on a cost plus margin model and is allocated to the performance obligation using the input method based on the costs incurred of providing the service. Invoices are raised monthly for the services provided in that month and the revenue for that month is recognised at this point.

Personal Injury – Solicitor income (profit share)

Marketing services resulting in the provision of enquiries to certain Panel Law Firms where we receive variable consideration based on the ultimate case outcome. As with solicitor income (traditional), management have determined that there is a single performance obligation being the provision of marketing services. The only difference to the solicitor income (traditional) recognition is that the transaction price is variable as the Group receives a share of the profit from the successful outcome of a case from the Panel Law Firm. The transaction price is estimated on an expected value method approach using historical rates provided by the partner Panel Law Firm.

Residential Property – Conveyancing and surveyor instructions

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

Service provision

Personal Injury – Provision of legal services

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

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

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

Critical Care – Case management services

Case management support within the medico-legal framework for multi-track cases. Management consider that the performance obligation is the provision of case management support and as the service is simultaneously delivered and consumed by the customer then revenue is measured over

1 Accounting policies continued

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 and as the customer has no control over the report until it is delivered in its final form, revenue is measured at the point in time when the report is delivered. The entire transaction price, being the contractually agreed fixed fee, is recognised as revenue on completion and delivery of the report.

Residential Property – Search reports

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

Product provision

Personal Injury and Residential Property – Product income

Commissions received from product providers for the sale of additional products to the Panel Law Firms. Revenue is recognised at a point in time on satisfaction of the performance obligation being the sale of the product to a PLF with provisions in place for clawbacks.

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.

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
Other intangible assets	–	3 to 5 years

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

Property, Plant and Equipment

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

Depreciation

Depreciation is calculated to write off the cost, less estimated residual value, of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings – 3 to 5 years

Lease assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, 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

1 Accounting policies continued

a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Classification of financial instruments issued by the Group

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

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

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

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

Financial assets and liabilities

The Group's principal financial instruments comprise cash and cash equivalents, trade and

other receivables, trade and other payables and interest bearing borrowings.

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

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.

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.

Dividends

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

Member drawings

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

1 Accounting policies continued

Share option reserve

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

Merger reserve

The merger reserve represents the excess of the fair value of shares acquired through share for share exchange. In 2014 NAHL Group plc declared a bonus issue of a single deferred share of £0.0001 (a Deferred Share) with a share premium of £50,000,000. This transaction resulted in £50,000,000 of the merger reserve being transferred to the share premium account. In 2015 a further amount standing to the credit of the Company's merger reserve in the sum of £16,928,000 was capitalised by way of a bonus issue of newly created Capital Reduction Shares.

Financial income and expenses

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

2 Operating segments

	Personal Injury £000	Critical Care £000	Residential Property £000	Group £000	Underlying operations £000	Pre-LASPO ATE £000	Other Items ⁴ £000	Eliminations £000	Total £000
Year ended 31 December 2019									
Revenue	31,701	13,566	6,047	–	51,314	–	–	–	51,314
Depreciation and amortisation	(425)	(152)	(356)	(5)	(938)	–	(960)	–	(1,898)
Operating profit/(loss)	9,105 ¹	5,013 ¹	(309) ¹	(1,617)	12,192	–	(9,629)	–	2,563
Financial income	201	–	–	1	202	–	–	–	202
Financial expenses	(4)	(10)	(3)	(598)	(615)	–	–	–	(615)
Profit/(Loss) before tax	9,302	5,003	(312)	(2,214)	11,779	–	(9,629)	–	2,150
Trade receivables	4,439	5,143	618	4	10,204	–	–	–	10,204
Total assets ³	34,157	6,297	1,023	77,596	119,073	–	–	(17,506)	101,567
Segment liabilities ³	(15,371)	(1,175)	(400)	(517)	(17,463)	–	–	–	(17,463)
Capital expenditure (including intangibles)	381	181	76	44	682	–	–	–	682
Year ended 31 December 2018									
Revenue	29,522	12,383	6,388	–	48,293	664	–	–	48,957
Depreciation and amortisation	(195)	(48)	(117)	–	(360)	–	(1,270)	–	(1,630)
Operating profit/(loss)	8,424 ¹	4,520 ¹	728 ¹	(1,540)	12,132	589	(2,701)	–	10,020
Financial income	191	30	–	1	222	–	–	–	222
Financial expenses	–	(5)	–	(465)	(470)	–	–	–	(470)
Profit/(Loss) before tax	8,615	4,545	728	(2,004)	11,884	589	(2,701)	–	9,772
Trade receivables	10,200	5,036	598	–	15,834	–	–	–	15,834
Total assets ³	24,528	5,800	1,269	78,574	110,171	–	–	(12,633)	97,538
Segment liabilities ³	(13,254)	(1,137)	(364)	(356)	(15,111)	(301) ²	–	–	(15,412)
Capital expenditure (including intangibles)	245	188	352	–	785	–	–	–	785

1. These are the respective underlying operating profits of the division.

2. Pre-LASPO ATE liabilities include the balance of commissions received in advance that are due to be paid back to the insurance provider of £nil (2018: £301,000).

3. Total assets and segment liabilities exclude intercompany loan balances as these do not form part of the operating activities of the segment.

4. Other items include all non-underlying items (exceptional items, IFRS 2 share-based payment charges and amortisation of intangible assets acquired on business combinations).

2 Operating segments continued

Significant customers

Revenues of approximately £8.3m are derived from two external customers (2018: £9.0m from a single customer). These revenues are attributable to the Personal Injury and Critical Care segments.

Geographic information

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

Operating segments

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

Personal Injury – Revenue from the provision of enquiries to the Panel Law Firms, based on a cost plus margin model, plus commissions received from providers for the sale of additional products by them to the Panel Law Firms and in the case of the ABSs, revenue receivable from clients for the provision of legal services.

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

Residential Property – Revenue from the provision of online marketing services to target homebuyers and sellers in England and Wales, offering lead generation services to Panel Law Firms and surveyors in the conveyancing sector and the provision of conveyancing searches for solicitors and licensed conveyancers.

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

Pre-LASPO ATE – Revenue is commissions received from the insurance provider for the use of after the event policies by Panel Law Firms. From 1 April 2013, this product was no longer available as a result of LASPO regulatory changes. Included in the balance sheet is a liability that has been separately identified due to its material value. This balance is commissions received in advance that are due to be paid back to the insurance provider. No interest is due on this liability. As explained in note 1, given the magnitude of the pre-LASPO ATE liability, it is no longer considered to be a material item and therefore, from 1 January 2019, the directors have made the decision not to separately disclose this item.

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

3 Administrative expenses and auditors' remuneration

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

	2019 £000	2018 £000
Depreciation of property, plant and equipment	147	173
Depreciation of right of use assets	419	–
Amortisation of intangible assets (not relating to business combinations)	372	187
Amortisation of intangible assets relating to business combinations	960	1,270
IFRS 9 provision release	(355)	(206)
Operating leases – land and buildings	–	388
Auditors' remuneration	195	142

The analysis of auditors' remuneration is as follows:

	2019 £000	2018 £000
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements	162	46
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	–	74
Taxation advice	10	–
Tax compliance services	23	22

4 Exceptional items

Exceptional items included in the income statement are summarised below:

	2019 £000	2018 £000
Group strategic and reorganisation costs ¹	1,297	816
Termination of strategic partnership ²	1,239	–
Impairment of Residential Property goodwill and intangible assets ³	5,322	–
Release of pre-LASPO ATE liability and associated costs ⁴	–	(589)
Residential Property reorganisation costs ⁵	–	158
	7,858	385

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. The decision was made in December 2019 to terminate the relationship in respect of NLP. As part of this agreement, a one-off provision of £1.1m has been required along with £0.1m of legal and advisory fees incurred.

3. In light of the 2019 trading performance of the Residential Property division and the emerging global risk of COVID-19, the directors conducted an impairment review of the Residential Property division and concluded that there are insufficient future cash flows to support the carrying value of goodwill and intangible assets attributable to the division. These assets have therefore been written off in full.

4. Previously recognised liabilities for pre-LASPO ATE commissions received in advance of £nil (2018: £664,000) have been released into revenue in the year as a result of more favourable settlements. These have been offset by associated costs of £nil (2018: £75,000). As explained in note 1, given the magnitude of the pre-LASPO ATE liability, it is no longer considered to be a material item and therefore from 1 January 2019 the Directors have made the decision to no longer include revenues related to the release of this liability as an exceptional item.

5. Costs of management reorganisation in the Residential Property division.

5 Staff numbers and costs

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

	Number of Employees	
	2019	2018
Directors	6	5
Others	237	216
	243	221

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	8,331	7,840
Share based payments (see note 22)	811	457
Social security costs	867	830
Other pension costs	338	245
	10,347	9,372

6 Directors' emoluments

	2019 £000	2018 £000
Statutory Directors' emoluments	649	598

Statutory Directors' emoluments

	Salary and fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total £000
Year ended 31 December 2019						
Executive Directors						
J R Atkinson	226	18	–	–	2	246
J D Saralis	167	17	–	–	1	185
Non-Executive						
R S Halbert ¹	7	–	–	–	–	7
C Brown ²	84	–	–	–	–	84
G D C Kent	50	–	–	–	–	50
T J M Aspinall	55	–	–	–	–	55
S Tilleray ³	22	–	–	–	–	22
	611	35	–	–	3	649

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

1. R S Halbert resigned from the Board on 30 January 2019.

2. C Brown was appointed to the Board on 18 December 2018.

3. S Tilleray was appointed to the Board on 19 July 2019.

The Group contributed £3,000 to pension schemes in respect of Directors during the year (2018: £3,000).

The emoluments of the highest paid Director were £246,000 (2018: £241,000).

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

	2019 £000	2018 £000
Bank interest income	9	2
Investment income	–	29
Other income	193	191
	202	222

8 Financial expense

	2019 £000	2018 £000
Interest on bank loans	529	395
Amortisation of facility arrangement fees	77	75
Interest on lease liabilities	9	–
	615	470

9 Taxation

Recognised in the consolidated statement of comprehensive income

	2019 £000	2018 £000
<i>Current tax expense</i>		
Current tax on income for the year	883	1,824
Adjustments in respect of prior years	(121)	(160)
Total current tax	762	1,664
<i>Deferred tax credit</i>		
Origination and reversal of timing differences	(127)	(275)
Total deferred tax	(127)	(275)
Tax expense in statement of comprehensive income	635	1,389
Total tax charge	635	1,389

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	1,515	8,383
Total tax expense	635	1,389
Profit before taxation	2,150	9,772
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	409	1,856
Income disallowable for tax purposes	–	(6)
Non-deductible expenses	1,189	100
Adjustments in respect of prior years	(121)	(160)
Share scheme deductions	–	(18)
Non-controlling interest share of tax	(850)	(324)
Short-term timing differences for which no deferred tax is recognised	8	(59)
Total tax charge	635	1,389

Changes in tax rates and factors affecting the future tax charge

In the Spring Budget 2020 the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously announced). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, the effects are not included within these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be immaterial to both the tax expense for the period and to the balance of the deferred tax asset and liability at the balance sheet date.

10 Deferred tax asset

	2019 £000	2018 £000
At beginning of year	177	34
Recognition of deferred tax on IFRS 9 provision for trade receivables	–	188
Recognised in statement of comprehensive income (see note 9)	(140)	(45)
Reclassified to liability	(7)	–
Deferred tax asset at end of year	30	177

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 2018	13	21	34
Recognition of deferred tax on IFRS 9 provision for trade receivables	–	188	188
Recognised in statement of comprehensive income	(1)	(44)	(45)
At 31 December 2018	12	165	177
Reclassified to deferred tax liability	(7)	–	(7)
Recognition of deferred tax on IFRS 9 provision for trade receivables	–	–	–
Recognised in statement of comprehensive income	12	(152)	(140)
At 31 December 2019	17	13	30

11 Deferred tax liability

	2019 £000	2018 £000
At beginning of year	1,342	1,662
Reclassified from deferred tax assets	(7)	–
Recognised in statement of comprehensive income (see note 9)	(267)	(320)
Deferred tax liability at end of year	1,068	1,342

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 2018	–	1,662	1,662
Recognised in statement of comprehensive income	–	(320)	(320)
At 31 December 2018	–	1,342	1,342
Reclassified from deferred tax asset	(7)	–	(7)
Recognised in statement of comprehensive income	37	(304)	(267)
At 31 December 2019	30	1,038	1,068

12 Acquisitions

During 2018 the Group incorporated a new wholly-owned ABS law firm, National Accident Law, which began trading in 2019. In 2019 the Group acquired an interest in Law Together LLP through the election of its 100% subsidiary, Project Jupiter Limited, as a member of the LLP. Member capital of £50,000 was advanced to Law Together LLP. There were no other acquisition costs involved.

13 Goodwill

	Personal Injury £000	Critical Care £000	Residential Property £000	Total £000
Cost				
At 1 January 2018	39,897	15,592	4,873	60,362
At 31 December 2018	39,897	15,592	4,873	60,362
At 31 December 2019	39,897	15,592	4,873	60,362
Impairment				
At 1 January 2018	–	–	–	–
At 31 December 2018	–	–	–	–
Recognised in the year	–	–	(4,873)	(4,873)
At 31 December 2019	–	–	(4,873)	(4,873)
Net book value				
At 31 December 2018	39,897	15,592	4,873	60,362
At 31 December 2019	39,897	15,592	–	55,489

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 extrapolated at a forecast growth rate for five years. These cash flows are discounted at a range of pre-tax WACCs of between 7.4% - 8.4% (2018: 8.2%–8.9%). 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.

Personal Injury and Critical Care

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

	2019	2018
Personal Injury	16.6%	10.7%
Critical Care	9.0%	7.5%

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

We have applied a growth rate to Critical Care which is higher than the expected UK average growth rate of c. 2%. This is based on the recent trading performance of the division over the past three years and takes into account the strategic plans for the division over the coming years.

Operating cash flow percentages of 90% have been applied to take into account changes in working capital movements. This assumption has been based on historic rates and adjusted for changes in the business models in Personal Injury.

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 – 17.0%

Critical Care – 67.2%

Residential Property

In light of the losses incurred in 2019 and the continuing uncertainty around the residential property market which has been further impacted by recent developments of the COVID-19 situation, the revised forecasts for Residential Property indicate that there are insufficient cash flows to support the recoverable value of goodwill for this CGU. As such, an impairment loss of £4,873,000 has been recognised in the consolidated statement of comprehensive income in relation to goodwill and a further impairment loss of £449,000 has been recognised against intangible assets (technology, software and contract-based). The full impairment loss of £5,322,000 is included within exceptional items.

14 Non-controlling interests

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

Name of subsidiary	Country of incorporation and principal place of business	Nature of interest	Principal activity	Ownership	
				2019	2018
Your Law LLP	United Kingdom	LLP member	Personal injury lawyers	n/a	n/a
National Law Associates LLP	United Kingdom	LLP member	Personal injury lawyers	n/a	n/a
Law Together LLP	United Kingdom	LLP member	Personal injury lawyers	n/a	n/a

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

Non-Controlling Interests

Management consider that only Your Law LLP has a material non-controlling interest. The following table summarises information in relation to Your Law LLP before intra-group eliminations:

	2019 Your Law LLP £'000
Summarised balance sheet:	
Current assets	10,226
Current liabilities	(6,338)
Net assets	3,888
<i>Drawings paid to non-controlling interest</i>	<i>(2,156)</i>
<i>Carrying amount of non-controlling interest</i>	<i>3,197</i>
Summarised statement of comprehensive income:	
Revenue	8,003
Profit after tax	5,290
Other comprehensive income	–
Total comprehensive income	5,290
Profit allocated to non-controlling interest	4,397
Other comprehensive income allocated to non-controlling interest	–
Summarised cash flows:	
Cash flows from operating activities	2,762
Cash flows from investment activities	–
Cash flows from financing activities	(2,659)
Net increase in cash and cash equivalents	103

15 Other Intangible assets

	Technology related £000	Contract related £000	Brand names £000	Other £000	Assets under construction £000	Total £000
Cost						
At 1 January 2019	167	8,466	885	1,222	167	10,907
Additions	–	–	–	426	37	463
Reclassifications	–	–	–	167	(167)	–
At 31 December 2019	167	8,466	885	1,815	37	11,370
Amortisation and impairment						
At 1 January 2019	82	3,440	641	344	–	4,507
Amortisation charge for the year	–	–	–	372	–	372
Amortisation charge on business combinations	20	841	99	–	–	960
Impairment	65	100	–	284	–	449
At 31 December 2019	167	4,381	740	1,000	–	6,288
Net book value						
At 31 December 2018	85	5,026	244	878	167	6,400
At 31 December 2019	–	4,085	145	815	37	5,082

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

In the statement of comprehensive income, the amortisation charge on business combinations is included in 'amortisation of intangible assets acquired 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 2019	1,717
Additions	219
Disposals	–
At 31 December 2019	1,936
Depreciation and impairment	
At 1 January 2019	1,522
Depreciation charge for the year	147
Disposals	–
At 31 December 2019	1,669
Net book value	
At 31 December 2018	195
At 31 December 2019	267

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

17 Leases

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

Amounts recognised in the balance sheet

	2019 £000	2018 £000
Right of use assets		
Buildings	180	–
Office equipment	84	–
	264	–
	2019 £000	2018 £000
Lease liabilities		
Current	187	–
Non-current	60	–

In the previous year the group only recognised lease assets and lease liabilities that were classified as 'finance leases' under IFRS 17 leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 31. Additions to right of use assets of £136,000 were made during the year.

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

	2019 £000	2018 £000
Depreciation charge of right of use assets		
Buildings	395	–
Office equipment	24	–
	419	–
Interest expense	9	–
Expenses relating to leases of low value assets	–	–

The total cash outflow for leases in 2019 was £465,000.

18 Trade and other receivables

	2019 £000	2018 £000
Trade receivables: receivable in less than one year	9,556	13,234
Trade receivables: receivable in more than one year	648	2,600
Accrued income: receivable in less than one year	11,205	4,359
Accrued income: receivable in more than one year	7,631	4,003
Other receivables	1,045	308
	30,085	24,504
Prepayments	1,144	673
Corporation tax	103	–
Recoverable disbursements	6,539	3,629
	37,871	28,806

A provision against trade receivables and accrued income of £554,000 (2018: £909,000) is included in the figures above.

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.

	2019 £000	2018 £000
Non-current liabilities		
Revolving credit facility	23,750	17,250
Less facility arrangement fees	(156)	(128)
Total other interest-bearing loans and borrowings	23,594	17,122

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 2019 £000	Carrying amount 2019 £000	Fair value 2018 £000	Carrying amount 2018 £000
Bank loan ¹	GBP	1.25%–1.65% above Libor	2021	23,594	23,594	17,122	17,122
				23,594	23,594	17,122	17,122

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

20 Trade and other payables

Amounts due within one year:	2019 £000	2018 £000
Trade payables	3,935	2,493
Disbursements payable	5,835	3,712
Other taxation and social security	835	1,028
Other payables, accruals and deferred revenue	5,742	6,907
Customer deposits	869	971
Total trade and other payables	17,216	15,111

21 Share capital

	2019	2018
Number of shares		
Opening: 'A' Ordinary Shares of £0.0025 each	46,178,716	46,061,090
Issued during the year	–	117,626
Closing: 'A' Ordinary Shares of £0.0025 each	46,178,716	46,178,716
	£000	£000
Allotted, called up and fully paid		
Opening: 46,178,716 (2018: 46,061,090) 'A' Ordinary Shares of £0.0025 each	115	115
Issued during the year	–	–
Closing: 46,178,716 'A' Ordinary Shares of £0.0025 each	115	115
Shares classified in equity		
Opening shares classified in equity	115	115
Issued during the year	–	–
Closing balance	115	115

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).

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
EMI Equity-settled award to 1 employee granted by the parent company on 31 October 2016	61,506 ordinary shares	Performance-based	Third anniversary of Date of Grant
SAYE Equity-settled award to 22 employees granted by the parent company on 29 November 2017	88,125 ordinary shares	Performance-based	1 January 2021
EMI Equity-settled award to 12 employees granted by the parent company on 24 May 2018	716,049 ordinary shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2020)
SAYE Equity-settled award to 49 employees granted by the parent company on 23 October 2018	417,766 ordinary shares	Performance-based	1 December 2021
EMI Equity-settled award to 12 employees granted by the parent company on 18 April 2019	770,200 ordinary shares	Performance-based	On determination of performance criteria (as soon as practicable after 31 December 2021)
EMI Equity-settled award to 1 employee granted by the parent company on 18 April 2019	48,780 ordinary shares	Performance-based	Third anniversary of Date of Grant

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

	2019		2018	
	Weighted average exercise price £	Number of options No.	Weighted average exercise price £	Number of options No.
Outstanding at the beginning of the year	0.30	1,826,738	1.14	1,008,894
Exercised during the year	—	—	(0.82)	(117,626)
Granted during the year	0.0025	818,980	0.52	1,778,577
Cancelled during the year	—	—	—	—
Lapsed during the year	(0.0025)	(368,112)	(2.46)	(359,740)
Vested during the year	(0.0025)	(61,506)	—	—
Forfeited during the year	(0.42)	(175,180)	(1.12)	(483,367)
Outstanding at the end of the year	0.23	2,040,920	0.30	1,826,738
Exercisable at the end of the year	1.81	644,837	2.00	583,331

A charge of £811,000 (2018: £457,000) 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 not applicable for 2019 (2018: £1.56). For shares outstanding at the year end, these are exercisable at a range of exercise prices of between £0.0025–£1.21 and have a weighted average remaining life of 585 days.

The fair value of each employee share option has been measured using the Black-Scholes formula where an expected volatility of 65.0% (2018: 65.0%) has been used as well as a risk-free interest rate (based on government bonds) of between 0.5%–0.9% (2018: 0.5%–0.9%). The weighted average share price used in the model is £1.23 and a dividend yield of between 7.0%–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 2019 is based on loss attributable to ordinary shareholders of the parent company of £(2,959,000) (2018: profit £6,674,000) and a weighted average number of Ordinary Shares outstanding of 46,178,716 (2018: 46,160,172).

Profit attributable to ordinary shareholders

£000	2019	2018
(Loss)/profit for the year attributable to the shareholders	(2,959)	6,674

Weighted average number of ordinary shares

Number	Note	2019	2018
Issued Ordinary Shares at 1 January	21	46,178,716	46,061,090
Weighted average number of Ordinary Shares at 31 December		46,178,716	46,160,172

Basic Earnings per share (p)

	2019	2018
Group	(6.4)	14.5

In line with IAS 33, as the Group has a negative earnings per share, it is assumed that there are no dilutive shares.

Diluted Earnings per share (p)

	2019	2018
Group	(6.4)	14.3

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 2019 £000	Fair value 2019 £000	Carrying amount 2018 £000	Fair value 2018 £000
Financial assets measured at amortised cost				
Cash and cash equivalents	2,564	2,564	1,598	1,598
Trade and other receivables (note 18)	30,085	30,085	24,504	24,504
Disbursements (note 18)	6,539	6,539	3,629	3,629
Total financial assets	39,188	39,188	29,731	29,731
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 19)	23,594	23,594	17,122	17,122
Trade payables (note 20)	3,935	3,935	2,493	2,493
Disbursements payable (note 20)	5,835	5,835	3,712	3,712
Other payables and accruals (note 20)	5,742	5,742	6,907	6,907
Total financial liabilities measured at amortised cost	39,106	39,106	30,234	30,234

(b) Credit risk

Financial risk management

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

Exposure to credit risk

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

	2019 £000	2018 £000
Trade receivables	10,204	15,834
Accrued income	18,836	8,362
	29,040	24,196

Management consider the credit risk to be mitigated as a result of a) the holding of deposits for all significant customers and b) only offering significant deferred terms to those PLFs with whom we hold strategic partnerships and after satisfactory credit checks have been obtained. As at 31 December 2019 these deposits reflect 8.6% (2018: 6.2%) of the balance of trade receivables. At each balance sheet date, the amount of deposit held was:

	2019 £000	2018 £000
Customer deposits	869	971

Credit quality of financial assets and impairment losses

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

	Gross: Standard Terms 2019 £000	Gross: Deferred Terms 2019 £000	Impairment 2019 £000	Total 2019 £000	Gross: Standard Terms 2018 £000	Gross: Deferred Terms 2018 £000	Impairment 2018 £000	Total 2018 £000
Not past due	3,362	3,994	(34)	7,322	2,335	10,780	(197)	12,918
Past due (1 – 30 days)	545	168	(12)	701	769	52	(22)	799
Past due (30 – 120 days)	835	105	(42)	898	862	116	(67)	911
Past due (Over 120 days)	1,438	67	(222)	1,283	1,257	75	(126)	1,206
	6,180	4,334	(310)	10,204	5,223	11,023	(412)	15,834

23.3% of standard terms trade receivables are 120 days or more past due (2018: 24.1%). These receivables arise primarily in Critical Care where our standard credit terms are 30 days. As mentioned in the 2018 Strategic Report increasing cost pressures on solicitors mean they often do not settle these balances until interim funds are available or a case has settled. This is often within 12 months and, therefore, formal deferred terms are not utilised. We monitor these debts closely through regular contact with these solicitors and do not consider there to be any significant risks regarding recoverability.

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

	2019 £000	2018 £000
Balance at 1 January	909	114
IFRS 9 adjustment to opening balances	–	1,001
Allowance released	(203)	(206)
Allowance utilised	(152)	–
Balance at 31 December	554	909

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

(c) Liquidity risk

Financial risk management

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

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

	Secured bank loans £000	Trade and other payables £000	Total £000
2019			
Non-derivative financial instruments			
Carrying amount	(23,750)	(16,347)	(40,097)
Contractual cash flows:			
1 year or less	(570)	(10,512)	(11,082)
1 to 2 years	(24,320)	(5,835)	(30,155)
2 to 5 years	–	–	–
	(24,890)	(16,347)	(41,237)
2018			
Non-derivative financial instruments			
Carrying amount	(17,250)	(14,140)	(31,390)
Contractual cash flows:			
1 year or less	(380)	(10,452)	(10,832)
1 to 2 years	(380)	(3,688)	(4,068)
2 to 5 years	(17,630)	–	(17,630)
	(18,390)	(14,140)	(32,530)

(d) Market risk

Financial risk management

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

Market risk – foreign currency risk

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

Market risk – interest rate risk

Profile

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

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

	2019 £000	2018 £000
Variable rate instruments		
Financial liabilities	23,750	17,250
Total interest-bearing financial instruments	23,750	17,250

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.

	2019 £000	2018 £000
Profit for the year		
Increase	119	86
Decrease	(119)	(86)

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 2019 is 0.4:1.0 (2018: 0.3:1.0). The balance of the Group's capital as at 31 December 2019 was £82,829,000 comprising equity of £59,079,000 and bank loans of £23,750,000. The Group is subject to quarterly covenant testing against its bank loans. These covenants include leverage and interest cover. The Group adhered to both these covenants in 2019 but is forecasting a breach from Q2 2020. Please see Going Concern in the Directors' Report for more details.

25 Commitments

Capital commitments

At 31 December 2019 the Group had capital commitments of £261,000 (2018: £nil).

26 Transactions with owners, recorded directly in equity

Exercise of share options

There were no transactions with owners recorded directly in equity in 2019.

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

27 Dividends

On 31 May 2019 the Group paid final dividends in respect of 2018 of £2,631,000 (2018: final dividends in respect of 2017 of £4,895,000) which represented a dividend per share of 5.7p (2018: 10.6p). On 31 October 2019 the Group paid interim dividends in respect of 2019 of £1,201,000 (2018: interim dividends in respect of 2018 of £1,478,000) which represented a dividend per share of 2.6p (2018: 3.2p). The Directors have not recommended a final dividend in respect of 2019.

28 Related parties

Transactions with key management personnel

Key management personnel in situ at the 31 December 2019 and their immediate relatives control 1.6% (2018: 2.9%) of the voting shares of the Company.

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

	2019 £000	2018 £000
Short-term employment benefits	2,032	2,188
Termination benefits	–	100
	2,032	2,288

29 Net debt

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

	2019 £000	2018 £000
Cash and cash equivalents	2,564	1,598
Other interest-bearing loans and borrowings	(23,594)	(17,122)
Net debt	(21,030)	(15,524)

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

	2019 £000	2018 £000
Net increase in cash and cash equivalents	966	740
Net inflow from increase in debt and debt financing	(6,500)	(4,125)
Movement in net borrowings resulting from cash flows	(5,534)	(3,385)
Non-cash movements – net increase to/(release of) prepaid loan arrangement fees	28	(75)
Net debt at beginning of period	(15,524)	(12,064)
Net debt at end of period	(21,030)	(15,524)

30 Post balance sheet events

On 2 January 2020 the Group terminated its partnership in respect of National Law Associates LLP and relinquished its interest for nil consideration. At 31 December 2019, net assets after intra-group eliminations of £431,000 in respect of National Law Associates LLP were recognised within the consolidated balance sheet of the Group.

31 Changes in accounting policies

The Group has adopted the modified retrospective approach with the right of use asset measured as if IFRS 16 had been applied since the commencement date of a lease using a discount rate based on the Group's incremental borrowing rate at the date of initial application and the lease liability at transition date as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application, adjusted by any prepayments or lease incentives recognised immediately before the date of initial application. Under the modified retrospective transition approach, the comparative information is not restated.

The Group has elected to apply a single discount rate to assets with similar characteristics. The Group has also elected not to recognise right of use assets and lease liabilities for short-term leases or low-value assets. The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term.

Leases

The Group leases property and certain items of office equipment.

	Property £000	Office equipment £000	Total £000
Balance at 1 January 2019	531	109	640
Balance at 31 December 2019	180	84	264

Impact on Financial Statements

1) Impact on transition

On transition to IFRS 16, the Group recognised additional right of use assets and lease liabilities recognising the difference in retained earnings. This impact on transition is summarised below.

	Total £000
Right of use assets	640
Lease liabilities	(673)
Release of rent-free period adjustments and adjustments to dilapidations provisions	37
Impact on retained earnings	4

2) Impacts for the period

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £264,000 of right of use assets and £247,000 of lease liabilities as at 31 December 2019.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the twelve months ended 31 December 2019, the Group recognised £419,000 of depreciation charges and £9,000 of interest costs from those leases.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investments	3	52,700	52,700
Current assets			
Trade and other receivables	4	31,410	12,431
Net assets		84,110	65,131
Equity			
Share capital	6	115	115
Share option reserve		3,389	2,578
Share premium		14,595	14,595
Retained earnings at end of year		66,011	47,843
Total equity		84,110	65,131

The notes on pages 146 to 151 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 April 2020 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 2019

	Note	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018		115	2,121	14,507	–	54,216	70,959
Transactions with owners, recorded directly in equity							
Issue of new Ordinary Shares	10	–	–	88	–	–	88
Share based payments	7	–	457	–	–	–	457
Dividends paid		–	–	–	–	(6,373)	(6,373)
Balance at 31 December 2018		115	2,578	14,595	–	47,843	65,131
Total comprehensive income for the year							
Profit for the year		–	–	–	–	22,000	22,000
Total comprehensive income		–	–	–	–	22,000	22,000
Transactions with owners, recorded directly in equity							
Share based payments	7	–	811	–	–	–	811
Dividends paid		–	–	–	–	(3,832)	(3,832)
Balance at 31 December 2019		115	3,389	14,595	–	66,011	84,110

COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit for the year	22,000	–
Adjustments for:		
Share based payments	811	457
	22,811	457
Increase/(decrease) in trade and other receivables	(18,979)	5,828
Net cash generated from operating activities	3,832	6,285
Cash flows from financing activities		
New share issue	–	88
Dividends paid	(3,832)	(6,373)
Net cash used in financing activities	(3,832)	(6,285)
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 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information has been prepared on a going concern basis and under the historical cost convention. The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group profit includes a profit after tax for the parent company of £22,000,000 (2018: £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

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

New standards and amendments adopted by the Company

The Company has 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 £84,110,000 (2018: £65,131,000) and net current assets of £31,411,000 (2018: £12,431,000) 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 107.

Employee share schemes

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

Impairment

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in prior periods are assessed

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

2 Taxation

Recognised in the consolidated statement of comprehensive income

	2019 £000	2018 £000
<i>Current tax expense</i>		
Current tax on income for the year	–	–
Total current tax	–	–
Total tax charge	–	–
Reconciliation of effective tax rate		
	2019 £000	2018 £000
Profit for the year	22,000	–
Total tax expense	–	–
Profit before taxation	22,000	–
Tax using the UK corporation tax rate of 19.00% (2018: 19.00%)	4,180	–
Income disallowable for tax purposes	(4,180)	–
Total tax charge	–	–

Changes in tax rates and factors affecting the future tax charge

In the Spring Budget 2020 the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously announced). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, the effects are not included within these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be immaterial to the tax expense for the year.

3 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	
				2019	2018
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%
Fitzalan Partners Ltd 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%
National Accident Helpline Limited ²	United Kingdom	Ordinary	Agency services for solicitors	100%	100%
Lawyers Agency Services Limited	United Kingdom	Ordinary	Dormant	100%	100%
Accident Helpline Limited	United Kingdom	Ordinary	Dormant	100%	100%
NAH Support Services Limited	United Kingdom	Ordinary	Dormant	100%	100%
Tiger Claims Limited	United Kingdom	Ordinary	Dormant	100%	100%
Your Law 1 Limited	United Kingdom	Ordinary	Dormant	100%	100%
NAH Legal Services Limited	United Kingdom	Ordinary	Dormant	100%	100%
Searches UK Limited 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	n/a	n/a
National Law Associates LLP ¹	United Kingdom	n/a	Personal Injury lawyers	n/a	n/a
National Accident Law Limited ²	United Kingdom	Ordinary	Personal Injury lawyers	100%	100%
Law Together LLP ¹	United Kingdom	n/a	Personal Injury lawyers	n/a	n/a
National Conveyancing Partners Ltd	United Kingdom	Ordinary	Dormant	100%	n/a

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

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 1430 Montagu Court, Kettering Parkway, Kettering Venture Park, Kettering, Northamptonshire, NN15 6XR.

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

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

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

At 31 December 2019 the value of the investment in Consumer Champion Group Limited, its only directly owned subsidiary, was as follows:

Valuation	Total £000
At 1 January 2019 and 31 December 2019	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 2019 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 that no reasonable changes to assumptions would result in an impairment to the investment.

4 Trade and other receivables

	2019 £000	2018 £000
Amounts due from Group undertakings	31,410	12,431

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

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

	Carrying amount 2019 £000	Fair value 2019 £000	Carrying amount 2018 £000	Fair value 2018 £000
Amounts due from Group undertakings	31,410	31,410	12,431	12,431
Total financial assets	31,410	31,410	12,431	12,431

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 2019 was £84,110,000.

6 Share capital

	2019	2018
Number of shares		
'A' Ordinary Shares of £0.0025 each	46,178,716	46,178,716
	46,178,716	46,178,716
	£000	£000
Allotted, called up and fully paid		
At 31 December 2018: 46,178,716 'A' Ordinary Shares of £0.0025 each	115	115
Issued during the year	–	–
At 31 December 2019: 46,178,716 'A' Ordinary Shares of £0.0025 each	115	115
Shares classified in equity		
At 31 December 2018	115	115
Issued during the year	–	–
At 31 December 2019	115	115

7 Share based payments

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

8 Staff costs and numbers

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

9 Commitments

Capital commitments

At 31 December 2019 the Company had no capital commitments (2018: £nil).

10 Transactions with owners, recorded directly in equity

Details of transactions with owners recorded directly in equity can be found in note 26 to the Group accounts.

11 Related parties

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

ADVISORS

Company registration number

08996352

Auditors

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LOOKING TO THE FUTURE

Having started 2020 with confidence that the Group's strategic growth plans were progressing well and early signs of market improvement in Residential Property, we have completely switched our focus on channelling our resources to tackle the business challenges posed by the spread of the COVID-19 virus.

Our number one priority is the safety, wellbeing and health of our people across the business, along with our customers and partners. Since the emergence of the virus in the UK, we have taken various measures to reduce our costs and ensure we have sufficient liquidity to run the business through a prolonged period.

We would like to thank all colleagues for their commitment and flexibility during what will be a testing period. Our experience in navigating change in difficult markets stands us in good stead to emerge from this as a sustainable business poised to benefit from the recovery that will follow.

NOTES

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**Annual Report
and Accounts
2019**

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