22 September 2020

NAHL Group PLC
("NAHL" or the "Group")

Interim Results
Demonstrating resilience

NAHL (AIM: NAH), a leader in the UK consumer legal services market, announces its Interim Results for the six months to 30 June 2020.

Financial Highlights

- Revenue down 22% to £20.2m (2019 H1: £25.8m)
- Underlying operating profit[1] down 43% to £3.7m (2019 H1: £6.5m)
- Profit before tax of £1.8m (2019 H1: £4.6m)
- Basic earnings per share of (0.8)p (2019 H1: 3.4p)
- £0.8m of exceptional costs (2019 H1: £0.8m)
- Free cash flow[1] up 585% to £3.8m (2019 H1: £0.6m)
- Net debt[1] reduced to £18.5m (31 December 2019: £21.0m)

Operational Highlights

- The Group remained profitable and increased cash flow during the period by prioritising the placement of personal injury enquiries into panel firms to maximise in year revenues and cash flow; and by implementing cost saving measures
- The Group's joint venture and wholly owned law firms continue to mature. Settlements in National Accident Law were up 266% compared to the preceding six months
- The Group restructured, merging the personal injury and residential property businesses into a new Consumer Legal Services division ("CLS"), resulting in the identification of £1m annualised cost savings
- Personal injury enquiry volumes fell rapidly in April as a result of COVID-19 lockdown measures, falling to c. 30% of prior year levels. These have since recovered strongly to c. 50% in June and subsequently to c. 70% in August
- New banking covenants agreed and facility term extended by a year to 31 December 2022

Caroline Brown, Chair of NAHL, commented:

"The first half of 2020 has been the most challenging in NAHL's history and I am very proud of how the Group has responded to the COVID-19 pandemic. We are pleased to report that the business remained profitable and enjoyed strong free cash flow generation in the period.

"I would like to thank our people, who have shown great agility and commitment to supporting our customers in very difficult circumstances."

[1] The Interim Results include alternative performance measures that provide additional useful information on underlying business trends and performance. These are defined in note 1 to the Interim Results

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Notes to Editors

NAHL Group plc (AIM: NAH) is a leader in the Consumer Legal Services ("CLS") market. The Group provides services and products to individuals and businesses in the CLS market through its two divisions:

- **Consumer Legal Services** provides outsourced marketing services to law firms through National Accident Helpline and Homeward Legal; and claims processing and conveyancing services to individuals through Your Law, Law Together, National Accident Law and National Conveyancing Partners. In addition, it also provides property searches through Searches UK.

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

More information is available at www.nahlgroupplc.co.uk and www.national-accident-helpline.co.uk.

Interim Management Statement

I am pleased to report the Group's interim results for the six months ended 30 June 2020.

The Group's markets and results for the first half were significantly impacted by COVID-19 ("COVID" or the "pandemic"). Management responded quickly and decisively to the emerging pandemic, implementing the Group's business continuity plan and leveraging technology investments to protect employees and support customers.

The business benefited from profit and cash flows arising from the settlement of historical claims in its personal injury business as well as ongoing cases and existing instructions in Critical Care. By restructuring; reducing costs; and flexing enquiry placement decisions, the Group was able to remain profitable, increase free cash flow and reduce net debt during the period.

Pleasingly, the Group has demonstrated a positive exit trajectory from H1 with growing levels of leads and enquiries in Consumer Legal Services and continued strong billings in Critical Care.

Summary of Financial Performance

Revenue fell by 21.7% to £20.2m (H1 2019: £25.8m) and underlying operating profit decreased by 43.3% to £3.7m (H1 2019: £6.5m).

<u>Summary of Results</u>

	Unaudited H1 2020 £m	**Unaudited H1 2019 (restated)[2] £m**	**Change £m**	**Change %**
Consumer Legal Services	**14.5**	19.2	(4.7)	-24.7
Critical Care	**5.7**	6.6	(0.9)	-12.9
Revenue	**20.2**	25.8	(5.6)	-21.7
Consumer Legal Services	**2.5**	4.8	(2.3)	-47.5
Critical Care	**1.9**	2.3	(0.4)	-19.1
Shared Services	**(0.8)**	(0.7)	(0.1)	+6.8
Underlying operating profit	**3.7**	6.5	(2.8)	-43.3

([2] The H1 2019 results have been restated to reflect the new structure of the Group. Total revenue and underlying operating profit are unchanged)

The Group incurred £0.8m of exceptional costs in H1 (H1 2019: £0.8m). Of this amount, £0.5m relates to the formation of its wholly owned law firm, National Accident Law ("NAL"), and development of technology to enhance self-processing and remote access capabilities. This transformation is on schedule with 2020 being its final year. A further £0.3m of exceptional cost was incurred in connection with the Group restructure including closure of the London office.

After deducting minority interest payments associated with the Group's joint venture ABS law firms, which are rising as the claims placed into these structures mature, basic earnings per share was (0.8)p (H1 2019: 3.4p). Underlying earnings per share, which excludes exceptional items, amortisation of intangible assets acquired on business combinations and share based payments (net of tax), was 2.1p (H1 2019: 7.4p).

The Board has not reinstated dividends at this time and the Directors have recommended that no interim dividend be paid in respect of 2020.

COVID-19 Response

The national lockdown measures introduced by the Government in March 2020, and subsequently relaxed, had a dramatic effect on our business.

During the pandemic, our priority has been ensuring the wellbeing of our employees and supporting our customers and business partners through these unprecedented times. To that end, during March, our IT and Operations teams implemented continuity plans which enabled colleagues to work safely from home and to provide remote access to patients. Recent investments in technology have allowed us to maintain high levels of service to customers.

In response to the lockdown management took several actions, summarised below.

i. We leveraged the flexibility in our business model to prioritise placement of personal injury enquiries into the panel to maximise cash flow during the period.
ii. We implemented measures to reduce our costs, including reducing property and lease costs, introduced temporary voluntary pay reductions for the Board and senior management; and deferred planned pay increases across the workforce.
iii. We restructured the Group, merging our personal injury and residential property businesses into a Consumer Legal Services ("CLS") division; and creating a shared services division. Some £1m of annualised savings were identified of which £0.7m have been secured by actions taken in the period, including the closure of our London office.
iv. We made use of Government support in the form of the Coronavirus Job Retention Scheme ("CJRS"). At the peak of its usage in May, the Group furloughed 82 staff (30% of total) and in September this had reduced to four staff members. In total, £0.4m will have been claimed between April and the end of the Group's usage of CJRS in September.

Despite the challenges that we faced, we have continued to support our customers and in this period we have helped 21,563 customers with new personal injury claims or conveyancing transactions; issued 556 expert witness reports and initial needs assessments; and provided 1,125 clients with case management to support their rehabilitation.

Trading Review

<u>Consumer Legal Services</u>

This division's markets have been significantly impacted by the COVID-19 pandemic.

Official statistics on the personal injury market are out of date, but we consider survey data from the Office for National Statistics[3] ("ONS") on the proportion of adults travelling to work to be an useful guide to model new accident levels in our addressable market. These show 35-40% of adults travelled to work during May, which was the point at which the ONS began compiling the figures, recovering to c. 50% in June and increasing further to c. 60% in September. In April, our personal injury enquiry volumes fell to c.30% of prior year as the UK entered lockdown but had recovered to c. 50% in June as lockdown eased. In August, our volumes recovered further to c. 70%.

Regulatory changes have been subject to further delays and in April 2020 the implementation date for the road traffic accident ("RTA") element of the Civil Liability Act was delayed by eight months to April 2021. This was intended to allow the Government and industry time to focus on their response to the pandemic. To date, there has been no indication of the proposed implementation date for the non-RTA elements of the reforms. The evolving nature of COVID-19 casts some doubt over the eventual implementation date.

Revenue in the CLS division was down 24.7% to £14.5m (H1 2019: £19.2m) and underlying operating profit was down 47.5% at £2.5m (H1 2019: £4.8m).

Management prioritised placement of enquiries into the panel to generate cash and improve levels of liquidity during this challenging period. Once panel demand was satisfied, we prioritised placement to NAL in order to continue to build scale, in line with our strategy. Enquiries into our joint venture ABS law firms were paused during April and reinstated gradually as lockdown was released.

Following last year's investment in re-platforming the National Accident Helpline website we have experienced improvements in site traffic and click-to-lead ("CTL") metrics, with August seeing the highest CTL since 2017.

The value of ongoing claims processed in the Group's law firms continues to grow. In the period, 5,845 new enquiries (H1 2019: 7,343) were placed into our firms and 2,078 claims were won, a 20% increase on last year. NAL continues to perform well and deliver encouraging metrics. The number of admissions of liability and settlements increased in H1 compared to the previous six months by 62% and 266% respectively, demonstrating an increasing maturity in our business. We intend to place a higher proportion of our RTA enquiries into NAL as the number of enquiries recovers.

After an encouraging start to the year in our residential property business, conveyancing volumes in April came to a standstill, in parallel with the market. Once lockdown measures started to ease, the market recovered quickly and the RICS UK Residential Survey shows strong growth in agreed sales, new instructions and new buyer enquiries since June. Our volumes tracked this recovery and lead numbers were back to pre-COVID levels in June, rising to 144% of pre-COVID levels during August.

The recovery was helped by pent up demand, changing lifestyles and the Government's welcome changes to stamp duty. We have been pleased by the improvement in the performance in this business.

Critical Care

Activity levels in the catastrophic injury market, in which our Critical Care business operates, broadly follow the wider personal injury market. The lockdown will result in fewer serious RTAs due to less road usage and fewer medical negligence claims in the period due to a delay in patient access. However, whilst the requirement for case management services comes within months of an accident, expert witness services typically operate with a much longer time lag and can be required years later. As a result, we expect new enquiry levels in the expert witness market to recover less quickly than in the wider personal injury market.

In the period, our Critical Care division was resilient. H1 revenue was down 12.9% to £5.7m (H1 2019: £6.6m) and underlying operating profit down 19.1% to £1.9m (H1 2019: £2.3m).

We have upgraded our core case management and office platform, which enabled a smooth transition to homeworking and will support future growth and create further operational efficiencies.

In case management, instruction levels softened during the period as a result of fewer RTAs occurring during lockdown; and the pandemic has resulted in lower demand for some intensive services as elements of rehabilitation were delayed and meetings were held remotely. In expert witness, instructions levels remained strong throughout H1 due to long lead times with meetings held remotely. Since June, as lockdown measures eased, we restarted face to face meetings and have supported our consultants with risk assessments and PPE. Remote delivery of assessments generates lower revenues but is likely to remain an important delivery mechanism.

Free Cash Flow ("FCF") and Net Debt

We have increased our FCF in the first half from £0.6m last year to £3.8m this year and our net debt has been reduced from £21.0m at 31 December 2019 to £18.5m at 30 June 2020.

The increase in FCF has been achieved by maximising the placement of new personal injury claims into the panel and by realising an increasing level of settlements from historical claims. Cash on historical claims includes £1m received in the period in relation to the termination of our partnership in National Law Associates LLP, on 2 January 2020. A further £4m non-contingent settlement is due to be collected on a monthly basis by the end of April 2022.

In July, we extended the term of our banking facility by one year to 31 December 2022 and agreed a new set of banking covenants that provide us with good levels of headroom for the remainder of the term.

Board Change

Post period end, on 7 September 2020, NAHL announced the resignation of Group CEO, Russell Atkinson and that he will leave the Company's employment at the end of September 2020. The Board has commenced a search process to find a suitable replacement and will make further announcements in due course. Caroline Brown is providing strategic leadership to the Group in the interim. The two divisions of the Group, each with their own autonomous management structures, will continue to operate unaffected.

Current Year Outlook

The Group has demonstrated its trading resilience during a period of unprecedented market change. Whilst the risks of future national lockdowns remain, the Group has observed an increased demand for its services since the end of June.

In August, personal injury enquiry volumes recovered to c. 70% of prior year, which is ahead of the ONS trend of increasing levels of adults returning to work. As a result, we are gradually increasing placement into our law firms. We expect to allocate a greater proportion of RTA enquiries to NAL as volumes recover.

In the absence of future national lockdowns, the UK residential property market looks set to be buoyant for the rest of the year and we will look to capitalise on this opportunity.

Following the Group's restructuring, actions taken in H1 have secured £0.7m of future annualised cost savings and actions to secure further savings have been identified in H2. In October, the CLS division will complete the next stage of its transformation with the upgrade of its CRM, digital lead and telephone systems. These investments will pave the way for an increase in the proportion of enquiries processed in NAL and for its future growth.

In the catastrophic injury market, case management volumes have been shown to lag the personal injury market by around 3-4 months and we expect this to continue. Expert witness services typically operate with a much longer time lag and we expect the recent national lockdown to impact our instruction pipeline into 2021.

In summary, the Group has demonstrated its ability to respond to extreme challenges in the first half of the year. The flexibility in our business model, coupled with the changes we have made, position us well to respond to the economic recovery and continue to reduce net debt.

Finally, I would like to thank our people for the dedication and adaptability they have shown during this period.

James Saralis
Group Chief Financial Officer

22 September 2020

[2] The Interim Results include alternative performance measures (APMs) because the Directors believe they provide useful information for shareholders on underlying business trends and performance. Details of APMs are provided in Note 1.
[3] Opinions and Lifestyle Survey, Office for National Statistics (14 May to 13 September 2020).

Consolidated statement of comprehensive income

for the 6 months ended 30 June 2020

	Note	**Unaudited 6 months ended 30 June 2020 £000**	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Revenue	2	**20,235**	25,839	51,314
Cost of sales		**(10,770)**	(12,589)	(24,990)
Gross profit		**9,465**	13,250	26,324
Administrative expenses		**(7,421)**	(8,500)	(23,761)
Underlying operating profit		**3,666**	6,465	12,192
Share-based payments		**(351)**	(426)	(811)
Amortisation of intangible assets acquired on business combinations		**(477)**	(484)	(960)
Exceptional items	3	**(794)**	(805)	(7,858)
Operating profit	2	**2,044**	4,750	2,563
Financial income		**98**	104	202
Financial expense		**(313)**	(296)	(615)
Profit before tax		**1,829**	4,558	2,150
Taxation	4	**58**	(424)	(635)
Profit for the period and total comprehensive income		**1,887**	4,134	1,515
Profit and total comprehensive income is attributable to:				
Owners of the company		**(351)**	1,561	(2,959)
Non-controlling interests		**2,238**	2,573	4,474
		1,887	4,134	1,515

Earnings per share (p)		**Unaudited 6 months ended 30 June 2020**	Unaudited 6 months ended 30 June 2019	Audited 12 months ended 31 December 2019
Basic earnings per share	7	**(0.8)**	3.4	(6.4)
Diluted earnings per share	7	**(0.8)**	3.3	(6.4)

Consolidated statement of financial position

At 30 June 2020

	Note	**Unaudited as at 30 June 2020 £000**	Unaudited as at 30 June 2019 £000	Audited as at 31 December 2019 £000
Non-current assets				
Goodwill		**55,489**	60,362	55,489
Other intangible assets		**4,845**	5,906	5,082
Property, plant and equipment		**349**	272	267
Right of use assets		**1,023**	570	264
Deferred tax asset		**30**	152	30
		61,736	67,262	61,132
Current assets				
Trade and other receivables (including £6,838,000 (June 2019: £4,955,000, December 2019: £8,279,000) due in more than one year)	5	**34,626**	33,027	37,871
Cash and cash equivalents		**3,378**	2,026	2,564
		38,004	35,053	40,435
Total assets		**99,740**	102,315	101,567
Current liabilities				
Trade and other payables	6	**(16,222)**	(16,855)	(17,216)
Lease liabilities		**(136)**	(640)	(187)
Current tax liability		**(53)**	(726)	(363)
		(16,411)	(18,221)	(17,766)
Non-current liabilities				
Lease liabilities		**(803)**	–	(60)
Other interest-bearing loans and borrowings		**(21,877)**	(19,659)	(23,594)
Deferred tax liability		**(915)**	(1,188)	(1,068)
		(23,595)	(20,847)	(24,722)
Total liabilities		**(40,006)**	(39,068)	(42,488)
Net assets		**59,734**	63,247	59,079
Equity				
Share capital		**115**	115	115
Share option reserve		**3,740**	3,004	3,389
Share premium		**14,595**	14,595	14,595
Merger reserve		**(66,928)**	(66,928)	(66,928)
Retained earnings		**104,242**	110,313	104,593
Capital and reserves attributable to the owners of NAHL Group plc		**55,764**	61,099	55,764
Non-controlling interests		**3,970**	2,148	3,315
Total equity		**59,734**	63,247	59,079

Consolidated statement of changes in equity

for the 6 months ended 30 June 2020

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2020	115	3,389	14,595	(66,928)	104,593	55,764	3,315	59,079
Total comprehensive income for the period								
Profit for the period	–	–	–	–	(351)	(351)	2,238	1,887
Total comprehensive income	–	–	–	–	(351)	(351)	2,238	1,887
Transactions with owners, recorded directly in equity								
Share-based payments	–	351	–	–	–	351	–	351
Non- controlling interest member drawings	–	–	–	–	–	–	(1,529)	(1,529)
Disposal of non-controlling interest	–	–	–	–	–	–	(54)	(54)
Balance at 30 June 2020	**115**	**3,740**	**14,595**	**(66,928)**	**104,242**	**55,764**	**3,970**	**59,734**

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2019	115	2,578	14,595	(66,928)	111,380	61,740	947	62,687
Adjustment on initial application of IFRS 16, net of tax	–	–	–	–	4	4	–	4
Adjusted balance at 1 January 2019	115	2,578	14,595	(66,928)	111,384	61,744	947	62,691
Total comprehensive income for the period								
Profit for the period	–	–	–	–	1,561	1,561	2,573	4,134
Total comprehensive income	–	–	–	–	1,561	1,561	2,573	4,134
Transactions with owners, recorded directly in equity								
Share-based payments	–	426	–	–	–	426	–	426
Dividends paid (note 8)	–	–	–	–	(2,632)	(2,632)	–	(2,632)
Non- controlling interest member drawings	–	–	–	–	–	–	(1,372)	(1,372)
Balance at 30 June 2019	115	3,004	14,595	(66,928)	110,313	61,099	2,148	63,247

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2019	115	2,578	14,595	(66,928)	111,380	61,740	947	62,687
Adjustment on initial application of IFRS 16, net of tax	–	–	–	–	4	4	–	4
Adjusted 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	–	–	–	–	–	–	(2,156)	(2,156)
Share-based payments	–	811	–	–	–	811	–	811
Dividends paid (note 8)	–	–	–	–	(3,832)	(3,832)	–	(3,832)
Balance at 31 December 2019	115	3,389	14,595	(66,928)	104,593	55,764	3,315	59,079

Consolidated cash flow statement

for the 6 months ended 30 June 2020

	Note	**Unaudited 6 months ended 30 June 2020 £000**	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Cash flows from operating activities				
Profit for the period		**1,887**	4,134	1,515
Adjustments for:				
Property, plant and equipment depreciation		**65**	72	147
Right of use asset depreciation		**242**	187	419
Amortisation of intangible assets (not relating to business combinations)		**179**	170	372
Amortisation of intangible assets relating to business combinations		**477**	484	960
Impairment of goodwill and intangible assets		–	–	5,322
Financial income		**(98)**	(104)	(202)
Financial expense		**313**	296	615
Share-based payments		**351**	426	811
Taxation		**(58)**	424	635
		3,358	6,089	10,594
Decrease/(Increase) in trade and other receivables		**1,797**	(4,123)	(8,880)
Increase in trade and other payables		**1,687**	1,530	1,836
Cash generation from operations		**6,842**	3,496	3,550
Interest paid		**(266)**	(240)	(529)
Tax paid		**(301)**	(803)	(1,479)
Net cash from operating activities		**6,275**	2,453	1,542
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(147)**	(118)	(219)
Acquisition of intangible assets		**(419)**	(190)	(463)
Interest received		**2**	6	9
Non-controlling interest member capital		–	–	50
Net cash used in investing activities		**(564)**	(302)	(623)
Cash flows from financing activities				
(Repayment of)/Proceeds from borrowings		**(1,750)**	2,500	6,500
Facility arrangement fees		**(84)**	–	–
Principal element of lease payments		**(261)**	(219)	(465)
Dividends paid		–	(2,632)	(3,832)
Non- controlling interest drawings		**(1,529)**	(1,372)	(2,156)
Net cash (used in)/from financing activities		**(3,624)**	(1,723)	47
Net increase in cash and cash equivalents		**2,087**	428	966
Cash and cash equivalents at beginning of period		**2,564**	1,598	1,598
Disposal		**(1,273)**	–	–
Cash and cash equivalents at end of period		**3,378**	2,026	2,564

Notes to the financial statements

1. Accounting policies

General Information
The half year results for the current and comparative period to 30 June have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance of Review of Interim Financial Information.

These half year results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 27 April 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

In the 2019 financial statements, the Group highlighted a material uncertainty relating to going concern. This centred around whether the Group would breach its banking covenants from Q2 2020. At the time the financial statements were released, the Board confirmed that it was in positive discussions with its lender, Yorkshire Bank, to remedy this situation. These discussions concluded successfully in July 2020 and new covenants that provide reasonable levels of headroom have been agreed. Importantly, the Group has remained in full covenant compliance and expects this to continue through to the end of the facility term. As part of this agreement, the Group have agreed to extend the facility term for a further 12 months, through to 31 December 2022.

Taking these matters into account and having made due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed set of financial statements.

The condensed set of financial statements was approved by the Board of Directors on 21 September 2020.

Basis of preparation

Statement of compliance
The half year results for the current and comparative period to 30 June have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ("EU") and the AIM Rules of UK companies. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

New and amended standards adopted by the Group

There are no new or amended standards applicable for the current reporting period.

Use of judgements and estimates
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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

In preparing the condensed set of financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were of the same type as those that applied to the financial statements for the year ended 31 December 2019.

Significant accounting policies
The accounting policies used in the preparation of these interim financial statements for the 6 months ended 30 June 2020 are the accounting policies as applied to the Group's financial statements for the year ended 31 December 2019 with the addition of the following new policy:

<u>Government grants</u>
As a result of the economic impact of the COVID-19 pandemic, the Group made use of the Government's Coronavirus Job Retention Scheme. Income from this scheme has been accounted for under IAS 20: Government Grants and is included within the consolidated statement of comprehensive income as a deduction from the corresponding expense.

Statutory and non-statutory measures
The Directors have presented these alternative performance measures (APMs) in the Interim Results 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 Interim Results are as defined in the 2019 Annual Report and the principles to identify adjusting items have been applied on a basis consistent with previous years. The key adjusting items in arriving at the APMs are as follows:

IFRS 2 Share-based Payments – This is the charge for share-based payments calculated in line with IFRS 2. IFRS 2 requires the fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. The calculation behind the charge can fluctuate year-on-year as new grants are made depending on inputs such as the expected volatility, the share price, exercise price etc. and therefore the charge can vary with little correlation to the underlying trading activities. For example, in the five years since the Group's flotation on AIM, the IFRS 2 charge has been as low as £182,000 and as high as £1,052,000. Management therefore believe it is appropriate to exclude this charge from the underlying operating profit to allow for greater comparability of the underlying core trading performance of the Group year-on-year.

IFRS 3 (Revised) Business Combinations – This is the amortisation charge for intangible assets arising on acquisitions and expenditure arising from acquisition activity. Under IFRS 3 all acquisition costs are required to be expensed in the Group Income Statement and intangible assets arising on acquisition are required to be amortised over their useful economic life. Management believes that it is useful to separately identify these costs due to their materiality to the Group results and due to the fact that the amortisation is calculated on a straight-line basis, it therefore has little correlation to the trading activities of the acquired entity in any particular year. To allow for greater comparability of the trading results year-on-year, this charge is 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.

The APMs presented in the Interim Results are defined as follows:

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Underlying operating profit	Operating profit	Consolidated income statement	Based on the related IFRS measure but excluding exceptional items, IFRS 2 share-based payment charges and amortisation of intangible assets acquired on business combinations.	Allows management and users of the financial statements to assess the underlying trading results after removing material, non-recurring items that are not reflective of the core trading activities and allows comparability of core trading performance year-on-year.
Underlying operating cash flow	Cash flow from operating activities	Consolidated cash flow statement	Based on the related IFRS measure but excluding cash flows in respect of the items excluded from underlying operating profit as described above.	Provides management with an indication of the amount of cash available for discretionary investing or financing after removing material non-recurring expenditure that does not reflect the underlying trading operations and allows management to monitor the conversion of underlying profit into cash.
Underlying cash conversion	Not defined by IFRS	n/a	Calculated as underlying operating cash flow divided by underlying operating profit.	
Free cash flow	Not defined by IFRS	n/a	Calculated as net cash generated from operating activities less net cash used in investing activities less payments made to non-controlling interests.	
Underlying Basic EPS	Basic EPS	Consolidated income statement	Based on the related IFRS measure but calculated using underlying Profit after tax.	Allows management and users of the financial statements to assess the underlying trading results after removing material, non-recurring items that are not reflective of the core trading activities. It also allows comparability of core trading performance year-on-year.
Working capital	Movement in receivables and movement in payables	Consolidated cash flow statement	Working capital is not defined by IFRS. This is defined by management as being the cash movement in trade and other receivables less the cash movement in trade and other payables.	Allows management to assess the short-term cash flows from movements in the more liquid assets.
Net cash/(debt)	Not defined by IFRS	Consolidated cash flow statement	Net cash/(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 2019 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:

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
IFRS measure – operating profit	**2,044**	4,750	2,563
Exceptional items	**794**	805	7,858
IFRS 2 share-based payment charge	**351**	426	811
Amortisation of intangible assets acquired on business combinations	**477**	484	960
Underlying operating profit	**3,666**	6,465	12,192

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

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
IFRS measure – cash generation from operations	**6,842**	3,496	3,550
Exceptional items	**794**	805	7,858
Working capital movements in respect of exceptional items	–	–	(1,147)
Non-cash exceptional items	–	–	(5,322)
Underlying operating cash flow	**7,636**	4,301	4,939
Underlying operating profit (as above)	**3,666**	6,465	12,192
Underlying cash conversion	**197.5%**	66.5%	40.5%
Cash generation from operations	**6,842**	3,496	3,550
Interest paid	**(266)**	(240)	(529)
Tax paid	**(301)**	(803)	(1,479)
Net cash generated from operating activities	**6,275**	2,453	1,542
Net cash used in investing activities	**(564)**	(302)	(623)
Lease payments	**(261)**	(219)	(465)
Facility arrangement fees	**(84)**	–	–
Payments to non-controlling interests	**(1,529)**	(1,372)	(2,156)
Free cash flow	**3,837**	560	(1,702)

Underlying EPS:

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
IFRS measure – (loss)/profit for the year attributable to shareholders	**(351)**	1,561	(2,959)
Exceptional items	**794**	805	7,858
Start-up losses associated with NAL net of tax	**-**	565	926
IFRS 2 share-based payment charge	**351**	426	811
Amortisation of intangible assets acquired on business combinations	**477**	484	960
Tax effect of the above	**(301)**	(410)	(962)
Underlying profit for the year attributable to shareholders	**970**	3,431	6,634
Weighted average number of shares	**46,237,518**	46,178,716	46,178,716
Underlying EPS	**2.1**	7.4	14.4

Working capital:

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Movement in trade and other receivables	**1,797**	(4,123)	(8,880)
Movement in trade and other payables	**1,687**	1,429	1,836
Working capital	**3,484**	(2,694)	(7,044)
IFRS 16 adjustments to payables	–	676	–
Movement in interest accruals	**(84)**	(120)	(114)
Corporation tax debtor	–	–	(103)
IFRS measure – movement in trade and other receivables less movement in trade and other payables	**3,400**	(2,138)	(7,261)

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.

2. Operating segments

	Consumer Legal Services £000	Critical Care £000	Shared Services £000	Underlying operations £000	Other Items[3] £000	Eliminations £000	Total £000
6 months ended 30 June 2020							
Revenue	14,491	5,744	–	20,235	–	–	20,235
Depreciation and amortisation	(348)	(68)	(70)	(486)	(477)	–	(963)
Operating profit/(loss) [1]	2,546	1,900	(780)	3,666	(1,622)	–	2,044
Financial income	91	7	–	98	–	–	98
Financial expenses	(1)	(4)	(308)	(313)	–	–	(313)
Profit/(loss) before tax	2,636	1,903	(1,088)	3,451	(1,622)		1,829
Trade receivables	4,370	4,924	–	9,294	–	–	9,294
Total assets[2]	33,016	5,770	78,460	117,246	–	(17,506)	99,740
Segment liabilities[2]	(14,566)	(1,042)	(1,553)	(17,161)	–	–	(17,161)
Capital expenditure (including intangibles)	(211)	(64)	(291)	(566)	–	–	(566)
6 months ended 30 June 2019							
Revenue	19,248	6,591	–	25,839	–	–	25,839
Depreciation and amortisation	(357)	(71)	(1)	(429)	(484)	–	(913)
Operating profit/(loss) [1]	4,847	2,349	(731)	6,465	(1,715)	–	4,750
Financial income	103	–	1	104	–	–	104
Financial expenses	(3)	(1)	(292)	(296)	–	–	(296)
Profit/(loss) before tax	4,947	2,348	(1,022)	6,273	(1,715)	–	4,558
Trade receivables	9,443	5,106	–	14,549	–	–	14,549
Total Assets[2]	30,955	5,753	78,332	115,040	–	(12,725)	102,315
Segment liabilities[2]	(16,161)	(1,027)	(307)	(17,495)	–	–	(17,495)
Capital expenditure (including intangibles)	(199)	(93)	(16)	(308)	–	–	(308)
12 months ended 31 December 2019							
Revenue	37,748	13,566	-	51,314	–	–	51,314
Depreciation and amortisation	(781)	(152)	(5)	(938)	(960)	–	(1,898)
Operating profit/(loss) [1]	8,796	5,013	(1,617)	12,192	(9,629)	–	2,563
Financial income	201	-	1	202	–	–	202
Financial expenses	(7)	(10)	(598)	(615)	–	–	(615)
Profit/(loss) before tax	8,990	5,003	(2,214)	11,779	(9,629)	–	2,150
Trade receivables	5,057	5,143	4	10,204	–	–	10,204
Total assets[2]	35,180	6,297	77,596	119,073	–	(17,506)	101,567
Segment liabilities[2]	(15,771)	(1,175)	(517)	(17,463)	–	–	(17,463)
Capital expenditure (including intangibles)	457	181	44	682	–	–	682

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

2. Total assets and segment liabilities exclude intercompany loan balances as these do not form part of the operating activities of the segment.
3. Other items include all non-underlying items (exceptional items, IFRS 2 share-based payment charges and amortisation of intangible assets acquired on business combinations).

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. In the previous year management reported 5 separate segments being Personal Injury, Residential Property, Critical Care, Group and Other items. During June 2020 the Board took the decision to merge the Personal Injury and Residential Property divisions in a Consumer Legal Services Division and to rename the Group division to Shared Services. The segmental reporting has been adjusted accordingly. Whilst the sub-totals shown as underlying operations remain unchanged, the comparatives have been restated on a consistent basis.

Consumer Legal Services - Revenue is split along 3 separate streams being: a) Panel - revenue from the provision of personal injury and conveyancing enquiries to the Panel Law Firms, based on a cost plus margin model b) Products - consisting of commissions received from providers for the sale of additional products by them to the Panel Law Firms, surveys and the provision of conveyancing searches and c) Processing - in the case of our ABSs and self-processing operations, revenue receivable from clients for the provision of legal services in the personal injury and conveyancing sectors.

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

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

Other items - 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. Exceptional items

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Group strategic and reorganisation costs[1]	**495**	**805**	1,297
Group restructure[2]	**299**	–	–
Termination of strategic partnership[3]	–	–	1,239
Impairment of Residential Property goodwill and intangible assets[4]	–	–	5,322
Total	**794**	**805**	7,858

1. Group strategic and reorganisation costs relate to project costs to implement fundamental strategic plans that fall outside of the core trading operations of the business.
2. Group restructure costs largely relate to redundancy costs and other one-off costs associated with the closure of the Chancery Lane office and merger of the residential property and personal injury businesses into a new Consumer Legal Services division.
3. The decision was made in December 2019 to terminate the relationship in respect of National Law Associates LLP. 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.
4. In light of the 2019 trading performance of the Residential Property division and the emerging global risk of COVID-19, the Board 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. Taxation

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Current tax expense			
Current tax on income for the year	**92**	**552**	883
Adjustments in respect of prior years	–	–	(121)
Total current tax	**92**	**552**	762
Deferred tax credit			
Origination and reversal of timing differences	**(150)**	**(128)**	(127)
Total deferred tax	**(150)**	**(128)**	(127)
Total expense in statement of comprehensive income	**(58)**	**424**	635
Total tax (credit)/charge	**(58)**	**424**	635

Reconciliation of effective tax rate:

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Profit for the period	**1,887**	**4,134**	1,515
Total tax expense	**(58)**	**424**	635
Profit before taxation	**1,829**	**4,558**	2,150
Tax using the UK corporation tax rate of 19.00% (June 2019: 19.00%, December 2019:19.00%)	**348**	**866**	409
Non-deductible expenses	**67**	**81**	1,189
Adjustments in respect of prior years	–	–	(121)
Non-controlling interest share of tax	**(445)**	**(489)**	(850)
Short term timing differences for which no deferred tax is recognised	**(28)**	**(34)**	8
Total tax charge	**(58)**	**424**	635

The Group's tax credit of £58,000 (June 2019: charge £424,000, December 2019: charge £635,000) represents an effective tax rate of -3.2% (June 2019: 9.3%, December 2019: 29.5%). The effective tax rate is lower than the standard corporation tax rate of 19.0% for the reasons as set out above. The most significant of these is that the Group does not account for the non-controlling interests' share of tax. This results in a reduction in effective tax rate of 24.3% (June 2019: 10.7%, December 2019: 39.5%).

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. The deferred tax assets and liabilities at 30 June 2020 have been calculated based on these rates.

5. Trade and other receivables

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Trade receivables: receivable in less than one year	**8,651**	**13,444**	9,556
Trade receivables: receivable in more than one year	**643**	**1,105**	648
Accrued income: receivable in less than one year	**11,867**	**8,346**	11,205
Accrued income: receivable in more than one year	**6,195**	**3,850**	7,631
Other receivables	**22**	**208**	1,045
	27,378	**26,953**	30,085
Prepayments	**1,009**	**990**	1,144
Corporation tax	–	–	103
Recoverable disbursements	**6,239**	**5,084**	6,539
Total	**34,626**	**33,027**	37,871

A provision against trade receivables of £625,000 (June 2019: £779,000, December 2019 £554,000) is included in the figures above.

6. Trade and other payables

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Trade payables	**2,073**	**3,642**	3,935
Disbursements payable	**6,144**	**5,359**	5,835
Other taxation and social security	**1,832**	**941**	835
Other payables, accruals and deferred revenue	**5,393**	**6,209**	5,742
Customer deposits	**780**	**704**	869
Total	**16,222**	**16,855**	17,216

7. Earnings per share

The calculation of basic earnings per share at 30 June 2020 is based on profit attributable to ordinary shareholders and a weighted average number of Ordinary Shares outstanding at the end of the period as follows:

Profit attributable to ordinary shareholders (basic)

	Unaudited 6 months ended 30 June 2020 £000	Unaudited 6 months ended 30 June 2019 £000	Audited 12 months ended 31 December 2019 £000
Profit for the period attributable to the shareholders	**(351)**	1,561	(2,959)

Weighted average number of Ordinary Shares (basic)

Number	**Unaudited 6 months ended 30 June 2020**	Unaudited 6 months ended 30 June 2019	Audited 12 months ended 31 December 2019
Issued Ordinary Shares at start of period	**46,178,716**	**46,178,716**	**46,178,716**
Weighted average number of Ordinary Shares at end of period	**46,237,518**	**46,178,716**	**46,178,716**

Basic earnings per share (p)

	Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019	Audited 12 months ended 31 December 2020
Group (p)	**(0.8)**	3.4	(6.4)

The Company has in place share-based payment schemes to reward employees. In line with IAS 33, as the Group has a negative earnings per share for the period ended 30 June 2020 and year ended 31 December 2019, it is assumed that there are no dilutive shares. The incremental shares available for these schemes included in the diluted earnings per share calculation for the period ended 30 June 2019 are 405,859. There are no other diluting items.

Diluted earnings per share (p)

	Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019	Audited 12 months ended 31 December 2019
Group (p)	**(0.8)**	3.3	(6.4)

8. Dividends

The Group did not pay a final dividend in respect of 2019 (2019: final dividends in respect of 2018 of £2,362,000 representing a dividend per share of 5.7p). The Directors have recommended that no interim dividend be paid in respect of 2020 (2019: interim dividend of 2.6p).

9. Net debt

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

	Unaudited as at 30 June 2020 £000	Unaudited as at 30 June 2019 £000	Audited as at 31 December 2019 £000
Cash and cash equivalents	**3,378**	**2,026**	2,564
Other interest-bearing loans and loan notes[1]	**(21,877)**	**(19,659)**	(23,594)
Net debt	**(18,499)**	**(17,633)**	(21,030)

1. Other interest-bearing loans and loan notes are stated after deducting facility arrangement fees of £123,000 (June 2019: £91,000; December 2019: £156,000). These fees are being amortised over the term of the facility.

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

	Unaudited as at 30 June 2020 £000	Unaudited as at 30 June 2019 £000	Audited as at 31 December 2019 £000
Net increase in cash and cash equivalents	**814**	**428**	966
Net outflow/(inflow) from increase in debt and debt financing	**1,750**	**(2,500)**	(6,500)
Movement in net borrowings resulting from cash flows	**2,564**	**(2,072)**	(5,534)
Non-cash movements – net (release of)/increase to prepaid loan arrangement fees	**(33)**	**(37)**	28
Net debt at beginning of period	**(21,030)**	**(15,524)**	(15,524)
Net debt at end of period	**(18,499)**	**(17,633)**	(21,030)

It is the Group's intention to repay the balance on the revolving credit facility in more than 12 months' time and hence the gross balance of £22,000,000 is deemed to be a non-current liability.