NAHL Group plc

("NAHL" or the "Group")

Interim Results

18 September 2018

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Earnings in line with expectations

NAHL (AIM: NAH), the leading UK consumer marketing business focused on the UK legal services market, announces its Interim Results for the six months ended 30 June 2018.

Financial Highlights

- Revenue of £24.9m (2017 H1: £24.9m)
- Underlying operating profit of £6.4m (2017 H1: £7.3m)
- Profit before tax of £5.3m after exceptional costs relating to the establishment of wholly owned small claims ready law firm or Alternative Business Structure ("ABS") (2017 H1: £5.3m)
- As anticipated, basic earnings per share of 8.2p (2017 H1: 9.0p)
- Interim dividend of 3.2p per share (2017 H1: 5.3p) as Group adopts more prudent dividend policy in light of investment plans

Operational Highlights

- Personal Injury division performing in line with plan, with strong enquiry volumes
- Encouraging performance from two joint venture ABS partnerships, giving Group confidence to launch in H1 2019 a wholly owned small claims ready law firm
- Continued strong progress from Critical Care division, with increased revenue and profit
- Residential Property division performance reflective of continuing difficult wider market conditions

Russell Atkinson, CEO of NAHL, commented:

"We are pleased to have delivered Group earnings in line with expectations, having made good progress in adapting our Personal Injury (PI) division to capture the opportunity to deliver materially enhanced profits over the long-term.

"2018 represents a year of transition for our PI division. The Government's reforms will have no bearing on the number of accidents that occur but it is clear that there is an opportunity for a new type of law firm to help consumers with genuine claims to obtain access to justice. NAH, with its market leading brand and focus on its consumers' experience, is well placed to seize this opportunity. We have been encouraged by the performance of our two joint venture ABS law firms and are excited about the launch of our third, wholly owned law firm in the first half of 2019. This will give us full economic interest in the success of the whole claim, helping to deliver greater value for our shareholders.

"We are pleased with the performance of our Critical Care division, which has continued to win new business and gain market share. The difficulties facing the housing market have been well documented and this has inevitably impacted our Residential Property division. We have made a leadership change and the division remains well placed to benefit from market recovery.

"As we move forward, our focus is on investing in our PI division to deliver long term growth. As previously indicated we anticipate continued challenges with panel demand for enquiries as a result of regulatory change. As an example, we are in discussion with one of our major PLFs about leaving our panel in H1 2019. We have well developed plans for such a situation which involves placement of enquiries through a combination of PLFs and our joint ventures. We expect to deliver full year earnings in line with the Board's expectations."

For further information please call:

NAHL Group PLC	**via FTI Consulting**
Russell Atkinson (CEO)	Tel: +44 (0) 20 3727 1000
James Saralis (CFO)	
finnCap Ltd (NOMAD & Broker)	Tel: +44 (0) 207 220 0500
Julian Blunt	
James Thompson	
Andrew Burdis	
FTI Consulting (Financial PR)	Tel: +44 (0) 20 3727 1000
Alex Beagley	
James Styles	
Laura Saraby	

Notes to Editors

NAHL Group plc is a leading UK consumer marketing business focused on the UK legal services market. The Group comprises three companies: National Accident Helpline (NAH), Fitzalan Partners (Fitzalan) and Bush & Company Rehabilitation (Bush). NAH provides outsourced marketing services in the personal injury market, Fitzalan, which includes Searches UK a leading conveyancing search provider, provides marketing services in the property market and Bush provides a range of specialist services in the catastrophic injury market.

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

Chairman's Statement

I am pleased to report the Group's results for the six months ended 30 June 2018.

Summary of Financial Performance

NAHL has performed in line with our expectations, with revenue unchanged at £24.9m (2017 H1: £24.9m), delivering underlying operating profit of £6.4m (2017 H1: £7.3m). After exceptional costs, related to the establishment of our third ABS, profit before tax is unchanged at £5.3m (2017 H1: £5.3m, after exceptional brand repositioning costs). In the first half of 2018 we have seen contributions from our first two ABS joint ventures, so consequently have charges for minority interests, meaning that basic earnings per share reduces, as anticipated, to 8.2p (2017 H1: 9.0p).

Trading Review – Personal Injury ("PI")

National Accident Helpline (NAH), part of our PI division, is a leading marketing services business and offers outstanding consumer service. Combining these capabilities with the regulatory changes impacting the sector creates the opportunity for the Group to develop additional earnings streams. So far this has been achieved through joint ventures but in H1 2019 we will launch a wholly owned, modern, digitally enabled, purpose built, small claims ready law firm.

NAH has to date had two options for placement of enquiries. Firstly, its traditional panel law firms (PLFs) who operate on a mix of commercial terms; and, secondly, its joint venture partnerships (technically, an Alternative Business Structure, or ABS), which benefit from working capital and expertise provided by our partners, who share in the ultimate profit of the joint venture. This placement strategy in part reflects reducing PLF appetite, caused by lower operating margins together with increased working capital requirements, compounded by uncertainties surrounding the small claim reforms. These reforms, first announced in November 2015, are now expected to be implemented in April 2020, at the earliest.

We have invested heavily into these partnerships both in terms of finance and know-how and continue to accelerate this investment. With our expertise, we are in the process of setting up a third placement option and, from H1 2019, some enquiries will be placed with a new ABS which will be 100% owned by the Group. The set up of this third ABS (reflected in the exceptional costs as part of our previously announced £4m commitment) is on schedule and on budget. This new ABS will manage the whole cycle of a PI legal case, with marketing and legal processing profits accruing to the Group. This will continue to change the Group's financial profile as both profit recognition and cash realisation are deferred until case settlement. With our passion for customer service, combined with our process and management capabilities, we expect to earn materially enhanced profits and cash flow as the profile of our cases matures, likely to be from 2021.

The PI division has performed in line with plan in H1 2018. Following our 2017 investment in the NAH brand, enquiry volumes remain strong. PI revenue increased by 4.3% to £15.5m, reflecting the consolidation of £1.7m of ABS revenue, which includes revenue from the launch of the Group's second ABS in Q4 2017. Operating profit was 13.9% lower at £4.6m, as a result of the later profit recognition when we invest in PI case processing, and from expensing £0.6m of enquiry origination costs related to our second ABS. We have continued to increase investment in PI cases, through both PLFs and ABSs, with an extra £5.3m invested in net working capital in the first half, and £10.2m in the last 12 months.

Our first ABS, in conjunction with NewLaw, is operating well, and our second ABS, working with Lyons Davidson, is beginning to show comparable levels of processing capability. We will commit further funds to the ABS as we are confident of their execution capability and economic performance.

As previously outlined, we expect to experience decline in PLF demand as a result of forthcoming regulatory changes. As an example, we are in discussion with one of our major PLFs about leaving our panel in H1 2019. We have well developed plans for such a situation which involves placement of enquiries through a combination of PLFs and our joint ventures. The impact on our overall profit per enquiry is unlikely to be material, although this defers an element of profits from 2019.

Trading Review – Critical Care

Bush, our Critical Care division, has made good progress year on year and is has performed in line with our plans. We expect this to continue for the rest of 2018. Revenue increased 7.3% to £6.0m, and operating profit was up 4.4% to £2.1m.

Trading Review – Residential Property

Our Residential Property division has had a disappointing first half delivering revenue of £3.4m, down 24.5%, with operating profit down 27.0% at £0.6m, reflecting continuing difficult market conditions. We have made leadership changes aimed at capitalising on opportunities to grow share in a shrinking market.

Cash Conversion, Balance Sheet and Interim Dividend

As we continue to invest in PI cases and working capital, our cash generation declines, as planned, with underlying cash conversion down at 20.3% compared with 54.8% for H1 2017. We expect a low conversion, albeit improved from the first half, for the rest of 2018, with some recovery in 2019 as our earlier investment in PI cases starts to mature.

We have bank facilities of £25m in place and at 30 June 2018 had net bank borrowings of £17.4m. Our Rolling Credit Facility, which matures in December 2021, supports our investment plans.

As we previously reported, the level of our investment means that we have adopted a more prudent dividend policy until our PI investment cycle matures. Our dividend policy is 2.0x cover, before exceptional costs and non-cash charges.

We are declaring an interim dividend of 3.2p per share payable on 31 October 2018 to ordinary shareholders registered on 28 September 2018.

Current Year Outlook

As expected, 2018 is part of a transitional phase for our PI division as we respond to changing market conditions and evolve our enquiry placement strategies. We continue to invest in our joint ventures and develop our own law firm which are progressing well. We are enthused about building a market leading PI volume law firm to complement our market leading PI marketing services brand, National Accident Helpline.

We expect progress in Critical Care in the second half, although we expect further challenges in Residential Property where market volumes continue to be disappointing.

We currently anticipate 2018 earnings to be in line with the Board’s expectations for the Group as a whole.

Steve Halbert
Chairman

18 September 2018

Consolidated statement of comprehensive income

for the 6 months ended 30 June 2018

	Note	**Unaudited 6 months ended 30 June 2018 £000**	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Underlying revenue	2	**24,865**	24,930	51,037
Exceptional items		**-**	-	875
Total revenue		**24,865**	24,930	51,912
Cost of sales		**(12,217)**	(12,014)	(25,224)
Underlying gross profit		**12,648**	12,916	25,813
Exceptional items		**-**	-	875
Gross profit		**12,648**	12,916	26,688
Administrative expenses		**(7,269)**	(7,504)	(14,086)
Underlying operating profit		**6,360**	7,347	14,491
Share-based payments		**(191)**	(281)	(182)
Amortisation of intangible assets acquired on business combinations	7	**(648)**	(654)	(1,307)
Exceptional items	5	**(142)**	(1,000)	(400)
Total operating profit	2	**5,379**	5,412	12,602
Financial income	3	**98**	38	150
Financial expense	4	**(206)**	(166)	(331)
Profit before tax		**5,271**	5,284	12,421
Taxation		**(953)**	(1,187)	(2,467)
Profit for the period and total comprehensive income		**4,318**	4,097	9,954
Profit and total comprehensive income is attributable to:				
Owners of the company		**3,758**	4,097	9,876
Non-controlling interests		**560**	-	78
		4,318	4,097	9,954

		Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited 12 months ended 31 December 2017
Basic earnings per share (p)	10	**8.2**	9.0	21.7
Diluted earnings per share (p)	10	**8.0**	8.9	21.6

Consolidated statement of financial position

At 30 June 2018

	Note	**Unaudited 6 months ended 30 June 2018 £000**	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Non-current assets				
Goodwill	6	**60,362**	60,362	60,362
Intangibles	7	**6,647**	7,783	7,217
Property, plant and equipment		**225**	290	267
Deferred tax asset		**34**	38	34
		67,268	68,473	67,880
Current assets				
Trade and other receivables (including £9,538,000 (June 2017: £2,041,000, December 2017: £7,280,000) due in greater than one year)		**29,978**	14,142	22,261
Cash and cash equivalents		**939**	799	858
		30,917	14,941	23,119
Total assets		**98,185**	83,414	90,999
Current liabilities				
Other interest-bearing loans and borrowings		**-**	(3,693)	-
Trade and other payables		**(14,770)**	(9,360)	(12,415)
Other payables relating to legacy pre-LASPO ATE product	2	**(865)**	(2,026)	(676)
Deferred tax liability		**(1,500)**	(1,914)	(1,662)
Tax payable		**(1,290)**	(1,432)	(1,513)
		(18,425)	(18,425)	(16,266)
Non-current liabilities				
Other interest-bearing loans and borrowings		**(18,334)**	(6,550)	(12,922)
Total liabilities		**(36,759)**	(24,975)	(29,188)
Net assets		**61,426**	58,439	61,811
Equity				
Share capital	8	**115**	114	115
Share option reserve		**2,312**	2,220	2,121
Share premium		**14,595**	14,507	14,507
Merger reserve		**(66,928)**	(66,928)	(66,928)
Retained earnings		**110,756**	108,526	111,893
Total equity attributable to the owners of NAHL Group plc		**60,850**	58,439	61,708
Non-controlling interests		**576**	-	103
Total equity		**61,426**	58,439	61,811

Consolidated statement of changes in equity

for the 6 months ended 30 June 2018

	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 2018	115	2,121	14,507	(66,928)	111,893	61,708	103	61,811
Total comprehensive income for the period								
Profit for the period	–	–	–	–	3,758	3,758	560	4,318
Total comprehensive income	–	–	–	–	3,758	3,758	560	4,318
Transactions with owners, recorded directly in equity								
Issue of new Ordinary Shares (*note 9)*	–	–	88	–	–	88	–	88
Share-based payments	–	191	–	–	–	191	–	191
Dividends paid	–	–	–	–	(4,895)	(4,895)	–	(4,895)
Non- controlling interest member drawings	–	–	–	–	–	–	(87)	(87)
Balance at 30 June 2018	**115**	**2,312**	**14,595**	**(66,928)**	**110,756**	**60,850**	**576**	**61,426**

	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 2017	113	1,939	14,507	(66,928)	110,188	59,819	–	59,819
Total comprehensive income for the period								
Profit for the period	–	–	–	–	4,097	4,097	–	4,097
Total comprehensive income	–	–	–	–	4,097	4,097		4,097
Transactions with owners, recorded directly in equity								
Issue of new Ordinary shares (*note 9*)	1	–	–	–	–	1	–	1
Share-based payments	–	281	–	–	–	281	–	281
Dividends paid	–	–	–	–	(5,759)	(5,759)	–	(5,759)
Balance at 30 June 2017	114	2,220	14,507	(66,928)	108,526	58,439	–	58,439

	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 2017	113	1,939	14,507	(66,928)	110,188	59,819	–	59,819
Total comprehensive income for the year								
Profit for the year	–	–	–	–	9,876	9,876	78	9,954
Total comprehensive income	–	–	–	–	9,876	9,876	78	9,954
Transactions with owners, recorded directly in equity								
Issue of new Ordinary Shares (*note 9*)	2	–	–	–	–	2	–	2
Member capital	–	–	–	–	–	–	25	25
Share-based payments	–	182	–	–	–	182	–	182
Dividends paid	–	–	–	–	(8,171)	(8,171)	–	(8,171)
Balance at 31 December 2017	115	2,121	14,507	(66,928)	111,893	61,708	103	61,811

Consolidated cash flow statement

for the 6 months ended 30 June 2018

	Note	**Unaudited 6 months ended 30 June 2018 £000**	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Cash flows from operating activities				
Profit for the period		**4,318**	4,097	9,954
Adjustments for:				
Depreciation and amortisation		**810**	808	1,608
Financial income	3	**(98)**	(38)	(150)
Financial expense	4	**206**	166	331
Share-based payments		**191**	281	182
Taxation		**953**	1,187	2,467
		6,380	6,501	14,392
Increase in trade and other receivables		**(7,621)**	(3,822)	(11,974)
Increase in trade and other payables		**2,340**	1,713	4,963
Increase/(decrease) in other payables relating to legacy pre-LASPO ATE product		**189**	114	(1,236)
Cash generation from operations	2	**1,288**	4,506	6,145
Interest paid		**(154)**	(121)	(178)
Tax paid		**(1,338)**	(1,692)	(3,139)
Net cash from operating activities		**(204)**	2,693	2,828
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(42)**	(80)	(111)
Acquisition of intangible assets		**(156)**	–	(305)
Interest received		**2**	5	12
Non-controlling interest member capital		**–**	–	25
Net cash used in investing activities		**(196)**	(75)	(379)
Cash flows from financing activities				
New share issue		**88**	1	2
Repayment of borrowings		**–**	(1,875)	(11,250)
New borrowings acquired		**5,375**	1,000	13,125
Bank arrangement fees for new borrowings		**–**	–	(111)
Dividends paid		**(4,895)**	(5,759)	(8,171)
Non- controlling interest member drawings		**(87)**	–	–
Net cash used in financing activities		**481**	(6,633)	(6,405)
Net increase/(decrease) in cash and cash equivalents		**81**	(4,015)	(3,956)
Cash and cash equivalents at beginning of period		**858**	4,814	4,814
Cash and cash equivalents at end of period		**939**	799	858

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 2017 were approved by the Board of Directors on 19 March 2018 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.

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 17 September 2018.

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 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 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

New and amended standards adopted by the Group

The following new or amended standards became applicable for the current reporting period:

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

The Group has considered its accounting policies with reference to the new or amended standards and concluded that the existing accounting policies adopted by the Group adhere to the new or amended standards. There are therefore no retrospective adjustments to be made to amounts previously reported.

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

The preparation of the condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 2017.

Significant accounting policies
The accounting policies used in the preparation of these interim financial statements for the 6 months ended 30 June 2018 are the accounting policies as applied to the Group's financial statements for the year ended 31 December 2017.

Use of non-GAAP measures

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

The adjustments made to reported revenue are:

Exceptional revenues - fees related to exceptional revenues in relation to release of the pre-LASPO ATE liability that are not expected to recur and are not related to the continuing core operations of the business.

The adjustments made to reported operating profit are:

IFRS 2 Share-Based Payments - non-cash Group statement of comprehensive income charge for share-based payments and related National Insurance costs. IFRS 2 requires the fair value of equity instruments measured at grant date to be spread over the period during which the employees become unconditionally entitled to the options. This is a non-cash charge and has been excluded from underlying operating profit as it does not reflect the underlying core trading performance of the Group.

IFRS 3 (Revised) Business Combinations - intangible asset amortisation charges and costs arising from acquisitions. Under IFRS 3 intangible assets are required to be amortised on a straight-line basis over their useful economic life and as such this is a non-cash charge that does not reflect the underlying performance of the business acquired. Similarly, the standard requires all acquisition costs to be expensed in the Group Income Statement. Due to their nature, these costs have been excluded from underlying operating profit as they do not reflect the underlying core trading performance of the Group.

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

Goodwill
Goodwill represents the excess of the fair value of the consideration given over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised but is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment. Any impairment is recognised in the statement of comprehensive income.

Other intangible assets
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation
Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:
- Technology related intangibles - 5 to 10 years
- Contract related intangibles - 3 to 10 years
- Brand names - 3 to 10 years
- Other intangibles assets - 3 to 5 years

No amortisation is charged on assets under construction as these are not yet in use.

Depreciation
Depreciation is calculated to write off the cost, less estimated residual value, of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:
- Office equipment - 3 to 5 years
- Computers - 3 years

2. Operating segments

	Personal Injury £000	Critical Care £000	Residential Property £000	Group £000	Underlying operations £000	Pre-LAPSO ATE £000	Other items £000	Total £000
6 months ended 30 June 2018								
Revenue	15,489	5,970	3,406	–	24,865	–	–	24,865
Depreciation and amortisation	(94)	(18)	(50)	–	(162)	–	(648)	(810)
Operating profit/(loss)	4,622	2,087	588	(937)	6,360	–	(981)	5,379
Financial income	97	–	–	1	98	–	–	98
Financial expenses	–	–	–	(206)	(206)	–	–	(206)
Profit/(loss) before tax	4,719	2,087	588	(1,142)	6,252	–	(981)	5,271
Trade receivables	14,572	4,655	795	–	20,022	–	–	20,022
Segment liabilities	(12,492)	(1,003)	(569)	(706)	(14,770)	(865)[1]	–	15,635
Capital expenditure	21	20	157	–	198	–	–	198
6 months ended 30 June 2017								
Revenue	14,854	5,564	4,512	–	24,930	–	–	24,930
Depreciation and amortisation	(91)	(32)	(31)	–	(154)	–	(654)	(808)
Operating profit/(loss)	5,371	2,000	805	(829)	7,347	–	(1,935)	5,412
Financial income	36	–	–	2	38	–	–	38
Financial expenses	–	(2)	–	(164)	(166)	–	–	(166)
Profit/(loss) before tax	5,407	1,998	805	(991)	7,219	–	(1,935)	5,284
Trade receivables	4,117	4,210	499	–	8,826	–	–	8,826
Segment liabilities	(6,884)	(885)	(984)	(492)	(9,245)	(2,026)[1]	(115)	(11,386)
Capital expenditure	33	27	20	–	80	–	–	80

12 months ended 31 December 2017								
Revenue	31,660	11,037	8,340	–	51,037	875	–	51,912
Depreciation and amortisation	(178)	(49)	(74)	–	(301)	–	(1,307)	(1,608)
Operating profit/(loss)	11,033	3,882	1,385	(1,809)	14,491	800	(2,689)	12,602
Financial income	143	5	–	2	150	–	–	150
Financial expenses	(1)	(4)	–	(326)	(331)	–	–	(331)
Profit/(loss) before tax	11,175	3,883	1,385	(2,133)	14,310	800	(2,689)	12,421
Trade receivables	11,442	4,386	419	–	16,247	–	–	16,247
Segment liabilities	(10,453)	(806)	(506)	(600)	(12,365)	(726)[1]	–	(13,091)
Capital expenditure	53	47	191	–	291	–	–	291

1. Pre-LASPO ATE liabilities include the balance of commissions received in advance that are due to be paid back to the insurance provider of £865,000 (June 2017: £2,026,000, December 2017: £676,000 plus associated accrued costs of £50,000).

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 consistent with those reported last year.

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

Pre-LASPO ATE - Revenue is commissions received from the insurance provider for the use of after the event policies by PLFs. From 1 April 2013, this product was no longer available as a result of LASPO regulatory changes. Included in the balance sheet is a liability that has been separately identified due to its material value. This balance is commissions received in advance that are due to be paid back to the insurance provider. No interest is due on this liability.

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

Residential Property - Revenue from the provision of online marketing services to target homebuyers and sellers in England and Wales, offering lead generation services to PLFs 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.

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

Cash flows from operating activities

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

Reconciliation of operating profit to net cash flows from operating activities

	Underlying operations £000	Pre-LASPO ATE £000	Sub-total £000	Other items £000	Total £000
6 months ended 30 June 2018					
Operating profit	5,521	–	5,521	(142)	5,379
Amortisation of intangible assets acquired on business combinations	648	–	648	–	648
Equity-settled share-based payments	191	–	191	–	191
Underlying operating profit	6,360	–	6,360	(142)	6,218
Depreciation and amortisation	162	–	162	–	162
(Increase) in trade/other receivables	(7,621)	–	(7,621)	–	(7,621)
Increase/(decrease) in trade/other payables	2,390	(50)	2,340	–	2,340
Increase in liabilities relating to pre-LASPO ATE product	–	189	189	–	189
Net cash flows from operating activities before interest and tax	1,291	139	1,430	(142)	1,288
Interest paid	**(154)**	–	**(154)**	–	**(154)**
Tax paid	**(1,338)**	–	**(1,338)**	–	**(1,338)**
Net cash from operating activities	**(201)**	**139**	**(62)**	**(142)**	**(204)**

6 months ended 30 June 2017					
Operating profit	6,412	–	6,412	(1,000)	5,412
Amortisation of intangible assets acquired on business combinations	654	–	654	–	654
Equity-settled share-based payments	281	–	281	–	281
Underlying operating profit	7,347	–	7,347	(1,000)	6,347
Depreciation and amortisation	154	–	154	–	154
(Increase) in trade/other receivables	(3,822)	–	(3,822)	–	(3,822)
Increase/(decrease) in trade/other payables	1,668	(70)	1,598	115	1,713
Increase in liabilities relating to pre-LASPO ATE product	–	114	114	–	114
Net cash flows from operating activities before interest and tax	5,347	44	5,391	(885)	4,506
Interest paid	(121)	–	(121)	–	(121)
Tax paid	(1,692)	–	(1,692)	–	(1,692)
Net cash from operating activities	3,534	44	3,578	(885)	2,693

12 months ended 31 December 2017					
Operating profit	13,002	800	13,802	(1,200)	12,602
Amortisation of intangible assets acquired on business combinations	1,307	–	1,307	–	1,307
Equity-settled share-based payments	182	–	182	–	182
Underlying operating profit	14,491	800	15,291	(1,200)	14,091
Depreciation and amortisation	301	–	301	–	301
(Increase) in trade/other receivables	(11,974)	–	(11,974)	–	(11,974)
Increase/(decrease) in trade/other payables	5,120	(20)	5,100	(137)	4,963
Decrease in liabilities relating to pre-LASPO ATE product	–	(1,236)	(1,236)	–	(1,236)
Net cash flows from operating activities before interest and tax	7,938	(456)	7,482	(1,337)	6,145
Interest paid	(178)	–	(178)	–	(178)
Tax paid	(3,139)	–	(3,139)	–	(3,139)
Net cash from operating activities	4,621	(456)	4,165	(1,337)	2,828

3. Financial income

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Bank interest income	**2**	5	6
Other interest income	**96**	33	139
Investment income	**–**	–	5
Total finance income	**98**	38	150

4. Financial expense

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Interest on bank loans	**169**	135	257
Amortisation of facility arrangement fees	**37**	31	74
Total finance expense	**206**	166	331

5. Exceptional items

	Unaudited 6 months ended 30 June 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Set up costs for new ABS[1]	**(142)**	–	–
Personal Injury reorganisation costs[2]	–	(1,000)	(1,200)
Release of pre-LASPO ATE liability and associated costs[3]	–	–	800
Total	**(142)**	(1,000)	(400)

1. Set up costs for new ABS include legal and professional fees, consultancy fees, IT costs and other directly attributable costs that are wholly necessary to bring the new alternative business structure into operational existence.
2. Personal Injury reorganisation costs relate to costs associated with exceptional projects that are not related to the core operations of the business.
3. Previously recognised liabilities for pre-LASPO ATE commissions received in advance of £875,000 were released in 2017 as a result of more favourable settlements. These have been offset by associated costs of £75,000.

6. Goodwill

	Personal Injury £000	Residential property £000	Critical Care £000	Total £000
Cost				
At 30 June 2017	39,897	4,873	15,592	60,362
At 30 December 2017	39,897	4,873	15,592	60,362
At 30 June 2018	**39,897**	**4,873**	**15,592**	**60,362**
Impairment				
At 30 June 2017	–	–	–	–
At 30 December 2017	–	–	–	–
At 30 June 2018	**–**	**–**	**–**	**–**
Net book value				
At 30 June 2017	39,897	4,873	15,592	60,362
At 30 December 2017	39,897	4,873	15,592	60,362
At 30 June 2018	**39,897**	**4,873**	**15,592**	**60,362**

7. Intangibles

	Technology related £000	Contract related £000	Brand names £000	Other £000	Assets under construction £000	Total £000
Cost						
At 30 June 2017	167	8,466	885	549	43	10,110
At 31 December 2017	167	8,466	885	670	79	10,267
Additions	-	-	-	32	124	156
At 30 June 2018	**167**	**8,466**	**885**	**702**	**203**	**10,423**
Amortisation						
At 30 June 2017	52	1,824	364	87	–	2,327
At 31 December 2017	62	2,363	468	157	–	3,050
Amortisation charge on business combinations	10	538	100	-	-	648
Amortisation charge for the period	-	-	-	78	-	78
At 30 June 2018	**72**	**2,901**	**568**	**235**	**-**	**3,776**
Net book value						
At 30 June 2017	115	6,642	521	462	43	7,783
At 31 December 2017	105	6,103	417	513	79	7,217
At 30 June 2018	**95**	**5,565**	**317**	**467**	**203**	**6,647**

The intangible assets recognised were acquired as part of the acquisitions of Fitzalan, BVC, Bush and Searches UK.

8. Share capital

	30 June 2018	**30 June 2017**	31 December 2017
Number of shares			
'A' Ordinary Shares of £0.0025 each	**46,178,716**	45,511,088	46,061,090
	£000	£000	£000
Allotted, called up and fully paid			
'A' Ordinary Shares of £0.0025 each	**115**	114	115
Shares classified in equity	**115**	114	115

9. Transactions with owners, recorded directly in equity

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

During 2018, 117,626 share options were exercised from the LTIP and SAYE schemes 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 and resulted in an increase to the share premium account of £88,062.

10. Earnings per share

The calculation of basic earnings per share at 30 June 2018 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 2018 £000	Unaudited 6 months ended 30 June 2017 £000	Audited 12 months ended 31 December 2017 £000
Profit for the period attributable to the shareholders	**3,758**	4,097	9,876

Weighted average number of Ordinary Shares (basic)

Number	**Unaudited 6 months ended 30 June 2018**	Unaudited 6 months ended 30 June 2017	Audited 12 months ended 31 December 2017
Issued Ordinary Shares at start of period	**46,061,090**	45,349,629	45,349,629
Weighted average number of Ordinary Shares at end of period	**46,100,876**	45,350,071	45,548,243

Basic earnings per share (p)

	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited 12 months ended 31 December 2017
Group (p)	**8.2**	9.0	21.7

The Company has in place share-based payment schemes to reward employees. The incremental shares available for these schemes included in the diluted earnings per share calculation are 958,388 (June 2017: 602,503; December 2017: 205,303). There are no other diluting items.

Diluted earnings per share (p)

	Unaudited 6 months ended 30 June 2018	Unaudited 6 months ended 30 June 2017	Audited 12 months ended 31 December 2017
Group (p)	**8.0**	8.9	21.6

11. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2017. At 1 January 2018 and 30 June 2018 the Group held all financial instruments at Level 3 (as defined in IFRS 7 Financial instruments: disclosures) and there have been no transfers of assets or liabilities between levels of the fair value hierarchy.

12. Net debt

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

	30 June 2018 £000	30 June 2017 £000	31 December 2017 £000
Cash and cash equivalents	**939**	799	858
Other interest-bearing loans and loan notes[1]	**(18,334)**	(10,243)	(12,922)
Net debt	**(17,395)**	(9,444)	(12,064)

1. Other interest-bearing loans and loan notes are stated after deducting facility arrangement fees of £166,000 (June 2017: £132,000, December 2017: £203,000). 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.

	30 June 2018 £000	30 June 2017 £000	31 December 2017 £000
Net increase/(decrease) in cash and cash equivalents	**81**	(4,015)	(3,956)
Cash and cash equivalents net inflow from increase in debt and debt financing	**(5,412)**	846	(1,833)
Movement in net borrowings resulting from cash flows	**(5,331)**	(3,169)	(5,789)
Movement in net debt in period	**(5,331)**	(3,169)	(5,789)
Net debt at beginning of period	**(12,064)**	(6,275)	(6,275)
Net debt at end of period	**(17,395)**	(9,444)	(12,064)

The Group refinanced its bank facilities on the 8 September 2017. During the first half of 2018 the Group made further drawdowns of £5,375,000 on its rolling credit facility. It is the Group's intention to repay the balance on the rolling credit facility in more than 12 months time and hence the gross balance of £18,500,000 is deemed to be a non-current liability.

13. Related parties

Transactions with key management personnel

Key management personnel in situ at 30 June 2018 and their immediate relatives control 3.1 per cent (June 2017: 4.1 per cent, December 2017: 4.5 per cent) 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, Searches UK Limited and any other management serving as part of the executive team.