17 September 2019

NAHL Group plc

("NAHL" or the "Group")

Interim Results

Performance in line with expectations; Continued strategic progress

NAHL (AIM: NAH), the leading UK marketing and services business focused on the UK consumer legal market, announces its Interim Results for the six months ended 30 June 2019.

Financial Highlights

- Revenue up 3.9% to £25.8m (2018 H1: £24.9m)
- Underlying operating profit[1] up 1.7% to £6.5m (2018 H1: £6.4m) including £0.5m of planned start-up losses of new ABS law firm, National Accident Law ("NAL"). Before these losses, up 10.6% to £7.0m
- Cash generation from operations[1] ahead at £3.5m (2018 H1: £1.3m)
- Exceptional costs of £0.8m (2018 H1: £0.1m) incurred in preparing for small claims reforms
- Profit before tax of £4.6m after exceptional costs (2018 H1: £5.3m)
- Basic earnings per share of 3.4p (2018 H1: 8.2p), in line with the Board's expectations, reflecting
    - Shifting balance of case allocation between panel law firms and Legal Services business unit, in line with strategy; and
    - Continued development of ABS structures, highlighted by profit attributable to JV partners of £2.6m (2018 H1: £0.6m)
- Interim dividend of 2.6p per share (2018 H1: 3.2p)
- Net debt[1] flat at £17.6m (2018 H1: £17.4m)

Operational Highlights

- Strategic transformation of Personal Injury ("PI") division yielding positive results
- Successful launch of wholly owned law firm, NAL, which is scaling and performing well
- National Accident Helpline ("NAH") marketing and placement tactics adapted to respond to continuing competitive pressures
- Continued strong progress from Critical Care, with double digit revenue and profit growth
- Residential Property performance reflective of continuing difficult wider market conditions

Post-Period End

- Announced the launch of a new ABS law firm, Law Together LLP, operated in partnership with panel law firm

Russell Atkinson, CEO of NAHL, commented:

"As a Group, we are pleased with the overall progress made in the first half of the year. The strategic transformation of our Personal Injury (PI) business continues and the changes put in place are now yielding positive results.

"Our wholly owned law firm, National Accident Law, has made encouraging progress since its launch in April 2019 and we are continuing to grow the number of enquiries being placed through our Legal Services business unit. Our focus remains on taking an economic interest in the success of the whole claim and capturing more value over the long-term. To this end, we are pleased to announce the launch of a new law firm, Law Together LLP, to help take advantage of the opportunities ahead.

"In our Critical Care division, we saw another strong performance, growing operating profit by 12.6% in the period as we begin the process of investing in the technology platform to position it for further growth. Conditions within the residential property market have been well documented and remain challenging. The leadership team in our Residential Property division are focused on a range of initiatives to grow market share.

"We are encouraged by the progress made in the year so far, and although fully cognisant of the challenges ahead, we remain confident of achieving a full year result in line with our underlying EPS[1] expectations."

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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 three divisions:

- Personal Injury provides outsourced marketing services to law firms through National Accident Helpline and claims processing services to individuals through its Legal Services business unit, which includes the law firms Your Law, National Law Partners, Law Together and National Accident Law.
- Critical Care provides a range of specialist services in the catastrophic and serious injury market to both claimants and defendants through Bush and Company Rehabilitation.
- Residential Property provides marketing services to law firms and conveyancers as well as surveys to individuals through Fitzalan Partners. It also provides property searches through Searches UK.

More information is available at www.nahlgroupplc.co.uk

[1] 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.

Interim Management Statement

I am pleased to report the Group's results for the six months ended 30 June 2019.

Summary of Financial Performance

During the first half of 2019, the Group has performed in line with the Board's underlying EPS expectations. Revenue grew by 3.9% to £25.8m (H1 2018: £24.9m) and underlying operating profit increased by 1.7% to £6.5m (H1 2018: £6.4m).

	Unaudited H1 2019 £m	**Unaudited H1 2018 £m**	**Growth £m**	**Growth %**
Personal Injury	**16.2**	15.5	0.7	5.1
Critical Care	**6.6**	6.0	0.6	10.4
Residential Property	**3.0**	3.4	(0.4)	(12.8)
Revenue	**25.8**	24.9	0.9	3.9
Personal Injury	**4.8**	4.6	0.2	2.8
Critical Care	**2.3**	2.1	0.2	12.6
Residential Property	**0.1**	0.6	(0.5)	(83.7)
Group Costs	**(0.7)**	(0.9)	0.2	(21.9)
Underlying operating profit	**6.5**	6.4	0.1	1.7
Start -up losses associated with NAL	**0.5**	-	0.5	n/a
Underlying operating profit before start-up losses associated with NAL	**7.0**	6.4	0.6	10.6

Underlying operating profit was net of £0.5m of planned start-up losses associated with the Group's new law firm, National Accident Law ("NAL"). Whilst they don't conform to the Group's definition of exceptional costs, these start-up losses comprise the operating loss for the first six months after launch, as the business is scaling up and still refining its processes. The underlying operating profit before start-up losses associated with NAL was £7.0m, which represents growth of 10.6% on last year.

The Group also incurred £0.8m (H1 2018: £0.1m) of exceptional costs associated with our business transformation. We continue to carefully manage these costs and are pleased that they remain in line with plan.

After deducting minority interest payments associated with the Group's ABS law firms, which are rising as a result of increased volumes, underlying earnings per share was 7.4p (H1 2018: 9.9p), which was consistent with the Board's expectation.

Trading Review – Personal Injury ("PI")

The PI division performed in line with plan in the first half. Revenue increased 5.1% to £16.3m and underlying operating profit increased 2.8% to £4.8m.

The strategic transformation of PI continues and, pleasingly, the contribution from our Legal Services business unit is slightly ahead of expectations during the period. This includes the Group's wholly owned law firm, NAL, which has made encouraging progress since its launch in April 2019, and we are now turning our attention to finalising our small claims proposition, albeit we still require Government confirmation of some important elements of the small claims process.

We are encouraged that panel demand has remained stable during the period and we have agreed a number of deals with panel firms that extend beyond the reform implementation date, currently planned for April 2020. We continue to grow the proportion of our enquiries placed into our Legal Services business unit, in support of our chosen strategy.

National Accident Helpline ("NAH") continues to operate in challenging market conditions, driven by competitive pressures. The Board expects these to persist until the implementation date of the legal reforms. NAH management continue to adapt the business' marketing and placement tactics to respond and optimise its performance. As part of this, we are investing in re-platforming the NAH website in early 2020 which will keep us at the forefront of digital marketing performance.

Our largest ABS venture, Your Law LLP, performed ahead of expectations in the first half and continues to grow. It has achieved damages to date of over £16m. Together with our partner in this venture, NewLaw LLP, we are pleased with the progress made and look forward to further developing this relationship.

I am pleased to announce that on 16 September we entered into a contract to launch a new law firm, called Law Together LLP. This venture, which is operated in partnership with Horwich Cohen Coghlan Solicitors, is consistent with the ongoing evolution of our ABS strategy, enabling us to maintain our placement strategy and manage the working capital demands of running personal injury claims. Law Together is the third joint venture law firm to have been established by NAH following the launch of Your Law and National Law Partners in 2017 and is scheduled to launch in October 2019.

Trading Review – Critical Care

Our Critical Care division has had a good H1, driven largely by organic growth from its case management business. Revenue increased 10.4% to £6.6m, and underlying operating profit was up 12.6% to £2.3m.

The business is progressing a number of initiatives aimed at maintaining this growth and intends to upgrade its technology platform in 2020, which will create efficiencies and deliver further process improvements.

Trading Review – Residential Property

The residential property market has deteriorated further in H1 and this has impacted our results. First half revenue was down 12.8% to £3.0m and underlying operating profit was down 83.7% at £0.1m. Whilst leadership changes made last year are starting to have a positive effect, the market remains very challenging.

Cash Conversion, Balance Sheet and Interim Dividend

The Group generated free cash flow[1] of £0.8m in the first half (H1 2018: £(0.5)m) and underlying cash conversion increased on the same period last year to 66.5% (H1 2018: 20.3%). Our ABS law firms made a positive contribution towards a total of £4.3m underlying operating cash flow[1].

As at 30 June 2019 we had net debt of bank borrowings of £17.6m (H1 2018: £17.4m), which was in line with our expectations.

The Board is declaring an interim dividend of 2.6p per share payable on 31 October 2019 to ordinary shareholders registered on 27 September 2019. Our policy is to have a dividend cover of twice underlying EPS, before exceptional costs and non-cash charges.

Current Year Outlook

As a Board, we are pleased with the tangible results achieved within the PI division in the first half of the year and expect the Group to continue to make progress with its strategic transformation in H2. Whilst we do not expect a noticeable improvement in the market conditions experienced by our Residential Property or PI divisions, our underlying earnings expectations for the full year remain unchanged.

Russell Atkinson
Chief Executive Officer

17 September 2019

[1] 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.

Consolidated statement of comprehensive income

for the 6 months ended 30 June 2019

	Note	**Unaudited 6 months ended 30 June 2019 £000**	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Total revenue	2	**25,839**	24,865	48,957
Cost of sales		**(12,589)**	(12,217)	(24,254)
Gross profit		**13,250**	12,648	24,703
Administrative expenses		**(8,500)**	(7,269)	(14,683)
Underlying operating profit		**6,465**	6,360	12,132
Share-based payments		**(426)**	(191)	(457)
Amortisation of intangible assets acquired on business combinations		**(484)**	(648)	(1,270)
Exceptional items	3	**(805)**	(142)	(385)
Total operating profit	2	**4,750**	5,379	10,020
Financial income		**104**	98	222
Financial expense		**(296)**	(206)	(470)
Profit before tax		**4,558**	5,271	9,772
Taxation	4	**(424)**	(953)	(1,389)
Profit for the period and total comprehensive income		**4,134**	4,318	8,383
Profit and total comprehensive income is attributable to:				
Owners of the company		**1,561**	3,758	6,674
Non-controlling interests		**2,573**	560	1,709
		4,134	4,318	8,383

		Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited 12 months ended 31 December 2018
Basic earnings per share (p)	7	**3.4**	8.2	14.5
Diluted earnings per share (p)	7	**3.3**	8.0	14.3

Consolidated statement of financial position

At 30 June 2019

	Note	**Unaudited 6 months ended 30 June 2019 £000**	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Non-current assets				
Goodwill		**60,362**	60,362	60,362
Intangibles		**5,906**	6,647	6,400
Property, plant and equipment		**842**	225	195
Deferred tax asset		**152**	34	177
		67,262	67,268	67,134
Current assets				
Trade and other receivables (including £4,955,000 (June 2018: £9,538,000, December 2018: £6,603,000) due in greater than one year)	5	**33,027**	29,978	28,806
Cash and cash equivalents		**2,026**	939	1,598
		35,053	30,917	30,404
Total assets		**102,315**	98,185	97,538
Current liabilities				
Trade and other payables	6	**(17,495)**	(14,770)	(15,111)
Other payables relating to legacy pre-LASPO ATE product		**–**	(865)	(301)
Tax payable		**(726)**	(1,290)	(975)
		(18,221)	(16,925)	(16,387)
Non-current liabilities				
Other interest-bearing loans and borrowings		**(19,659)**	(18,334)	(17,122)
Deferred tax liability		**(1,188)**	(1,500)	(1,342)
		(20,847)	(19,834)	(18,464)
Total liabilities		**(39,068)**	(36,759)	(34,851)
Net assets		**63,247**	61,426	62,687
Equity				
Share capital		**115**	115	115
Share option reserve		**3,004**	2,312	2,578
Share premium		**14,595**	14,595	14,595
Merger reserve		**(66,928)**	(66,928)	(66,928)
Retained earnings		**110,313**	110,756	111,380
Capital and reserves attributable to the owners of NAHL Group plc		**61,099**	60,850	61,740
Non-controlling interests		**2,148**	576	947
Total equity		**63,247**	61,426	62,687

Consolidated statement of changes in equity

for the 6 months ended 30 June 2019

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Capital and reserves attributa-ble to the owners of NAHL Group plc £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	–	–	–	–	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	–	–	–	–	(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	Capital and reserves attributa-ble to the owners of NAHL Group plc £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2018	115	2,121	14,507	(66,928)	111,893	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	–	–	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	Capital and reserves attributa-ble to the owners of NAHL Group plc £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2018	115	2,121	14,507	(66,928)	111,893	61,708	103	61,811
Adjustment on initial application of IFRS 9 net of tax	–	–	–	–	(814)	(814)	–	(814)
Adjusted balance at 1 January 2018	115	2,121	14,507	(66,928)	111,079	60,894	103	60,997
Total comprehensive income for the year								
Profit for the year	–	–	–	–	6,674	6,674	1,709	8,383
Total comprehensive income	–	–	–	–	6,674	6,674	1,709	8,383
Transactions with owners, recorded directly in equity								
Issue of new Ordinary Shares	–	–	88	–	–	88	–	88
Member drawings	–	–	–	–	–	–	(865)	(865)
Share-based payments	–	457	–	–	–	457	–	457
Dividends paid	–	–	–	–	(6,373)	(6,373)	–	(6,373)
Balance at 31 December 2018	115	2,578	14,595	(66,928)	111,380	61,740	947	62,687

Consolidated cash flow statement

for the 6 months ended 30 June 2019

	Note	**Unaudited 6 months ended 30 June 2019 £000**	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Cash flows from operating activities				
Profit for the period		**4,134**	4,318	8,383
Adjustments for:				
Depreciation and amortisation		**913**	810	1,630
IFRS 9 provision movements		**130**	–	206
Financial income		**(104)**	(98)	(222)
Financial expense		**296**	206	470
Share-based payments		**426**	191	457
Taxation		**424**	953	1,389
		6,219	6,380	12,313
Increase in trade and other receivables		**(4,253)**	(7,621)	(7,564)
Increase in trade and other payables		**1,530**	2,340	2,775
Increase/(decrease) in other payables relating to legacy pre-LASPO ATE product		–	189	(375)
Cash generation from operations		**3,496**	1,288	7,149
Interest paid		**(240)**	(154)	(474)
Tax paid		**(803)**	(1,338)	(2,202)
Net cash from operating activities		**2,453**	(204)	4,473
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(118)**	(42)	(145)
Acquisition of intangible assets		**(190)**	(156)	(640)
Disposal of property, plant and equipment		–	–	42
Interest received		**6**	2	35
Net cash used in investing activities		**(302)**	(196)	(708)
Cash flows from financing activities				
New share issue		–	88	88
New borrowings acquired		**2,500**	5,375	4,125
Finance leases		**(219)**	–	–
Dividends paid		**(2,632)**	(4,895)	(6,373)
Non- controlling interest member drawings		**(1,372)**	(87)	(865)
Net cash (used in)/from financing activities		**(1,723)**	481	(3,025)
Net increase in cash and cash equivalents		**428**	81	740
Cash and cash equivalents at beginning of period		**1,598**	858	858
Cash and cash equivalents at end of period		**2,026**	939	1,598

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 2018 were approved by the Board of Directors on 18 March 2019 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 16 September 2019.

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 2018, 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 16 - Leases

The Group has adopted IFRS 16 'Leases' from 1 January 2019 which has changed lease accounting for lessees under operating leases. Such agreements now require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs (such as property rent) are recognised in the form of depreciation and interest, rather than as an operating cost. Further information on the impact of IFRS 16 is given in Note 10.

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 2018.

Significant accounting policies
The accounting policies used in the preparation of these interim financial statements for the 6 months ended 30 June 2019 are the accounting policies as applied to the Group's financial statements for the year ended 31 December 2018 with the addition of IFRS 16 which is discussed in further detail in Note 10.

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 2018 Annual Report and the principles to identify adjusting items have been applied on a basis consistent with previous years with the exception of exceptional revenues arising from the release of the pre-LASPO ATE liability. Given the magnitude of the pre-LASPO ATE liability, it is no longer considered to be a material item and therefore from 1 January 2019 the Directors have made the decision to no longer include revenues related to the release of this liability as an exceptional item. The key adjusting items in arriving at the APMs are as follows:

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

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

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

A reconciliation of each measure is provided as follows:

Underlying operating profit:

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
IFRS measure – operating profit	**4,750**	5,379	10,020
Exceptional items	**805**	142	385
IFRS 2 share-based payment charge	**426**	191	457
Amortisation of intangible assets acquired on business combinations	**484**	648	1,270
Underlying operating profit	**6,465**	6,360	12,132

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

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
IFRS measure – cash generation from operations	**3,496**	1,288	7,149
Exceptional items	**805**	142	385
Working capital movements in respect of exceptional items	–	50	50
Decrease/(increase) in liabilities relating to Pre-LASPO ATE	–	(189)	375
Underlying operating cash flow	**4,301**	1,291	7,959
Underlying operating profit (as above)	**6,465**	6,360	12,132
Underlying cash conversion	**66.5%**	20.3%	65.6%
Cash generation from operations	**3,496**	1,288	7,149
Interest paid	**(240)**	(154)	(474)
Tax paid	**(803)**	(1,338)	(2,202)
Net cash generated from operating activities	**2,453**	(204)	4,473
Net cash used in investing activities	**(302)**	(196)	(708)
Payments to non-controlling interests	**(1,372)**	(87)	(865)
Free cash flow	**779**	(487)	2,900

Underlying EPS:

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
IFRS measure – profit for the year attributable to shareholders	**1,561**	3,758	6,674
Exceptional items net of tax	**652**	115	312
Start-up losses associated with NAL net of tax	**458**	–	–
IFRS 2 share-based payment charge	**426**	191	457
Amortisation of intangible assets acquired on business combinations net of deferred tax	**334**	486	950
Underlying profit for the year attributable to shareholders	**3,431**	4,550	8,393
Weighted average number of shares	**46,178,716**	46,100,876	46,160,172
Underlying EPS	**7.4**	9.9	18.2

Working capital:

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Movement in trade and other receivables	**(4,253)**	(7,621)	(7,564)
IFRS 9 provision movement	**130**	–	206
Movement in trade and other payables	**1,530**	2,340	2,775
Working capital	**(2,593)**	(5,281)	(4,583)
Pre-LASPO ATE movement	**(101)**	–	–
IFRS 9 opening balance adjustment	–	–	1,002
IFRS 16 adjustments to payables	**676**	–	–
Movement in interest accruals	**(120)**	(81)	(268)
IFRS measure – movement in trade and other receivables less movement in trade and other payables (including Pre-LASPO ATE liability)	**(2,138)**	(5,362)	(3,849)

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

	Personal Injury £000	Critical Care £000	Residential Property £000	Group £000	Underlying operations £000	Pre-LAPSO ATE £000	Other items £000	Eliminati-ons £000	Total £000
6 months ended 30 June 2019									
Revenue	16,279	6,591	2,969	–	25,839	–	–	–	25,839
Depreciation and amortisation	(185)	(71)	(172)	(1)	(429)	–	(484)	–	(913)
Operating profit/(loss) [1]	4,751	2,349	96	(731)	6,465	–	(1,715)	–	4,750
Financial income	103	–	–	1	104	–	–	–	104
Financial expenses	(1)	(1)	(2)	(292)	(296)	–	–	–	(296)
Profit/(loss) before tax	4,853	2,348	94	(1,022)	6,273	–	(1,715)	–	4,558
Trade receivables	8,673	5,106	770	–	14,549	–	–	–	14,549
Total assets[3]	29,289	5,753	1,666	78,332	115,040	–	–	(12,725)	102,315
Segment liabilities[3]	(15,457)	(1,027)	(704)	(307)	(17,495)	–[2]	–	–	(17,495)
Capital expenditure (including intangibles)	(192)	(93)	(7)	(16)	(308)	–	–	–	(308)
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) [1]	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
Total Assets[3]	25,132	4,970	1,604	78,917	110,623		(12,438)		98,185
Segment liabilities[3]	(12,492)	(1,003)	(569)	(706)	(14,770)	(865)[2]	–		15,635
Capital expenditure (including intangibles)	21	20	157	–	198	–	–		198
12 months ended 31 December 2018									
Revenue	29,522	12,383	6,388	–	48,293	664	–	–	48,957
Depreciation and amortisation	(195)	(48)	(117)	–	(360)	–	(1,270)	–	(1,630)
Operating profit/(loss) [1]	8,424	4,520	728	(1,540)	12,132	589	(2,701)	–	10,020
Financial income	191	30	–	1	222	–	–	–	222
Financial expenses	–	(5)	–	(465)	(470)	–	–	–	(470)
Profit/(loss) before tax	8,615	4,545	728	(2,004)	11,884	589	(2,701)	–	9,772
Trade receivables	10,200	5,036	598	–	15,834	–	–	–	15,834
Total assets[3]	24,528	5,800	1,269	78,574	110,171	–	–	(12,633)	97,538
Segment liabilities[3]	(13,254)	(1,137)	(364)	(356)	(15,111)	(301)[2]	–	–	(15,412)
Capital expenditure (including intangibles)	245	188	352	–	785	–	–	–	785

1. These are the respective underlying profits of the division.
2. Pre-LASPO ATE liabilities include the balance of commissions received in advance that are due to be paid back to the insurance provider of £200,000 (June 2018: £865,000, December 2018: £301,000). From January 2019 this balance was no longer considered to be material and going forward will now be presented as part of Personal Injury.
3. Total assets and segment liabilities exclude intercompany loan balances as these do not form part of the operating activities of the segment.

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

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

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

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

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

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

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

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

3. Exceptional items

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Release of pre-LASPO ATE liability and associated costs[1]	**–**	–	589
Personal Injury reorganisation costs[2]	**(805)**	(142)	(816)
Residential Property reorganisation costs[3]	**–**	–	(158)
Total	**(805)**	(142)	(385)

1. Previously recognised liabilities for pre-LASPO ATE commissions received in advance of £664,000 were released in 2018 as a result of more favourable settlements. These have been offset by associated costs of £75,000.
2. Personal Injury reorganisation costs relate to costs associated with exceptional projects that are not related to the core operations of the business.
3. Costs of management reorganisation in the Residential Property division.

4. Taxation

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Current tax expense			
Current tax on income for the year	**552**	1,115	1,824
Adjustments in respect of prior years	**–**	–	(160)
Total current tax	**552**	1,115	1,664
Deferred tax credit			
Origination and reversal of timing differences	**(128)**	(162)	(275)
Total deferred tax	**(128)**	(162)	(275)
Total expense in statement of comprehensive income	**424**	953	1,389
Total tax charge	**424**	953	1,389

Reconciliation of effective tax rate:

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Profit for the period	**4,134**	4,318	8,383
Total tax expense	**424**	953	1,389
Profit before taxation	**4,558**	5,271	9,772
Tax using the UK corporation tax rate of 19.00% (June 2018: 19.00%, December 2018:19.00%)	**866**	1,001	1,856
Income disallowable for tax purposes	–	–	(6)
Non-deductible expenses	**81**	36	100
Adjustments in respect of prior years	–	–	(160)
Share scheme deductions	–	(18)	(18)
Non-controlling interest share of tax	**(489)**	(106)	(324)
Short term timing differences for which no deferred tax is recognised	**(34)**	40	(59)
Total tax charge	**424**	953	1,389

The Group's tax charge of £424,000 (June 2018: £953,000, December 2018: £1,389,000) represents an effective tax rate of 9.3% (June 2018: 18.1%, December 2018: 14.2%). 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 10.7% (June 2018: 2.0%, December 2018: 3.3%).

Changes in tax rates and factors affecting the future tax charge
A reduction in the UK corporation tax rate from 19.0% to 18.0% (effective from 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17.0% (effective from 1 April 2020) were substantively enacted on 6 September 2017. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 30 June 2019have been calculated based on these rates.

5. Trade and other receivables

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Trade receivables: receivable in less than one year	**13,444**	12,082	13,234
Trade receivables: receivable in more than one year	**1,105**	7,940	2,600
Accrued income: receivable in less than one year	**8,346**	5,215	4,359
Accrued income: receivable in more than one year	**3,850**	1,597	4,003
Other receivables	**208**	259	308
	26,953	27,093	24,504
Prepayments	**990**	594	673
Recoverable disbursements	**5,084**	2,291	3,629
Total	**33,027**	29,978	28,806

A provision against trade receivables of £779,000 (June 2018: £171,000, December 2018 £909,000) is included in the figures above.

6. Trade and other payables

	Unaudited 6 months ended 30 June 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Trade payables	**3,642**	2,360	2,493
Disbursements payable	**5,359**	2,320	3,712
Other taxation and social security	**941**	975	1,028
Other payables, accruals and deferred revenue	**6,849**	8,311	6,907
Customer deposits	**704**	804	971
Total	**17,495**	14,770	15,111

7. Earnings per share

The calculation of basic earnings per share at 30 June 2019 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 2019 £000	Unaudited 6 months ended 30 June 2018 £000	Audited 12 months ended 31 December 2018 £000
Profit for the period attributable to the shareholders	**1,561**	3,758	6,674

Weighted average number of Ordinary Shares (basic)

Number	**Unaudited 6 months ended 30 June 2019**	Unaudited 6 months ended 30 June 2018	Audited 12 months ended 31 December 2018
Issued Ordinary Shares at start of period	**46,178,716**	46,061,090	46,061,090
Weighted average number of Ordinary Shares at end of period	**46,178,716**	46,100,876	46,160,172

Basic earnings per share (p)

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited 12 months ended 31 December 2019
Group (p)	**3.4**	8.2	14.5

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 405,859 (June 2018: 958,388; December 2018: 454,169). There are no other diluting items.

Diluted earnings per share (p)

	Unaudited 6 months ended 30 June 2019	Unaudited 6 months ended 30 June 2018	Audited 12 months ended 31 December 2018
Group (p)	**3.3**	8.0	14.3

8. Dividends

On 31 May 2019 the Group paid final dividends in respect of 2018 of £2,632,000 (2018: final dividends in respect of 2017 of £4,895,000) which represented a dividend per share of 5.7p (2018: 10.6p). The Directors have recommended an interim dividend in respect of 2019 of 2.6p (2018: interim dividend of 3.2p).

9. Net debt

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

	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
Cash and cash equivalents	**2,026**	939	1,598
Other interest-bearing loans and loan notes[1]	**(19,659)**	(18,334)	(17,122)
Net debt	**(17,633)**	(17,395)	(15,524)

1. Other interest-bearing loans and loan notes are stated after deducting facility arrangement fees of £91,000 (June 2018: £166,000; December 2018: £128,000). 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 2019 £000	30 June 2018 £000	31 December 2018 £000
Net increase in cash and cash equivalents	**428**	81	740
Cash and cash equivalents net inflow from increase in debt and debt financing	**(2,500)**	(5,375)	(4,125)
Movement in net borrowings resulting from cash flows	**(2,072)**	(5,294)	(3,385)
Non-cash release of prepaid loan arrangement fees	**(37)**	(37)	(75)
Net debt at beginning of period	**(15,524)**	(12,064)	(12,064)
Net debt at end of period	**(17,633)**	(17,395)	(15,524)

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 £19,750,000 is deemed to be a non-current liability.

10. Changes in accounting policies

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

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

Leases

The Group leases property and certain items of office equipment.

	Property £000	Office equipment £000	Total £000
Right of use asset at 1 January 2019	531	109	640
Right of use asset at 30 June 2019	473	97	570

Impact on Financial Statements

1) Impact on transition

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

	Total £000
Right of use assets presented in property, plant and equipment	640
Lease liabilities presented in other payables, accruals and deferred revenue	(673)
Release of rent-free period adjustments	37
Impact on retained earnings	4

2) Impacts for the period

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £570,000 of right of use assets and £640,000 of lease liabilities as at 30 June 2019 (including new leases taken out after 1 January 2019). The right of use assets of £570,000 have been included in property, plant and equipment on the balance sheet and the lease liabilities of £640,000 have been included within other payables, accruals and deferred revenue.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised £187,000 of depreciation charges and £4,000 of interest costs from those leases.