RNS Number : 7839T
NAHL Group PLC
22 March 2023

Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information for the purposes of Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

22 March 2023

NAHL Group plc

("NAHL", the "Company" or the "Group")

Final Results
Realising returns on strategic investments and building solid foundations for future growth

NAHL, a leading UK marketing and services business focused on the consumer legal services market, announces its Final Results for the year ended 31 December 2022.

Financial Highlights

Year ended 31 December	**FY2022**	FY2021	Change
Group Revenue	£41.4m	£38.9m	6.4%
Operating Profit	£4.8m	£4.2m	14.4%
Profit Before Tax	£0.6m	£0.2m	142.1%
Net Debt	£13.3m	£15.5m	-14.0%

- Group Revenue increased by 6.4% to £41.4m (2021: £38.9m), reflecting good progress made across the Group
- Cash received from settled claims in National Accident Law (NAL) increased by 67% to £3.5m (2021: £2.1m)
- Significant reduction in net debt at 31 December 2022 to £13.3m (2021: £15.5m)
- Strong levels of cash generation resulting in free cash flow increasing from £0.8m in 2021 to £2.2m
- Operating profit increased to £4.8m (2021: £4.2m) in line with recently upgraded market expectations
- Profit before tax increased to £0.6m (2021: £0.2m) due to lower-than-expected profit attributable to non-controlling interests in our LLPs, offset by an increase in borrowing costs due to higher UK interest rates
- Basic EPS of 0.8p (2021: 0.3p)

Operational Highlights

- Both the Consumer Legal Services and Critical Care divisions advanced their respective growth strategies in the year
- Continued to rapidly scale NAL and grew headcount to 147 people (2021: 129 people)
    - NAL won 1,894 claims, 60% more than the prior year (2021: 1,187)
    - At 31 December 2022, NAL had grown its book of ongoing claims by 37% to 10,860 (2021: 7,918)
    - These claims have an estimated future cash value to NAL (before processing costs) of £11.2m, and an estimated future revenue of £8.2m
- National Accident Helpline (NAH), generated 34,905 personal injury enquiries in the year, an increase of 9% over 2021 despite the wider market remaining subdued, further evidence of its strong brand and effective marketing strategy
- NAH also successfully returned to TV advertising in June 2022 and exited the year with its highest share of the non-RTA market since early 2020
- Critical Care increased the number of Expert Witness reports it issued by 10%, whilst investments in marketing and business development resulted in a 14% increase in the number of new instructions for Initial Needs Assessments (INA)
- Further encouraging results in Bush Care Solutions, which was launched in 2021 and delivered revenue growth of 24% to £0.4m in 2022
- Critical Care recruited 61 new associates in 2022 to support its growth and enhance its proposition

Outlook

- The Group entered 2023 with momentum and the Board are cautiously optimistic that the Group is well placed to continue its growth and strong cash generation
- In Personal Injury, following a successful return to TV advertising in 2022, the Board plan on increasing advertising investment in 2023 to gain further market share
- In the first two months of 2023:
    - enquiry numbers are 3% higher than the equivalent period in 2022, after excluding tariff-only RTA enquiries which are no longer targeted
    - NAL has collected £0.6m cash from settlements, 89% more than the same period last year
    - Critical Care Expert Witness and INA reports issued were 27% and 9% ahead of the same period last year respectively
    - Expert Witness instructions were 21% higher and INA instructions were flat compared to the

    - Expert Witness instructions were [illegible]% higher and [illegible] instructions were flat compared to the same period last year, due to a slow start in January
- Given the persistently high levels of inflation in the UK, the Board expects UK interest rates to remain at higher levels in 2023 leading to higher borrowing costs for the Group
- In response, the Group plans to accelerate cash collection and further reduce net debt by utilising its flexible placement model, its maturing book of claims in NAL and the strong levels of cash originating from its joint ventures and Critical Care division

James Saralis, CEO of NAHL, commented:

"*I am pleased with the financial performance of the Group in 2022. To deliver a significant reduction in net debt, return our Personal Injury business to profit and continue our growth in Critical Care, despite the wide-ranging macroeconomic factors working against both our sector and the economy is testament to our people and the investments we have made over the last few years.*

"In line with our strategy, we continued to grow our book of claims in NAL, which now stand at 10,860, 37% ahead of the same time last year. The Group also collected £3.5m of cash from settlements during the year, up from £2.1m in 2021, illustrating the growing maturity of our claims book. These maturing claims along with the flexibility of our placement model were instrumental in the Group being able to reduce its net debt during the year.

"Simultaneously, Critical Care recruited 61 new associates in 2022 to support its growth and further enhance its offering whilst also investing in its new proposition Bush Care Solutions which will access adjacent markets and be a key growth enabler for the future.

"Finally, I would like to reiterate my gratitude to our employees for their hard work, support and commitment throughout the year. Without their unwavering dedication, we would not have had the successes we did in 2022 and I very much look forward to 2023 as we continue to build on the strong foundations we have set for future growth."

The Annual Report and notice of Annual General Meeting will be available by the end of April 2023.

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Notes to Editors

NAHL Group plc (AIM: NAH) is a leader in the UK 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 services to individuals through Your Law, Law Together and National Accident Law. 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, www.national-accident-helpline.co.uk and www.bushco.co.uk

Throughout this document, references to 'joint venture' law firm relate to our law firms Your Law LLP and Law Together LLP which we operate in partnership with a minority member. The term 'joint venture' does not relate to the UK-adopted International Accounting Standards (IFRS) definition. These law firms are accounted for as subsidiary undertakings.

CHAIR'S REPORT

The Group returned to growth in 2022 and delivered results in line with recently upgraded market expectations, despite a challenging macro-economic environment. We saw good progress across the Group with increased revenues and profit and a further reduction in debt in 2022. Significantly our Personal Injury business started repaying the investment we have made in its transformation, and not only returned to growth but was cash positive and grew market share.

We completed the year with revenues of £41.4m (2021: £38.9m), a profit before tax of £0.6m (2021: £0.2m), and a further reduction in debt to £13.3m (31 December 2021: £15.5m).

Consumer Legal Services

Overall, revenues in the Consumer Legal Services division grew by 6% to £28.3m and operating profit by 12% to £4.2m.

These results were driven by a strong performance in our Personal Injury business which was profitable and cash positive again following several years of investment into our own law firm National Accident Law (NAL). NAL now employs 147 people (2021: 129 people) and remains central to the Group's future success by enabling us to process claims ourselves and keep more of the profit from those claims. It is beginning to pay back on the investment we have made in it and for the first time we were able to fund the working capital cost of NAL from cash generated in the Personal Injury business itself.

Settlements and the resulting cash receipts in NAL increased in 2022 as claims, started in earlier years, matured. NAL collected £3.5m in cash from settlements made during the year, compared with £2.1m in 2021, representing a 67% increase.

NAL has not yet reached maturity, when the number of cases starting broadly equals the number of cases concluding in any year, and we continue to invest in it. During 2022, 8,760 new enquiries went into NAL which was an increase of 6% compared with 2021.

These new enquiries represent a future pipeline of value for NAL. By the end of 2022, NAL had increased the volume of ongoing claims by over 37% to 10,860. These claims have an estimated future cash value to NAL (before processing costs) of £11.2m, and an estimated future revenue of £8.2m. Putting more enquiries into NAL also has the effect of reducing future payments to our Joint Venture partners.

Most of the enquiries that did not go to NAL went to our panel firms who pay for them. This placement model enables us to manage our cash requirements flexibly as evidenced by our strong reduction in net debt during the period.

Overall, the Personal Injury business increased the number of enquiries it generated by around 9% to 34,905 despite the number of Personal Injury claims in the market remaining flat. This was achieved through our strong brand and effective marketing, and our return to television advertising in 2022 after an absence of over two years due to COVID-19. Our market share in non-RTA enquiries (the majority of our book) rose to 16.8%, its highest level since 2020, and although our share of RTA enquiries remained relatively flat at 1.3%, we saw an increasing proportion of higher value claims in that mix.

Our Residential Property business was impacted by the widely reported slowdown in the property market due to higher interest rates, but still contributed a small profit for the year.

Critical Care

Bush & Co (Bush) has continued to invest in its back office and technology. This investment cycle is coming to an end and these enhancements should see efficiency gains and margin improvements in the future as well as providing a more resilient platform for growth. Bush has also strengthened its marketing and business development offering.

Case management remains the largest revenue stream in Critical Care providing support to individuals who have suffered catastrophic personal injuries. The number of ongoing cases grew by 11% during 2022 and Bush increased the number of employed case managers to help drive margin improvement. Expert witness services also saw strong revenue growth in 2022 and now accounts for 36% of our total revenue compared to 32% in 2019.

Bush Care Solutions was created in 2021 to offer nurse-led care management services. This is an adjacent market to case management and enables us to offer a fully managed solution. Revenues grew by 24% in 2022 to £0.4m. Although still relatively small, Bush Care Solutions offers significant opportunity for further growth in this adjacent market.

Overall revenues in Bush grew by 6% to £13.1m and its operating profit by 4% to £3.4m.

Summary

I would like to thank all our employees for their continued commitment and hard work over the last year. Our people

I would like to thank all our employees for their continued commitment and hard work over the last year. Our people and our culture are essential to our future success. I would also like to congratulate Chris Higham who was appointed as a director of the Company and Group Chief Financial Officer (CFO) during the year, having previously been acting CFO since August 2021.

I believe we are making good progress across the Group with an increase in revenue and profit and a further reduction in debt. The Personal Injury business has returned to growth, is cash positive and winning more market share. NAL is beginning to pay back on the investment we have made and at the end of 2022 had nearly 11,000 cases underway that represent a strong pipeline of future value. Critical Care continues to grow revenues and profit and has invested to drive future margin improvement. Bush Care Solutions is not yet two years old but is already showing its potential, offering the opportunity for growth in an adjacent market.

The Group has created a platform for success and is on track to build a sustainable and profitable business in the medium term.

Tim Aspinall
Chair

CEO REPORT

2022 was an important year for NAHL and I'm proud to report on the progress that our team has delivered.

Overview

Despite the well-documented headwinds across the economy and specific challenges within our own markets, NAHL achieved its financial goals in 2022 and returned to growth. The Group increased revenues by 6% and operating profit by 14%, and we continued to invest for the future. We have strengthened our financial position, reducing our debt which ended the year at £13.3m. This was a priority given the challenging and unpredictable macro-economic environment in the UK.

Both our Consumer Legal Services and Critical Care divisions advanced their strategies in the year. Our Personal Injury business returned to profit and was cash generative in 2022 - an important milestone in our plans. We continue to grow market share in Personal Injury and our law firm, National Accident Law, is demonstrating signs of growing maturity. In our Critical Care division, we have developed our services in the year, added new specialisms and experienced encouraging early growth in our new care proposition, Bush Care Solutions.

Whilst these successes demonstrate good progress made in 2022, there is more to do and we must stay on track if we are to deliver on our ambitions and build a more sustainable and profitable business over the next few years. Our strategy for each of our divisions remains on track and unchanged and we will continue to invest for future growth.

Financial performance

Group revenue increased by 6% in the year to £41.4m (2021: £38.9m) following growth in both of our trading divisions. Operating profit grew 14% during the year to £4.8m (2021: £4.2m) and was in line with recently upgraded market expectations. Our Consumer Legal Services division grew operating profit by 12% and our Critical Care division by 4%. As we started to realise the benefit of past investments in our Personal Injury business, the Group's operating profit margin increased by 0.8 ppts from 10.7% in 2021 to 11.5% during the period.

Profit before tax was £0.6m (2021: £0.2m), which was in line with recently upgraded market expectations, albeit from a low base. This was due to lower-than-expected profit attributable to non-controlling interests in LLPs but offset by an increase in borrowing costs due to the higher UK interest rates.

Pleasingly, the Group generated strong levels of cash flow throughout the year with free cash flow increasing from £0.8m in 2021 to £2.2m in the year. As a result, the Group has reduced net debt from £15.5m at 31 December 2021 to £13.3m at 31 December 2022, which was in line with recently upgraded market expectations.

The Board does not believe that it is appropriate to reinstate dividends at this time and the Directors have recommended that no final dividend payment be made in respect of 2022.

Consumer Legal Services

Financial performance

Our Consumer Legal Services division performed well during the year, delivering a 6% increase in revenues to £28.3m (2021: £26.6m) and operating profit increased by 12% to £4.2m (2021: £3.7m). This result was driven by a strong performance in our Personal Injury business, which grew its revenues by 14% to £24.0m (2021: £21.0m) and operating profit by 17% to £3.9m (2021: £3.4m).

Whilst not a statutory measure, it was particularly pleasing to see the Personal Injury business return a profit after deducting members' non-controlling interests in LLPs, which was £0.4m in 2022 compared to a loss of £0.1m in the prior year. I believe that this clearly demonstrates the sustainability of this business and the positive progress that the team have made over the past 18 months.

Market conditions

The UK personal injury market was subdued through the COVID-19 pandemic and this continued into 2022.

According to industry data from the Claims Recovery Unit of the Ministry of Justice (CRU) and the Official Injury Claim portal for small claims (OIC), the number of claims registered in 2022 for road traffic accidents (RTAs) was down 7% compared to the prior year at c. 371,000 claims, and down 43% compared to the last full year prior to the pandemic (2019). Our internal analysis estimates the claimant-side personal injury market to be worth £1.1bn in 2021/22 compared with an estimated value of £1.6bn in 2019/20[1].

This reduction contrasts with traffic volumes on the roads, which moved closer to pre-pandemic levels in 2022. Government estimates[2] show motor vehicles travelled 318.6bn vehicle miles in Great Britain for the year ended March 2022, which was 30% more than that in the year ended March 2021, but still 6% lower than pre-pandemic levels (year ended December 2019). Whilst the equivalent data for the remainder of 2022 is yet to be released, it is likely that traffic levels had gone on to exceed pre-pandemic levels by the end of the year. For non-RTA claims, such as employers' liability, public liability, and occupiers' liability, claim volumes registered with the CRU in 2022 were broadly flat compared to that in 2021 at c.95,000 claims (-2%), which was 42% lower than 2019.

We believe that the cause of this trend of lower claim numbers is due to the following three factors, which have fundamentally reset the size of the market during the past 24 months:

1) Firstly, the COVID-19 pandemic resulted in significant behavioural changes amongst the UK population. This included changes to working practices and transport usage, including many more people choosing to work remotely or on a hybrid basis for part of the week. This has contributed to fewer accidents occurring during travel time, in workplaces, surrounding shops and urban areas.

2) Secondly, the implementation of the Civil Liability Act 2018 (Whiplash Reforms) significantly reduced compensation tariffs for most RTA claims worth £5,000 or less and eliminated cost awards for successful claims. Rather than encouraging victims to manage their own claims through the OIC portal, the overly complex and burdensome portal resulted in fewer than 10% of litigants pursuing a claim themselves and for those relying on a solicitor to support them, the legislation removed most of the value for the firm, resulting in many firms withdrawing from the market. We believe that the significant reduction in compensation combined with the difficulty of the process has resulted in a lower appetite from accident victims to make such a claim.

3) Thirdly, research that we commissioned in December indicated that at least £1.4bn[3] of potential personal injury settlements were unclaimed in 2022 because of people's reluctance to make a claim. An independent organisation spoke to 2,500 members of the public, of which 500 people had suffered an accident in the last three years, and the results were very insightful:

While 11% of people had suffered a no-fault accident in the last three years, only 50% of these attempted to make a claim and only half of those went ahead. We found that a quarter of those who could have made a claim had 'no idea' they were entitled to compensation, while a similar number did not pursue a claim because they thought the process 'felt too complicated'. Other reasons for not claiming included the cost of making a claim, the stigma associated with claiming and worries about the process and any potential impact on their job.

impact on their job.

We believe that this reluctance to make a claim and the lack of understanding surrounding the claim process is a result of a reduction in advertising by firms since the start of the pandemic.

Our analysis of these three factors leads us to conclude that whilst the size of the market is smaller now than before the pandemic, the opportunity remains very significant and there is a large latent demand that could be unlocked by a firm who can stimulate the market, educate customers on their rights and change the perception of claiming.

Strategic progress

Our strategy to succeed in the personal injury market is to grow the number of accident victims that we can support by leveraging the strength of the National Accident Helpline brand and processing an increasing number of those enquiries through our own consumer-focused law firm, National Accident Law. This will enable us to develop a sustainable, higher margin business. We will fund this through our agile and scalable placement model which is designed to balance the work we place with our panel, and joint venture partner for in-year profit and cash, with the work we process ourselves for greater, but deferred profit and cash.

I'm pleased to report that we made clear progress with this strategy in 2022.

National Accident Helpline generated 34,905 personal injury enquiries in the year, which was an increase of 9% over 2021. This number would have been higher had it not been for our decision to stop targeting tariff-only RTA claims, from February 2022, to focus on higher-value opportunities. The brand continues to be the "first choice for people who have had an accident and want legal representation", according to independent research.

The category mix of enquiries generated was broadly consistent with last year, with 22% RTA claims, 51% non-RTA and 27% specialist claims, which we don't process in NAL. Pleasingly, the RTA claims that we attracted should ultimately be more profitable than last year, as they comprised a far lower proportion of low value tariff-only claims.

In June 2022, the business returned to TV advertising for the first time since January 2020 with its #TellYourStory campaign, giving accident victims a platform to speak up and feel listened to. Whilst brand advertising on TV is intended to develop long-term awareness, the in-year performance of the campaign was encouraging and it resulted in growth in lead numbers and improved conversion. Our high-performance digital marketing and conversion-optimised website also delivered good results in the year and the number of organic (unpaid) leads to our website increased by 9% compared to 2021.

This activity helped to generate market share gains and in our key category of non-RTA claims, we consistently grew our trailing 12-month market share from 15.0% on 1 January 2022 to 16.8% by year-end. This is our highest share of the market since early 2020 and gives me confidence that our marketing investments are delivering. Furthermore, we remain optimistic about the potential for additional opportunities when the market begins to grow again.

In line with our strategy, we continued to rapidly scale NAL during the year. We allocated 8,760 new enquiries to NAL in 2022, which was 6% more than in 2021. These enquiries cost £2.7m to generate and our proven model estimates that these will be worth £5.9m in future revenue and cash.

NAL won 1,894 claims in the year, 60% more than prior year (2021: 1,187) and this generated £3.5m in cash from settlements. This was an increase of 67% (2021: £2.1m), further demonstrating the growing maturity of the firm.

At 31 December 2022, NAL had grown its book of ongoing claims by 37% to 10,860 (2021: 7,918). This book of existing claims has an embedded value, being the future profits and cash expected to be generated by processing these claims through to settlement. At 31 December 2022, after already expensing the marketing costs to generate those claims and processing costs to that date, we anticipated that the ongoing claims will generate future revenue of £8.2m and future gross profit of £7.1m.

The division continued to utilise its flexible placement model to good effect and enjoyed strong demand for enquiries from its panel of third-party law firms, increasing its allocation by 7%. The Group's joint venture law firms, which are now mature, also performed well during the year. Over the past three years, the Group has significantly reduced the allocation of new enquiries to its joint ventures, as growth in NAL has been prioritised in order to increase profitability over the medium term. In 2022, approximately 3,000 enquiries were distributed to Law Together LLP with no new enquiries into Your Law LLP, as planned. Following investment over a number of years, these relationships continue to generate good levels of cash flow and delivered £3.3m in the year (2021: £3.6m), after deducting drawings to LLP members.

Residential Property

The division's Residential Property business, comprising Homeward Legal and Searches UK, generated revenues of £4.3m, which was 23% lower than prior year (2021: £5.6m). Operating profit was £0.3m (2021: £0.4m).

The business experienced a slowdown from the second quarter of 2022, in line with the wider market, and accordingly, Homeward Legal generated 33% fewer conveyancing instructions than the prior year. Searches UK proved to be more resilient and the number of search packs its generated was just 10% lower than the previous year, reflecting several new customer mandates.

Critical Care

Financial performance

Our Critical Care division, operating as Bush & Co., increased its revenues by 6% to £13.1m (2021: £12.3m). Operating profit increased by 4% to £3.4m (2021: £3.3m) and the business generated £3.1m of cash from operations in the year.

Market conditions

Bush & Co. operates in the catastrophic injury market, with most of the work arising from serious RTA injuries and medical negligence. Whilst there is no official definition, we categorise catastrophic injuries as those resulting in damages worth £500,000 or more.

There were fewer serious RTA claims during the COVID-19 pandemic due to a reduction in traffic on the roads, but this was a temporary feature. Recent data from the Department for Transport showed that the number of seriously injured casualties on roads in Great Britain in the year to June 2022 increased by 18% in the period but was 6% lower than before the pandemic (2019). Due to the severity of the victims' injuries, this market is not affected by the Whiplash Reforms nor any reluctance to claim, as is the case in our Consumer Legal Services business.

For medical negligence claims, data from NHS Resolution shows that the number of clinical claims for catastrophic injury made against the NHS in 2021/22 was slightly down on 2020/21 (-7%). However, this was 24% more than the average number in each of the preceding four years, indicating that there has been a step change in the number of medical negligence claims since 2019/20.

Building on our platform for growth

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

In 2022, we continued to make good progress with this strategy.

Revenues from the division's case management service grew by 3% in the year, and it issued 529 initial needs assessments (INAs), which was 5% more than the prior year. The business supported 1,354 ongoing case management clients during the year, generating recurring revenue, although at a lower average revenue per client than before the pandemic. This is a permanent change because some of our client support team meetings transitioned online during the pandemic, which has since become normal practice across the industry, meaning less time and travel costs becoming chargeable.

Our investments in marketing and business development resulted in a 14% increase in the number of new instructions for INAs to 557 (2021: 490).

We started the year trialling a new initiative in which the business delivered case management services for less complex cases through a team of three in-house, employed case managers. The results were encouraging and by the end of the year we had grown the team to seven employed case managers, operating at a higher utilisation rate, resulting in enhanced profit margins. We hope to support more customers with this service in 2023 and grow the team further.

team further.

Our expert witness service had a very strong year in 2022, and increased revenues by 13%. The business issued 974 reports, which was 10% more than in 2021, and the average revenue per report increased due to a favourable mix and additional elements being required by customers. Instruction numbers increased 7% (1,044 compared to 973 in 2021) to historically high levels.

Finally, I am pleased to report very encouraging results in Bush Care Solutions, which was launched in 2021. This proposition provides a support and management service for employing care staff, which complements our existing case management service and also attracts standalone work. Bush Care Solutions delivered revenue growth of 24% to £0.4m in 2022, delivering 10 ongoing care packages at year-end. Whilst currently modest in size, this service looks to be an important growth driver over the next few years. I am particularly proud of the excellent job the team have done in developing this service, which has been well received by customers as evidenced by its nomination for the Supporting the Industry award at the 2022 PI Awards.

Bush & Co. continued to develop its range of specialisms in the year and recruited 61 new associates in 2022 to support its growth and enhance its proposition. At 31 December 2022, the business works with 96 associate case managers and 129 expert witnesses, in addition to its in-house teams.

Our people, culture and communities

At NAHL, we aim to build a sustainable business for the long-term gain of all our stakeholders. For us, this includes being a great company to work for, creating long-term value for our shareholders and also contributing to our communities and the environment.

The Group employed 283 people at 31 December 2022, which was an increase of 10% on last year. Much of the growth in employee numbers has arisen in NAL and, as we look to scale the business, we have further invested in experienced people in technical areas of the law firm to support our growth. We also revitalised our marketing team in Consumer Legal Services during the year, recruiting a Marketing and Brand Director and several other new members of the team. I look forward to this investment helping to take our marketing performance to the next level and build on the growth in market share that we have been able to generate to date. Other areas of our recruitment focus have been employing case managers and care managers in Bush & Co. to facilitate our growth.

Due to the functionality provided by previous investments in our systems, 33% of our people now work remotely and 49% on a hybrid basis. This has been of significant benefit to our business, opening up new recruitment opportunities and expanding our access to technical legal talent to support the scaling up of NAL, as well as offering more choice and improved work-life balance for our people.

As well as recruiting the best talent available, our People Team added significant value through the delivery of several in- house training courses in the year. In addition to courses focused on developing personal strengths, dealing with imposter syndrome and developing remote management skills, the team prepared 13 employees for a leadership role in our year- long Pathway to Leadership programme. In total, 246 hours of training and coaching were delivered in 2022.

We also made some changes to our Board in the year. On 30 September 2022, Gillian Kent decided to step down as a Non- Executive Director after eight years in the role. I'd like to thank Gillian for her support and wise counsel over the years and wish her the best of luck in her future endeavours.

Also in September, I was delighted to welcome Chris Higham to the Board as an Executive Director when he was appointed to the role of CFO on a permanent basis. Chris has been with the Group for 16 years and his experience, through the IPO and the subsequent transformation of the Personal Injury business has proved invaluable. I look forward to continuing to work closely with Chris as we realise our vision for the Group. With these changes, the Directors believe that the Board composition is suitable for the Group in its current state.

Through our company culture, we aim to maintain a high-trust environment for the benefit of everyone, irrespective of who an individual is or what they do for the Group. Our people are recruited to join our teams from a diverse range of backgrounds and experience as we believe that makes us better able to serve our customers; and we expect our leaders to engender trust with all our stakeholders by demonstrating their ability, integrity and benevolence. When we surveyed our people during the year, 93% said that they believed that everyone in our business is treated fairly regardless of race, gender, ethnicity, disability, sexual orientation or other differences, a result I am very proud of.

As at 31 December 2022, the gender split across the Group was 72% female and 28% male. At a Board level, the Board was 20% female and 80% male.

The Group's values of Driven, Curious, Passionate and Unified continue to guide how we do things at NAHL. In June 2022, our annual employee survey demonstrated the progress we are making with the culture and the strong levels of employee engagement within the Group. Our overall engagement score was 78%, which was a 3 ppt improvement on the previous year and significantly higher than the UK average of 14%[5]. Significant improvements compared to 2021 were identified in communication and our contribution to our communities. In December 2022, Investors in People reaccredited our Personal Injury business with a Gold award to add to the Gold award held by our Critical Care division and Silver award held by Residential Property.

We were pleased to support a number of separate charities during the year by fundraising over £50,000 and giving up our time to help with a number of worthy causes. This included supporting the Child Brain Injury Trust, Kettering and Daventry foodbanks, and the DEC's Ukraine Appeal. We continued our work to support the environment, donating 120 hours of volunteering at the Green Patch community project in Kettering, and continuing our pledge to fund the planting of a tree for every new employee that joins the Group. By 31 December 2022 we had a total of 463 mangrove trees growing in our forest in Madagascar, which will sequester approximately 139 tonnes of CO_2 over their lifetime.

Current trading and outlook

In 2022, in spite of subdued market conditions, we achieved our financial goals and returned the Group to growth. After several years of transformation, we delivered a profit before tax in our Personal Injury business and we can now start to realise a return on our investments. We also continued to build a strong platform in our Critical Care business, from which we can grow and expand into adjacent markets. Pleasingly, we finished the year strongly and this gave us momentum as we went into 2023.

For these reasons, as I look ahead to 2023 and beyond, I am cautiously optimistic that the Group is well placed to continue its growth and strong cash generation.

In our Personal Injury business, we plan to increase our advertising spend in 2023 to try to win further market share. We aim to continue to grow the embedded value of our ongoing claims and win more settlements in NAL, driving cash generation. In the first two months of the year, we are on track to deliver these plans. Excluding tariff-only RTA claims, which are no longer being targeted, enquiry numbers are 3% higher than the equivalent period in 2022 driven by strong levels of RTA leads. In NAL, we have collected £0.6m of cash from settlements, 89% more than in the same period in 2022.

In Critical Care, we expect to see continued strong growth in expert witness services and Bush Care Solutions, with continued, but modest, growth in case management. Our upgrades to the case management and finance technology systems are due to be implemented this year, which should drive improvements in future operating profit margin over the coming years. In the first two months of 2023, the case management team delivered 83 INAs, which was 9% more than the same period in the prior year, although instruction numbers were flat compared to last year. In expert witness, 197 reports were issued in January and February, which was 27% more than the same period in the prior year, and instructions were up 21%.

Given the persistently high levels of inflation in the UK, the Board expects UK interest rates to remain at higher levels in 2023 leading to higher borrowing costs for the Group. In response, the Group will continue to leverage its flexible placement model to drive short-term cash flow. This, in addition to its maturing book of claims in NAL and the strong levels of cash originating from its joint ventures and Critical Care division, will enable the Group to accelerate cash collection in 2023 and further reduce net debt.

Finally, I want to take this opportunity to pay tribute to our people who go above and beyond to deliver to the best of their ability for our customers. I'm proud to be leading such a talented and committed team and look forward to delivering on our commitments to our customers and shareholders and continuing to improve our performance.

James Saralis
Chief Executive Officer

Footnotes:

1. *Internal research produced during the year*
2. *Department for Transport, reported road casualties by severity and road user type: Great Britain*
3. *Independent research produced by Censuswide Limited, December 2022*
4. *Independent Research by The Nursery Research & Planning Ltd, March 2023*
5. *Gallup 'State of the Global Workplace 2022 Report'*

CFO REPORT

Overview

The year saw the business return to growth and reduce its net debt. This was despite volumes in our markets remaining subdued, a pattern we have seen continue since the COVID-19 pandemic.

Our wholly owned law firm, National Accident Law (NAL), continues to scale and is now generating significant cash receipts as the book of cases continues to mature.

We continued to invest in new technologies in the Critical Care division. This investment is now largely complete, setting the business up for future growth.

From an operational perspective, revenue grew by 6.4% to £41.4m (2021: £38.9m) and operating profit grew by 14.4% to £4.8m (2021: £4.2m) with growth seen across both divisions.

Review of income statement

	2022 £m	2021 £m	Change £m	Change %
Consumer Legal Services	28.3	26.6	1.7	6.3%
Critical Care	13.1	12.3	0.8	6.4%
Revenue	**41.4**	**38.9**	**2.5**	**6.4%**
Consumer Legal Services	4.2	3.7	0.5	12.2%
Critical Care	3.4	3.3	0.1	4.3%
Shared Services	(1.7)	(1.6)	(0.1)	5.9%
Other items	(1.1)	(1.2)	0.1	-10.2%
Operating Profit	**4.8**	**4.2**	**0.6**	**14.4%**
Profit attributable to non-controlling interest in LLPs	(3.6)	(3.5)	(0.1)	3.0%
Financial income	0.1	0.1	(0.0)	-6.3%
Financial expense	(0.7)	(0.6)	(0.1)	28.6%
Profit before tax	**0.6**	**0.2**	**0.4**	**142.1%**
Taxation	(0.2)	0.0	(0.2)	132.9%
Profit and total comprehensive income for the year	**0.4**	**0.2**	**0.2**	**146.8%**

Consumer Legal Services

The Consumer Legal Services division increased revenue by 6% to £28.3m (2021: £26.6m) and operating profit grew by 12% to £4.2m (2021: £3.7m). Enquiry numbers grew by 9% to 34,905 (2021: 32,132) despite the personal injury market remaining subdued, as discussed in the CEO report and our strategic decision to stop accepting low value soft-tissue injury Road Traffic Accident (RTA) claims in the first quarter of 2022.

The number of enquiries passed across to our wholly owned law firm, NAL, increased by 6% and the law firm continues to process all the RTA enquiries generated for accidents in England and Wales. These enquiries represented an investment of £2.7m when taking into account the cost of advertising and overheads related to the generation of these enquiries.

The enquiries processed by NAL have a longer revenue cycle than the panel relationships. The cases can take a number of years to conclude, and NAL first recognises revenue from a case when an admission of liability has been received from the defendant. The enquiries passed to NAL in the year are expected to generate c.£5.9m (2021: £6.0m) in revenue across their life cycle.

By the end of the period, NAL was processing 10,860 open cases (2021: 7,918), an increase of 37% as the law firm continues to mature. These ongoing cases are expected to contribute c.£8.2m (2021: £6.7m) in future revenue and c. £11.2m of future cash receipts (2021: £8.4m).

The law firm is yet to reach maturity but cash receipts from settled cases give an indication of the progress made. Cash receipts from cases settled grew by 67% to £3.5m in the year (2021: £2.1m) and the total cash receipts from settled cases since inception of the law firm is £7.0m. Once the law firm is fully mature we would expect cash receipts in a period to largely match the expected revenue from new enquiries added.

The Residential Property business generated a positive contribution to profit of £0.3m (2021: £0.4m) after allocation of shared costs. The business was negatively impacted by the end of the Stamp Duty Land Tax holiday on properties valued up to £500,000 as well as rising consumer borrowing costs towards the end of the year.

Critical Care

The Critical Care division grew revenue by 6% to £13.1m (2021: £12.3m) with operating profit increasing by 4% to £3.4m (2021: £3.3m).

The division benefitted from investment in business development activity contributing to a 7% increase to expert witness instructions and a 14% increase in Initial Need Assessment (INA) instructions. Average revenues per instruction on expert witness increased in the year due to mix and additional work requested by customers. Average revenues per instruction for case management has continued to be impacted by the changes in working practices brought about by the pandemic. These new patterns are expected to continue going forward.

The business also saw an encouraging performance from Bush Care Solutions which delivered £0.4m of revenue in the year following its launch towards the latter part of 2021. Although still relatively small, Bush Care Solutions offers the opportunity for further growth in an adjacent market.

Shared Services and other items

The costs for the Group's Shared Services functions increased by £0.1m to £1.7m (2021: £1.6m) and other items which include share-based payments and amortisation fell to £1.1m (2021: £1.2m).

Financial expense

Costs relating to the financing of debt increased to £0.7m in the year (2021: £0.6m) despite net debt falling. This is due to rising interest rates during the year. Our debt is linked to the Sterling Overnight Index Average (SONIA) plus 2.25%.

Exceptional and non-underlying items

The Group did not incur any exceptional costs in the year (2021: £0.0m).

Taxation

The Group's tax charge of £184,000 (2021: £79,000) represents an effective tax charge of 32.4% (2021: 33.6%). The tax charge is higher than the standard corporation tax rate of 19% for the reasons set out in note 3. The deferred tax credit originates from temporary differences in intangible assets acquired on business combinations.

Earnings per share (EPS) and dividend

Basic EPS for the year were 0.8p (2021: 0.3p) and the diluted EPS were 0.8p (2021: 0.3p), reflecting the impact of share options due to vest in future years.

The Board does not believe it is appropriate to re-instate dividends at this time and the Directors have recommended that no final dividend be paid in respect of 2022 (2021: nil).

Review of the statement of financial position

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

Working Capital

Trade and other receivables less trade and other payables totalled £17.1m at year end (2021: £17.2m).

Trade receivables and accrued income balances related to the processing of personal injury claims increased to £7.5m (2021: £6.9m). The increase is due to cases settling in the more mature joint ventures offset by a growing claims book in NAL, which is yet to reach full maturity. Accrued income on open cases in NAL within this balance was £2.7m (2021: £1.7m). These claims are yet to reach the settlement stage but have received an admission of liability from the defendant. This is in line with the Group's accounting policy for legal services revenue.

There remains a significant element of uncertainty in estimating this accrued income. The Directors believe that the assumptions adopted are appropriate and based on historical experience of claims processed in our law firms and by our panel. In practice it is rare for accrued income to be downgraded once an admission of liability has been received. These assumptions are updated with actual results as claims settle.

Disbursement receivables remained relatively flat at £8.4m (2021: £8.3m).

Receivables not relating to the law firms decreased from £18.2m to £17.0m. This is largely due to clearing a historic £1.4m debt owed on a settlement relating to the termination of National Law Partners, as agreed in 2019.

Payables reduced from £16.2m on 31 December 2021 to £15.8m at the balance sheet date largely due to a reduction in disbursements payable as mature cases settling in the joint ventures were partly offset by immature cases in NAL.

Net debt and bank facilities

We carefully managed our cash resources during the year to balance an investment in processing personal injury cases with a desire to reduce net debt, particularly in light of rising interest costs towards the end of the year. As a result, net debt fell from £15.5m on 31 December 2021 to £13.3m at year-end. Net debt is defined in note 8 and is comprised of £2.6m of cash (2021: £2.5m) offset by borrowings of £15.9m (2021: £17.9m).

The borrowings represent a balance on the Group's £20.0m Revolving Credit Facility with its lender, Yorkshire Bank. The facility is in place to run through to 31 December 2024.

Review of the cash flow statement

	2022 £m	2021 £m	Change £m	Change %
Net cash generated from operating activities	6.0	5.1	0.9	16.9%
Net cash used in investing activities	**(0.3)**	**(0.6)**	**0.3**	**56.4%**
Facility arrangement fees	0.0	(0.1)	0.1	-100.0%
Principal element on lease payments	(0.3)	(0.2)	(0.1)	-59.0%
Drawings paid to LLP members	(3.2)	(3.4)	0.2	4.1%
Net cash using in financing activities (before borrowings)	**(3.5)**	**(3.7)**	**0.2**	**-2.3%**
Free cash flow	**2.2**	**0.8**	**1.4**	**158.7%**
Repayment of borrowings	(2.0)	(2.0)	0.0	0.0%
Net increase/(decrease) in cash and cash equivalents	**0.2**	**(1.2)**	**1.4**	**117.1%**

The Group's cash and cash equivalents increased by £0.2m in the year (2021: reduction of £1.2m). The significant items in the consolidated cash flow statement are net cash from operating activities, drawings paid to LLP members and the repayment of borrowings.

Net cash from operating activities increased from £5.1m to £6.0m. This was driven by maturing receipts from settled cases in both NAL and the joint venture relationships, generating £3.5m and £3.3m respectively. This was partly offset by the continuing investment of new cases to NAL as the law firm continues to scale as well as interest payments of £0.6m (2021: £0.4m).

The Group paid £3.2m (2021: £3.4m) of drawings to its partners in the joint venture law firms during the year, under the terms of our agreements. This reflects the continuing closure of claims won and settled during the year. The Group also acquired £0.2m (2021: £0.3m) of intangible assets in the year as it continued to improve its technological offering in Critical Care.

The Group repaid £2.0m (2021: £2.0m) of borrowings in the year on its Revolving Credit Facility.

Free Cash Flow (FCF) is the Group's KPI with regards to cash flow. FCF in 2022 was £2.2m compared to £0.8m in 2021. The primary reason for this increase is an increase in personal injury cash receipts on settled cases as more cases settle in NAL and the joint venture partnerships. Personal Injury is now entirely self-funding investment into new cases.

The Group also monitors operating cash conversion. This was 143% in the year (2021: 150%), a direct reflection of the movements outlined above.

Conclusion

In conclusion, despite headwinds in our markets and the wider economy, we have continued to make progress with our strategy, investing in both divisions to deliver growth whilst continuing to manage down our debt.

Chris Higham
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £000**	2021 £000
Revenue	1,2	**41,421**	38,947
Cost of sales		**(23,586)**	(21,352)
Gross profit		**17,835**	17,595
Administrative expenses		**(13,079)**	(13,439)
Operating Profit		**4,756**	4,156
Profit attributable to members' non-controlling interests in LLPs	2	**(3,554)**	(3,451)
Financial income		**80**	85
Financial expense		**(713)**	(555)
Profit before tax		**569**	235
Taxation	3	**(184)**	(79)
Profit and total comprehensive income for the year		**385**	156

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**Share capital £000**	**Share option reserve £000**	**Share premium £000**	**Merger reserve £000**	**Retained earnings £000**	**Capital and reserves attributable to the owners of NAHL Group plc £000**
Balance at 1 January 2021		**115**	**3,912**	**14,595**	**(66,928)**	**104,368**	**56,062**
Total comprehensive income for the year							
Profit for the year		-	-	-	-	156	**156**

Profit for the year					156	156
Total comprehensive income	-	-	-	-	156	156
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares	1	**-**	**-**	**-**	-	**1**
Share-based payments	-	400	**-**	**-**	-	**400**
Total transactions with owners, recorded directly in equity	1	400	-	-	-	**401**
Balance at 31 December 2021	**116**	**4,312**	**14,595**	**(66,928)**	**104,524**	**56,619**

Total comprehensive income for the year						
Profit for the year	-	-	-	-	385	**385**
Total comprehensive income	-	-	-	-	385	**385**
Transactions with owners, recorded directly in equity						
Share-based payments	-	316	**-**	-	**-**	**316**
Total transactions with owners, recorded directly in equity	-	316	-	-	-	**316**
Balance at 31 December 2022	**116**	**4,628**	**14,595**	**(66,928)**	**104,909**	**57,320**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£000	£000
Cash flows from operating activities		
Profit for the year	**385**	156
Adjustments for:		
Profit attributable to members' non-controlling interests in LLPs	**3,554**	3,451
Property, plant and equipment Depreciation	**168**	171
Right of use asset depreciation	**288**	306
Amortisation of intangible assets	**1,186**	1,195
Financial income	**(80)**	(85)
Financial expense	**713**	555
Share-based payments	**316**	400
Taxation	**184**	79
	6,714	6,228
Decrease in trade and other receivables	**448**	1,012
Decrease in trade and other payables	**(364)**	(1,337)
Cash generated from operations	**6,798**	5,903
Interest paid	**(627)**	(398)
Tax paid	**(165)**	(365)
Net cash generated from operating activities	**6,006**	5,140
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(83)**	(281)
Acquisition of intangible assets	**(199)**	(339)
Interest received	**13**	2
Net cash used in investing activities	**(269)**	(618)
Cash flows from financing activities		
Repayment of borrowings	**(2,000)**	(2,000)
Issue of share capital	**-**	1
Facility arrangement fees	**-**	(90)
Principal element of lease payments	**(264)**	(166)
Drawings paid to LLP members	**(3,277)**	(3,418)
Net cash used in financing activities	**(5,541)**	(5,673)
Net increase/(decrease) in cash and cash equivalents	**196**	(1,151)
Cash and cash equivalents at 1 January	**2,458**	3,609
Cash and cash equivalents at 31 December	**2,654**	2,458

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

Consolidated Financial Statements

The preliminary financial statements do not constitute statutory accounts for NAHL Group plc within the meaning of section 434 of the Companies Act 2006 but do represent extracts from those accounts.

The statutory accounts will be delivered to the Registrar of Companies in due course. The auditors' have reported on those accounts. Their report was unqualified. The auditors' report does not contain a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The Group's financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) in conformity with the Companies Act 2006, IFRIC interpretations and under the historical cost convention.

Going Concern

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

The Audit and Risk Committee has reviewed the Going Concern assessment prepared by management. The assessment includes detailed financial forecasts covering the Group's adopted strategy and considers a range of sensitivities. These forecasts consist of the 2023 budget and extended forecasts and the period considered for the going concern review is to the end of March 2024, being approximately 12 months from the date of signing of the 2022 Annual Report and financial statements. The key assumption in the forecast is the growth of the Personal Injury division's self- processing operations as this growth is the key driver for both profitability and cash going forward. The going concern assessment focuses on two key areas, being the ability of the Group to meet its debts as they fall due and being able to operate within its banking facility.

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

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

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

New standards and amendments adopted by the Group

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

New standards, interpretations and amendments not yet effective

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

2 Operating segments

	Consumer Legal Services £000	**Critical Care £000**	**Shared Services £000**	**Other items £000**	**Eliminations[2] £000**	**Total £000**
Year ended 31 December 2022						
Revenue	**28,264**	**13,157**	**-**	**-**	**-**	**41,421**
Depreciation and amortisation	**(257)**	**(201)**	**(358)**	**(826)**	**-**	**(1,642)**
Operating profit/(loss)	**4,179**	**3,434**	**(1,715)**	**(1,142)**	**-**	**4,756**
Profit attributable to non-controlling interest members in LLPs	**(3,554)**	**-**	**-**		**-**	**(3,554)**
Financial income	**77**	**-**	**3**	**-**	**-**	**80**
Financial expenses	**-**	**(5)**	**(708)**	**-**	**-**	**(713)**
Profit/(Loss) before tax	**702**	**3,429**	**(2,420)**	**(1,142)**	**-**	**569**
Trade receivables	**2,632**	**5,610**	**-**	**-**	**-**	**8,242**
Total assets[1]	**29,222**	**6,780**	**77,716**	**-**	**(17,506)**	**96,212**
Segment liabilities[1]	**(17,874)**	**(1,258)**	**(3,189)**	**-**	**-**	**(22,321)**
Capital expenditure (including intangibles)	**95**	**187**	**-**	**-**	**-**	**282**
Year ended 31 December 2021						
Revenue	26,583	12,364	-	-	-	38,947
Depreciation and amortisation	(272)	(166)	(363)	(871)	-	(1,672)
Operating profit/(loss)	3,726	3,293	(1,592)	(1,271)	-	4,156
Profit attributable to non-controlling interest members in LLPs	(3,451)	-	-		-	(3,451)

Financial income	85	-	-	-	-	85
Financial expenses	-	(10)	(545)	-	-	(555)
Profit/(Loss) before tax	360	3,283	(2,137)	(1,271)	-	235
Trade receivables	2,999	4,896	-	-	-	7,895
Total assets[1]	29,625	6,335	79,413	-	(17,506)	97,867
Segment liabilities[1]	(17,754)	(1,306)	(3,556)	-	-	(22,616)
Capital expenditure (including intangibles)	60	326	234	-	-	620

1. Total assets and segment liabilities exclude intercompany loan balances as these do not form part of the operating activities of the segment.
2. Eliminations represents the difference between the cost of subsidiary investments included in the total assets figure for each segment and the value of goodwill arising on consolidation.

Significant customers

One customer in the Consumer Legal Services segment accounted for 10.0% of the total Group revenue. No other customers accounted for greater than 10% of the total Group revenue (2021: no customers).

Geographic information

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

Operating segments

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

Consumer Legal services - Revenue is split along 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.

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

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

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

3 Taxation

Recognised in the consolidated statement of comprehensive income

	2022 £000	2021 £000
Current tax expense		
Current tax on income for the year	**352**	276
Adjustments in respect of prior years	**14**	13
Total current tax	**366**	289
Deferred tax credit		
Origination and reversal of timing differences	**(182)**	(210)
Total deferred tax	**(182)**	(210)
Tax expense in statement of comprehensive income	**184**	79
Total tax charge	**184**	79

Reconciliation of effective tax rate

	2022 £000	2021 £000
Profit for the year	**385**	156
Total tax expense	**184**	79
Profit before taxation	**569**	235
Tax using the UK corporation tax rate of 19.00% (2021: 19.00%)	**108**	45
Non-deductible expenses	**68**	97
Adjustments in respect of prior years	**14**	13
Share scheme deductions	**-**	(8)
Short-term timing differences	**(6)**	(68)
Total tax charge	**184**	79

Changes in tax rates and factors affecting the future tax charge

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

4 Trade and other receivables

	2022	2021
	£000	£000
Trade receivables: receivable in less than one year	**7,077**	7,056
Trade receivables: receivable in more than one year	**1,165**	839
Accrued income: receivable in less than one year	**11,137**	12,414
Accrued income: receivable in more than one year	**4,147**	3,718
Other receivables	**26**	21
Prepayments	**954**	913
Corporation tax	**-**	136
Recoverable disbursements	**8,380**	8,307
Total trade and other receivables	**32,886**	33,404

A provision against trade receivables and accrued income of £612,000 (2021: £740,000) is included in the figures above. Trade receivables and accrued income receivable in greater than one year are classified as current assets as the Group's working capital cycle is considered to be up to 36 months as extended credit terms are offered as part of commercial agreements.

5 Trade and other payables

Amounts due within one year:	2022	2021
	£000	£000
Trade payables	**1,689**	1,452
Disbursements payable	**6,620**	7,222
Other taxation and social security	**1,231**	1,216
Other payables, accruals and deferred revenue	**5,850**	5,864
Customer deposits	**457**	457
Total trade and other payables	**15,847**	16,211

6 Earnings per share

The calculation of basic earnings per share at 31 December 2022 is based on the profit attributable to ordinary shareholders of the parent company of £385,000 (2021: profit of £156,000) and a weighted average number of Ordinary Shares outstanding of 46,325,222 (2021: 46,245,345).

Profit attributable to ordinary shareholders

£000	2022	2021
Profit for the year attributable to the shareholders	**385**	156

Weighted average number of ordinary shares

Number	2022	2021
Issued Ordinary Shares at 1 January	**46,325,222**	**46,240,222**
Weighted average number of Ordinary Shares at 31 December	**46,325,222**	**46,245,345**

Basic Earnings per share (p)

	2022	2021
Group	**0.8**	0.3

The Group has in place share-based payment schemes to reward employees. At 31 December 2022, there were potentially dilutive share options under the Group's share option schemes. The total number of options available for these schemes included in the diluted earnings per share calculation is 2,329,951 (2021: 1,315,881). There are no other diluting items.

Diluted Earnings per share (p)

	2022	2021
Group	**0.8**	0.3

7 Dividends

No dividends were paid in 2022 or 2021.

8 Net debt and changes in liabilities arising from financing activities

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

	2022	2021
	£000	£000
Cash and cash equivalents	**2,654**	**2,458**
Other interest-bearing loans and borrowings	**(15,939)**	**(17,910)**
Net debt	**(13,285)**	**(15,452)**
Lease liabilities	**(1,987)**	**(2,195)**

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

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

	2022 £000	2021 £000
Net increase/(decrease) in cash and cash equivalents	**196**	(1,151)
Net inflow from decrease in debt and debt financing	**2,000**	2,000
Movement in net borrowings resulting from cash flows	**2,196**	849
Non-cash movements - net release of prepaid loan arrangement fees	**(29)**	(9)
Net debt at beginning of period	**(15,452)**	(16,292)
Net debt at end of period	**(13,285)**	(15,452)

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

	2022 £000	2021 £000
Net outflow from decrease in lease liabilities	**264**	166
Movement in lease liabilities resulting from cash flows	**264**	166
Non-cash movements arising from initial recognition of new lease liabilities, revisions and interest charges	**(56)**	82
Lease liabilities at beginning of period	**(2,195)**	(2,443)
Lease liabilities at end of period	**(1,987)**	(2,195)

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