19 September 2017

NAHL Group plc
("NAHL" or the "Group")

Interim Results

NAHL, 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 2017.

Financial Highlights

- Revenue of £24.9m (2016 H1: £25.8m)
- Underlying operating profit of £7.3m (2016 H1: £8.8m)
- Underlying operating profit margin of 29.5% (2016 H1: 34.0%)
- Profit before tax of £5.3m after £1.0m brand repositioning charge in Personal Injury ("PI") business (2016 H1: £7.5m)
- Basic earnings per share of 9.0p (2016 H1: 13.2p)
- Interim dividend of 5.3p per share (2016 H1: 6.35p)

Operational Highlights

- PI division brand relaunch for NAH
- Successful establishment of Alternative Business Structure ("ABS") venture with NewLaw
- Strong margin performance from Residential Property division
- Critical Care division continues to perform well with new strategic business opportunities being pursued

Russell Atkinson, CEO of NAHL, commented:

"The first half of 2017 has been a busy period for the Group across all of its divisions and performance is in line with our expectations. We have relaunched the National Accident Helpline in our PI division and have been working hard to deliver our first ABS structure, with NewLaw, which began shortly after the period end. Initial signs are encouraging and we are working to deliver the second ABS by the end of the year.

"The Group's Residential Property and Critical Care divisions have made good progress year on year and we expect this to continue through the second half.

"Second half trading has continued in line with our expectations. We will further develop our PI proposition and explore enhanced PLF arrangements, driving increased volumes with our refreshed marketing plans. As previously reported, we expect both 2017 and 2018 to be years of transition in PI however we expect this to be complemented by growth in both Residential Property and Critical Care."

Enquiries:

NAHL Group plc	via FTI Consulting
Russell Atkinson (CEO)	Tel: +44 (0) 20 3727 1000
Steve Dolton (CFO)	
Investec Bank plc (NOMAD & Broker)	Tel: +44 (0) 20 7597 5970
Garry Levin	
David Flin	
James Ireland	
David Anderson	
William Godfrey	
FTI Consulting (Financial PR)	Tel: +44 (0) 20 3727 1000
Oliver Winters	
Alex Beagley	
James Styles	

Notes to Editors

NAHL Group plc is a leading UK marketing and services business focused on the UK consumer legal market. The Group comprises three divisions: Personal Injury (National Accident Helpline - NAH), Conveyancing (Fitzalan Partners - Fitzalan) and Ctitical Care (Bush & Company Rehabilitation - Bush). NAH provides outsourced marketing services in the personal injury market, Fitzalan, which includes Searches UK a leading conveyancing search provider, provides marketing services in the property market and Bush provides a range of specialist services in the catastrophic injury market.
More information is available at www.nahlgroupplc.co.uk and www.national-accident-helpline.co.uk

Chairman's Statement

I am pleased to report the Group's results for the six months ended 30 June 2017.

Summary of Financial Performance

NAHL Group plc ("NAHL" or "the Group") has performed in line with our expectations, with revenue at £24.9m (2016 H1: £25.8m), delivering underlying operating profit of £7.3m (2016 H1: £8.8m). After a charge of £1.0m for brand repositioning in our Personal Injury ("PI") business, profit before tax is £5.3m (2016 H1: £7.5m), with basic earnings per share of 9.0p (2016 H1: 13.2p).

Trading Review

National Accident Helpline ("NAH"), the Group's PI division, has performed in line with plan.

During the period we have continued to prepare for the regulatory changes previously announced by the Ministry of Justice. These changes are currently scheduled for implementation in October 2018, although we anticipate further delay. However we are satisfied that any delay will not significantly impact on the earnings profile of our business.

Our preparation for these changes includes a brand relaunch for NAH, the establishment of our first Alternative Business Structure ("ABS"), continued investment in cases with our strategic Panel Law Firm ("PLF") partners, and work on a second ABS. Good progress has been made on all these initiatives.

Our brand relaunch in June 2017 was designed to support NAH's PI market leadership, and help us generate enhanced enquiry volumes as we seek to invest in cases to optimise future earnings. Early indications from the relaunch are positive and we will continue to closely monitor the key metrics going forward.

The establishment of the Group's first ABS with NewLaw in July 2017 allows NAHL to have an ownership interest in a company providing legal services. This enables the Group to enter into a form of joint venture agreement to fund that venture and take a share of profit from work processed by the ABS. Whilst this new structure is in its infancy, the Group has delivered the agreed volumes and the initial signs are encouraging and in line with our expectations.

Investment in cases with PLFs and through our ABS ventures changes our medium term profit and cash profiles as we build the number of cases in progress, and is the primary reason behind the reduction in Group profits in the current year.

Both Fitzalan and Bush, the Group's Residential Property and Critical Care divisions, have made good progress year on year and we expect this to continue for the balance of 2017.

Fitzalan delivered revenue of £4.5m, down 3.1% on H1 2016 reflecting challenging market conditions, but profit before tax increased 17.9% to £0.8m. Whilst residential property markets remain challenging in volume terms, the division has delivered a strong performance with its mix of conveyancing, surveys and searches, and a focus on cost and efficiency of delivery has improved overall margins.

Bush delivered revenue of £5.6m, up 6.3% on H1 2016, with profit before tax of £2.0m, up 10.2%. Enquiry volumes have remained strong and we have a number of interesting strategic business development opportunities. These opportunities reflect the continued delivery of the high quality services for which the business is recognised.

Cash Conversion, Balance Sheet and Interim Dividend

Cash generation was as expected across the Group, with a 72.8% (2016 H1: 95.7%) cash conversion of underlying operating profit from continuing operations into net cash flows from operating activities before interest and tax. This decline reflects the investment in PI cases, with a corresponding increase in trade receivables on the balance sheet, but is buoyed by continued strong generation in our Residential Property and Critical Care divisions. Increased investment in PI cases in H2 will result in a lower cash conversion in the second half of the year.

The Group's balance sheet continues to be healthy and at the period end we had adjusted net debt of £11.5m (including £2.0m of other payables relating to the legacy pre-LASPO ATE product). Since the period end we have refinanced and significantly increased our banking facilities to support our long-term business strategy and in particular to help finance our investment in PI PLF and ABS cases.

Our dividend policy of 1.5x cover is unchanged. The Board has declared an interim dividend of 5.3p per share payable on 31 October 2017 to ordinary shareholders registered on 29 September 2017.

Outlook

Second half trading has commenced in line with our expectations. We will continue to develop our PI proposition and explore enhanced PLF arrangements, driving increased volumes with our refreshed marketing plans. As previously reported, we expect both 2017 and 2018 to be years of transition in PI however we expect this to be complemented by growth in both Residential Property and Critical Care.

Steve Halbert
Chairman

19 September 2017

Consolidated statement of comprehensive income

for the 6 months ended 30 June 2017

	Note	**Unaudited 6 months ended 30 June 2017 £000**	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Underlying revenue	2	**24,930**	25,753	49,385
One-off items		**-**	-	1,250
Total revenue		**24,930**	25,753	50,635
Cost of sales		**(12,014)**	(10,991)	(20,809)
Underlying gross profit		**12,916**	14,762	28,576
One-off items		**-**	-	1,250
Gross profit		**12,916**	14,762	29,826
Administrative expenses		**(7,504)**	(7,034)	(13,665)
Underlying operating profit		**7,347**	8,750	17,985
Share-based payments		**(281)**	(433)	(1,052)
Amortisation of intangible assets acquired on business combinations	8	**(654)**	(533)	(1,327)
One-off items	5	**(1,000)**	(56)	555
Total operating profit	2	**5,412**	7,728	16,161
Financial income	3	**38**	10	43
Financial expense	4	**(166)**	(209)	(403)
Profit before tax		**5,284**	7,529	15,801
Taxation		**(1,187)**	(1,563)	(3,577)
Profit for the year and total comprehensive income		**4,097**	5,966	12,224

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

		Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016	Audited 12 months ended 31 December 2016
Basic earnings per share (p)	11	**9.0**	13.2	27.0
Diluted earnings per share (p)	11	**8.9**	12.9	26.5

Consolidated statement of financial position

At 30 June 2017

	Note	**Unaudited 6 months ended 30 June 2017 £000**	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Non-current assets				
Goodwill	7	**60,362**	60,362	60,362
Intangibles	8	**7,783**	8,780	8,474
Property, plant and equipment		**290**	339	327
Deferred tax asset		**38**	68	38
		68,473	69,549	69,201
Current assets				
Trade and other receivables		**14,142**	9,235	10,287
Cash and cash equivalents		**799**	6,522	4,814
		14,941	15,757	15,101
Total assets		**83,414**	85,306	84,302
Current liabilities				
Other interest-bearing loans and borrowings		**(3,693)**	(3,693)	(3,693)
Trade and other payables		**(9,360)**	(9,557)	(7,631)
Other payables relating to legacy pre-LASPO ATE product	2	**(2,026)**	(3,167)	(1,912)
Deferred tax liability		**(1,914)**	(1,916)	(1,914)
Tax payable		**(1,432)**	(1,909)	(1,937)
		(18,425)	(20,242)	(17,087)
Non-current liabilities				
Other interest-bearing loans and borrowings		**(6,550)**	(9,243)	(7,396)
Total liabilities		**(24,975)**	(29,485)	(24,483)
Net assets		**58,439**	55,821	59,819
Equity				
Share capital	9	**114**	113	113
Share option reserve		**2,220**	1,554	1,939
Share premium		**14,507**	14,271	14,507
Merger reserve		**(66,928)**	(66,928)	(66,928)
Retained earnings		**108,526**	106,811	110,188
Total equity		**58,439**	55,821	59,819

Consolidated statement of changes in equity

for the 6 months ended 30 June 2017

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	**113**	**1,939**	**14,507**	**(66,928)**	**110,188**	**59,819**
Total comprehensive income for the period						
Profit for the period	–	–	–	–	4,097	4,097
Total comprehensive income	–	–	–	–	4,097	4,097
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares (*note 10)*	1	–	–	–	–	1
Share-based payments	–	281	–	–	–	281
Dividends paid	–	–	–	–	(5,759)	(5,759)
Balance at 30 June 2017	**114**	**2,220**	**14,507**	**(66,928)**	**108,526**	**58,439**

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	113	1,121	14,262	(66,928)	106,503	55,071
Total comprehensive income for the period						
Profit for the period	–	–	–	–	5,966	5,966
Total comprehensive income	–	–	–	–	5,966	5,966
Transactions with owners, recorded directly in equity						
Issue of new Ordinary shares (*note 10*)	–	–	9	–	–	9
Share-based payments	–	433	–	–	–	433
Dividends paid	–	–	–	–	(5,658)	(5,658)
Balance at 30 June 2016	113	1,554	14,271	(66,928)	106,811	55,821

	Share capital £000	Share option reserve £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	113	1,121	14,262	(66,928)	106,503	55,071
Total comprehensive income for the year						
Profit for the year	–	–	–	–	12,224	12,224
Total comprehensive income	–	–	–	–	12,224	12,224
Transactions with owners, recorded directly in equity						
Issue of new Ordinary Shares (*note 10*)	–	–	160	–	–	160
Exercise of share options (*note 10*)	–	(85)	85	–	–	–
Share-based payments	–	903	–	–	–	903
Dividends paid	–	–	–	–	(8,539)	(8,539)
Balance at 31 December 2016	113	1,939	14,507	(66,928)	110,188	59,819

Consolidated cash flow statement

for the period ended 30 June 2017

	Note	**Unaudited 6 months ended 30 June 2017 £000**	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Cash flows from operating activities				
Profit for the period/year		**4,097**	5,966	12,224
Adjustments for:				
Depreciation and amortisation		**808**	619	1,522
Financial income	3	**(38)**	(10)	(43)
Financial expense	4	**166**	209	403
Share-based payments		**281**	433	1,052
Taxation		**1,187**	1,563	3,577
		6,501	8,780	18,735
Increase in trade and other receivables		**(3,822)**	(823)	(1,876)
Increase in trade and other payables		**1,713**	364	(1,868)
Decrease in other payables relating to legacy pre-LASPO ATE product		**114**	(434)	(1,689)
Cash generation from operations	2	**4,506**	7,887	13,302
Interest paid		**(121)**	(209)	(346)
Tax paid		**(1,692)**	(1,735)	(3,692)
Net cash from operating activities		**2,693**	5,943	9,264
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(80)**	(151)	(232)
Consideration paid for the acquisition of subsidiaries		**–**	(2,091)	(2,090)
Intangible assets acquired		**–**	(14)	(393)
Cash acquired from business combinations		**–**	293	295
Interest received		**5**	10	43
Net cash used in investing activities		**(75)**	(1,953)	(2,377)
Cash flows from financing activities				
New share issue		**1**	9	160
Repayment of borrowings		**(1,875)**	(1,875)	(3,750)
New borrowings acquired		**1,000**	–	–
Dividends paid		**(5,759)**	(5,658)	(8,539)
Net cash used in financing activities		**(6,633)**	(7,524)	(12,129)
Net decrease in cash and cash equivalents		**(4,015)**	(3,534)	(5,242)
Opening cash and cash equivalents		**4,814**	10,056	10,056
Cash and cash equivalents at period/year end		**799**	6,522	4,814

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 2016 were approved by the Board of Directors on 20 March 2017 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 18th September 2017.

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 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2016.

Significant accounting policies
The accounting policies used in the preparation of these interim financial statements for the 6 months ended 30 June 2017 are the accounting policies as applied to the Group's financial statements for the year ended 31 December 2016.

Use of non-GAAP measures

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

The adjustments made to reported revenue are:

One-off revenues – fees related to one-off revenues in relation to release of the ATE liability that are not expected to recur and are not related to the continuing core operations of the business.

The adjustments made to reported operating profit are:

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

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

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

Adjusted net debt
The directors believe that the adjusted net debt provides additional useful information for shareholders on underlying trends and performance. This measure is used for performance analysis. Adjusted net debt is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted debt measures. It is not intended to be a substitute for, or superior to, IFRS measurements of net debt. Adjusted net debt comprises cash and cash equivalents, borrowings and other payables relating to a discontinued pre- LASPO product.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill as the acquisition-date fair value of the consideration transferred, less the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed, including contingent liabilities as required by IFRS 3.

Consideration transferred includes the fair values of assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, equity interests issued by the Group, contingent consideration, and share-based payment awards of the acquiree that are replaced in the business combination. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration that is not classified as equity are recognised in the income statement.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

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

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

Cost or valuation
Intangible assets arising from a business combination are recognised at fair value, amortised over their estimated useful lives and subject to impairment testing.

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

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

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

2. Operating segments

	Personal Injury £000	Pre-LASPO ATE £000	Critical Care £000	Residential Property £000	Other segments £000	One-off items £000	Total £000
Period ended 30 June 2017							
Revenue	14,854	–	5,564	4,512	-	–	24,930
Depreciation and amortisation	(91)	–	(32)	(31)	-	(654)	(808)
Operating profit/(loss)	5,371	–	2,000	805	(829)	(1,935)	5,412
Financial income	36	–	–	–	2	–	38
Financial expenses	-	–	(2)	-	(164)	–	(166)
Profit/(loss) before tax	5,407	–	1,998	805	(991)	(1,935)	5,284
Trade receivables	4,117	–	4,210	499	-	–	8,826
Segment liabilities	(6,884)	(2,026)*	(885)	(984)	(492)	(115)	(11,386)
Capital expenditure	33	–	27	20	–	–	80

Period ended 30 June 2016

Revenue	15,864	–	5,234	4,655	–	–	25,753
Depreciation and amortisation	(39)	–	(18)	(84)	(478)	–	(619)
Operating profit/(loss)	7,005	–	1,815	685	(755)	(1,022)	7,728
Financial income	10	–	–	–	-	–	10
Financial expenses	–	–	(2)	(2)	(205)	–	(209)
Profit/(loss) before tax	7,015	–	1,813	683	(960)	(1,022)	7,529
Trade receivables	2,217	–	3,510	541	130	–	6,398
Segment liabilities	(6,508)	(3,167)*	(1,131)	(1,298)	(620)	–	(12,724)
Capital expenditure	131	–	15	5	–	–	151
Year ended 31 December 2016							
Revenue	30,011	1,250	10,353	9,021	–	–	50,635
Depreciation and amortisation	(89)	–	(44)	(147)	-	(1,242)	(1,522)
Operating profit/(loss)	14,112	1,155	3,786	1,391	(1,304)	(2,979)	16,161
Financial income	14	–	19	–	10	–	43
Financial expenses	(1)	–	(5)	–	(397)	–	(403)
Profit/(loss) before tax	14,125	1,155	3,800	1,391	(1,691)	(2,979)	15,801
Trade receivables	1,935	–	3,929	343	–	–	6,207
Segment liabilities	(5,227)	(1,982)*	(1,035)	(765)	(503)	(31)	(9,543)
Capital expenditure	608	–	96	46	–	–	750

**Pre-LASPO ATE liabilities include the balance of commissions received in advance that are due to be paid back to the insurance provider of £2,026,000 (June 2016: £3,167,000, December 2016: £1,912,000) and accruals for associated costs of £nil (June 2016: £nil, December 2016: £70,000).*

Geographic information

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

Operating segments

The segments used in reporting by the CODM and considered relevant to the business are segmented on a product basis. These segments are:

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.

Pre-LASPO ATE

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

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 home buyers 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.

Other segments

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

One-off items

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

Cash flows from operating activities

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

Reconciliation of operating profit to net cash flows from operating activities

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

6 months ended 30 June 2016					
Operating profit	7,784	–	7,784	(56)	7,728
Amortisation of intangible assets acquired on business combinations	533	–	533	–	533
Equity-settled share-based payments	433	–	433	–	433
Underlying operating profit	8,750	–	8,750	(56)	8,694
Depreciation and amortisation	86	–	86	–	86
(Increase) in trade/other receivables	(823)	–	(823)	–	(823)
Increase in trade/other payables	364	–	364	–	364
Decrease in liabilities relating to pre-LASPO ATE product	–	(434)	(434)	–	(434)
Net cash flows from operating activities before interest and tax	8,377	(434)	7,943	(56)	7,887
Interest paid	(209)	–	(209)	–	(209)
Tax paid	(1,735)	–	(1,735)	–	(1,735)
Net cash from operating activities	6,433	(434)	5,999	(56)	5,943

12 months ended 31 December 2016					
Operating profit	15,606	1,155	16,761	(600)	16,161
Amortisation of intangible assets acquired on business combinations	1,327	–	1,327	–	1,327
Equity-settled share-based payments	1,052	–	1,052	–	1,052
Underlying operating profit	17,985	1,155	19,140	(600)	18,540
Depreciation and amortisation	195	–	195	–	195
(Increase) in trade/other receivables	(1,876)	–	(1,876)	–	(1,876)
(Decrease)/Increase in trade/other payables	(1,969)	70	(1,899)	31	(1,868)
Decrease in liabilities relating to pre-LASPO ATE product	–	(1,689)	(1,689)	–	(1,689)
Net cash flows from operating activities before interest and tax	14,335	(464)	13,871	(569)	13,302
Interest paid	(346)	–	(346)	–	(346)
Tax paid	(3,692)	–	(3,692)	–	(3,692)
Net cash from operating activities	10,297	(464)	9,833	(569)	9,264

3. Financial income

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Bank interest income	**5**	10	25
Other interest income	**33**	–	–
Investment income	–	–	18
Total finance income	**38**	10	43

4. Financial expense

	Unaudited 6 months	Unaudited 6 months	Audited 12 months

	ended 30 June 2017 £000	ended 30 June 2016 £000	ended 31 December 2016 £000
On bank loans and overdrafts	**135**	209	340
Bank charges	**31**	–	63
Total finance expense	**166**	209	403

5. One-off items

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Personal Injury reorganisation costs[1]	**1,000**	–	522
Legal and professional fees relating to acquisitions [2]	–	56	78
Release of pre-LASPO ATE liability and associated costs[3]	–	–	(1,155)
Total	**1,000**	56	(555)

1. Personal Injury reorganisation costs relate to costs associated with one-off projects that are not related to the core operations of the business.
2. Legal and professional fees paid in relation to the acquisitions of Searches UK including due diligence costs and stamp duty.
3. Previously recognised liabilities for pre-LASPO ATE commissions received in advance of £1,250,000 were released in 2016 as a result of more favourable settlements. These have been offset by associated costs of £95,000.

6. Acquisitions

Acquisition of Searches UK Limited
On 11 January 2016 the Group acquired the entire share capital of Searches UK Limited. The company is a leading conveyancing search provider in England & Wales predominantly for residential property transactions.

Fair values
The acquisitions had the following effect on the Group's assets and liabilities:

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Intangible assets	–	881	881
Tangible assets	–	6	6
Trade and other receivables	–	367	369
Cash and cash equivalents	–	293	295
Trade and other payables	–	(415)	(419)
Deferred tax liability	–	(176)	(176)
Net assets acquired	–	956	956
Goodwill arising on acquisition	–	1,124	1,124
Fair value of net assets acquired and goodwill arising	–	2,080	2,080
Cash consideration	–	2,080	2,080
Fair value of net assets acquired and goodwill arising	–	2,080	2,080

The Group incurred acquisition related costs of £78,000 for full year 2016 (H1 2016: £56,000) related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in one-off items in the Group's consolidated income statement.

For all acquisitions made in the year, fair values remain provisional, but will be finalised within 12 months of acquisition.

7. Goodwill

	Personal Injury £000	**Residential property £000**	**Critical Care £000**	**Total £000**
Cost				
At 30 June 2016	39,897	4,873	15,592	60,362
At 30 December 2016	39,897	4,873	15,592	60,362
At 30 June 2017	**39,897**	**4,873**	**15,592**	**60,362**
Impairment				
At 30 June 2016	–	–	–	–
At 30 December 2016	–	–	–	–
At 30 June 2017	**–**	**–**	**–**	**–**
Net book value				
At 30 June 2016	39,897	4,873	15,592	60,362
At 30 December 2016	39,897	4,873	15,592	60,362
At 30 June 2017	**39,897**	**4,873**	**15,592**	**60,362**

8. Intangibles

	Technology related £000	Contract related £000	Brand names £000	Other £000	Assets under construction £000	Total £000
Cost						
At 30 June 2016	167	8,466	885	57	8	9,583
At 31 December 2016	167	8,466	885	549	20	10,087
Additions	–	–	–	-	23	23
At 30 June 2017	**167**	**8,466**	**885**	**549**	**43**	**10,110**
Amortisation						
At 30 June 2016	32	688	72	11	–	803
At 31 December 2016	42	1,286	258	27	–	1,613
Amortisation charge on business combinations	10	538	106	–	–	654
Amortisation charge for the period	–	–	–	60	–	60
At 30 June 2017	**52**	**1,824**	**364**	**87**	**–**	**2,327**
Net book value						
At 30 June 2016	135	7,778	813	46	8	8,780
At 31 December 2016	125	7,180	627	522	20	8,474
At 30 June 2017	**115**	**6,642**	**521**	**462**	**43**	**7,783**

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

9. Share capital

	30 June 2017	30 June 2016	31 December 2016
Number of shares			
'A' Ordinary Shares of £0.0025 each	**45,511,088**	45,270,937	45,349,629
	£000	£000	£000
Allotted, called up and fully paid			
'A' Ordinary Shares of £0.0025 each	**114**	113	113
Shares classified in equity	**114**	113	113

10. Transactions with owners, recorded directly in equity

On 29 June 2017, 161,459 new ordinary shares with a par value of £0.0025 were issued due to the exercising of equity settled share based payments in respect of the LTIP scheme. These raised an additional £404 of funds for the Company, resulting in an increase to share capital of £404.

During 2016 84,629 share options were exercised which resulted in the issue of 84,629 new Ordinary Shares with a par value of £0.0025. The exercising of these options raised funds of £160,508 for the Group. A charge of £85,093 has been reclassified from the share option reserve to share premium to reflect the crystalisation of previous charges in respect of these options.

11. Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 is based on profit attributable to ordinary shareholders of £4,097,000 (H1 2016: £5,966,000; Full Year 2016: £12,224,000) and a weighted average number of Ordinary Shares outstanding of 45,350,071 (June 2016: 45,266,598; December 2016: 45,294,877).

Profit attributable to ordinary shareholders (basic)

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited 12 months ended 31 December 2016 £000
Profit for the period / year attributable to the shareholders	**4,097**	5,966	12,224

Weighted average number of Ordinary Shares (basic)
Number

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016	Audited 12 months ended 31 December 2016
Issued Ordinary Shares at start of period	**45,349,629**	45,265,000	45,265,000
Weighted average number of Ordinary Shares at end of period	**45,350,071**	45,266,598	45,294,877

Basic earnings per share (p)

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016	Audited 12 months ended 31 December 2017
Basic earnings per share (p)	**9.0**	13.2	27.0

The Company has in place share-based payment schemes to reward employees. At the 30 June 2017, all necessary targets have been met and the LTIP scheme is at a value that would reasonably result in the options being exercised. The incremental shares available for these schemes included in the diluted earnings per share calculation are 602,503 (June 2016: 969,707; December 2016: 775,746). There are no other diluting items.

Diluted earnings per share (p)

	Unaudited 6 months ended 30 June 2017	Unaudited 6 months ended 30 June 2016	Audited 12 months ended 31 December 2016
Diluted earnings per share (p)	**8.9**	12.9	26.5

12. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2016. At 1 January 2017 and 30 June 2017 the Group held all financial instruments at Level 3 (as defined in IFRS 7 Financial instruments: disclosures) and there have been no transfers of assets or liabilities between levels of the fair value hierarchy.

13. Net debt

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

	30 June 2017 £000	30 June 2016 £000	31 December 2016 £000
Cash and cash equivalents	**799**	6,522	4,814
Other interest-bearing loans and loan notes	**(10,243)**	(12,936)	(11,089)
Net debt	**(9,444)**	(6,414)	(6,275)

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

	30 June 2017 £000	30 June 2016 £000	31 December 2016 £000
Net decrease in cash and cash equivalents	**(4,015)**	(3,534)	(5,242)
Cash and cash equivalents net inflow from increase in debt and debt financing	**846**	1,846	3,693
Movement in net borrowings resulting from cash flows	**(3,169)**	(1,688)	(1,549)
Movement in debt in period	**(3,169)**	(1,688)	(1,549)
Net debt at beginning of period	**(6,275)**	(4,726)	(4,726)
Net debt at end of period	**(9,444)**	(6,414)	(6,275)

During 2017 the Group made an initial drawdown of £1.0m on its rolling credit facility. The Group refinanced its bank facilities on the 8th September 2017 and as a result, it is the Group's intention to repay this in more than 12 months time and hence the £1.0m is deemed to be a non-current liability.

14. Related parties

Transactions with key management personnel

Key management personnel in situ at 30 June 2017 and their immediate relatives control 4.1 per cent (June 2016: 4.7 per cent, December 2016: 4.4 per cent) of the voting shares of the Company**.**

Key management personnel are considered to be the directors of the Company as well as those of National Accident Helpline Limited, Fitzalan Partners Limited, Bush & Company Rehabilitation Limited, Searches UK Limited and any other management serving as part of the executive team.