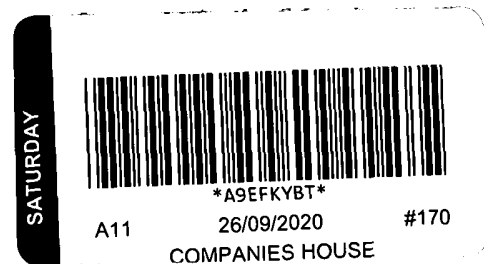


Company Registration No. 03851175 (England and Wales)

SGS Business Process Services (UK) Limited

Directors' Report and Financial Statements

For the year ended 31 December 2019



SGS Business Process Services (UK) Limited

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SGS Business Process Services (UK) Limited

Company Information

Directors	D J L Whitmore A L Wilford
Company secretary	E L Humphrey
Company number	03851175
Registered office	58 Mosley Street Manchester M2 3HZ
Auditor	Deloitte LLP 2 Hardman Street Manchester M3 3HF

SGS Business Process Services (UK) Limited

Strategic Report

For the year ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activities

SGS Business Process Services (UK) Limited (the "Company"), provides a range of services covering all of the key aspects of any motor insurance claim. These include accident management services, claims cost containment, claim recovery, vehicle repair and replacement vehicle management.

The Company is uniquely placed within the credit hire sector and works with companies within the Slater and Gordon Group and other partners providing an end to end solution for our customers that include treating the injured party, repairing their vehicle and providing a replacement vehicle, as well as managing their claim for personal injury.

The Company aims to:

- put its customers at the very heart of everything that it does, ensuring swift resolutions and maintaining consistently high service levels;
- be proactive and transparent in its service delivery providing market leading customer service with an ethos to control claims cost inflation; and
- work hard to contain and minimise costs for its clients.

Financial review

These financial statements are for the year ended 31 December 2019. The prior period had been extended to 31 December 2018 and therefore the Company presents an 18 month period for the comparative figures.

Revenue was £43.2m for the year ended 31 December 2019 (18 months to 31 December 2018: £72.9m). The Company generated a net loss of £0.1m for the year ended 31 December 2019 (period ended 31 December 2018: net profit £1.0m). Cash at 31 December 2019 was £3.0m (18 months to 31 December 2018: £1.3m). The Company experienced a reduction in sales contracts during the year ended 31 December 2019, which resulted in a decrease in revenue.

Key performance indicators

The Directors use a number of measures to determine the performance of the Company. Of these, the principal key performance indicators are:

Indicator	Year ended 31 December 2019	18 months period ended 31 December 2018
Revenue (£'000)	43,233	72,920
Gross profit margin (%)	18.3%	20.5%
Adjusted EBITDA ^[1] (£'000)	475	1,469
Adjusted EBITDA ^[1] margin (%)	1.1%	2.0%
(Loss) / profit before tax (£'000)	(84)	985
(Loss) / profit before tax margin (%)	(0.2)%	1.4%
Net cash flow from operating activities (£'000)	2,063	(1,030)
Average credit period taken on sale of services (days)	121	90

[1] Adjusted EBITDA: The Company calculates adjusted EBITDA as operating profit before interest, tax, depreciation and amortisation, non-recurring items. The Directors believe that adjusted EBITDA is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance.

Future developments

The Directors expect a level of reduction to the cost base in the forthcoming year compared with 2019. This is as a result of reviewing the Rental Supply Chain and accepting improved rates for the provision of rental vehicles and receiving Board approval to move to single supply for each of the repair, engineering and recovery supply. The latter will deliver technological automation by improving processes and thereby enhancing the experience for our customers and our colleagues. There will also be improved data exchange with Third Party Insurers which could have a positive effect on insurer relations.

SGS Business Process Services (UK) Limited

Strategic Report (continued)

For the year ended 31 December 2019

Principal risks and uncertainties

The Directors are responsible for the Company's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Company policies on risk management and control.

The Company recognises that effective risk management is fundamental in helping the Company to deliver its strategic objectives. The Company considers strategic, operational and financial risks on a regular basis and identifies actions to mitigate those risks.

Credit and liquidity management

The Company borrows from within the UK Group to fund its working capital needs as required. The timing of receipts from the parties from whom the Company seeks to recover its charges is uncertain and can be protracted. The Company actively forecasts, manages and reports its working capital requirements to ensure that it has sufficient funds for its operations.

The Company does not enter into derivative transactions and does not trade in financial instruments. The Company has no third party debt and therefore has no exposure to interest rate risk.

Regulatory and reputational risks

The Company operates in an environment regulated by the Financial Conduct Authority. As a data controller and a business that provides services on behalf of its customers to consumers and individuals, the Company is also subject to risks related to matters such as data processing and security, data and service integrity. In the event of a breach, these risks may give rise to reputational, financial or other sanctions against the Company. The Company considers these risks seriously and designs, maintains and reviews its policies and processes so as to mitigate or avoid these risks.

Key personnel and resources

The success of the Company depends to a large extent upon its current management team and its ability to recruit and retain high calibre individuals at all relevant levels within the organisation. The Company will continue to seek to mitigate the resource risk by investing in and developing staff training programmes, competitive reward and compensation packages, incentive schemes and succession planning.

Brexit

The Company is following developments linked to the UK's decision to withdraw from the European Union closely. The risk assessment of the position to date has concluded that the risk to the business' performance is low.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Company does not use derivative financial instruments for speculative purposes.

Market risk

The Company's operating revenues, operating expenditure and financing are denominated in GBP. Accordingly, the Company's exposure to foreign exchange risk is not significant.

Liquidity risk

The Company maintains sufficient liquidity levels to ensure that funds are available for ongoing operations and future developments.

SGS Business Process Services (UK) Limited

Strategic Report (continued)

For the year ended 31 December 2019

Financial risk management objectives and policies (continued)

Credit risk

The Company's principal financial assets are cash, other receivables, and intercompany receivables. The Company's credit risk is primarily attributable to its intercompany and other receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The adoption of IFRS 9 at 1 January 2019 had no impact on the financial statements for the year ended 31 December 2019. The Company banks only with financial institutions with high quality standing or rating. The Company has no significant concentration of credit risk.

Subsequent events

In July 2020 management and the Directors concluded a strategic review of the company's channels to market. As a result of this review certain contracts were either amended or terminated. The impact of this decision is expected to be a reduction in annual revenue and annual profit before tax of approximately £10.2m and £0.8m respectively. The Directors have performed an assessment of the loss of cash flow and do not believe there to be any impact on the going concern of the business.

During 2020, the UK economy experienced downturn in the market performance due to the outbreak of Covid-19. The Directors of the Company have assessed the ability for the ultimate parent undertaking, Slater and Gordon UK Holdings Limited ("the Group") to support the Company to continue on a going concern basis.

Going concern

The financial statements have been prepared on a going concern basis.

The Company is a member of the Slater and Gordon Consolidated Group whose ultimate parent entity is Slater and Gordon UK Holdings Limited, a company incorporated on 22 September 2017. The Company is under common management of the Group and benefits from Group support when needed. In concluding that the going concern basis is appropriate, the Directors have relied upon a letter of support from Slater and Gordon UK Holdings Limited which confirms that funds will be made available to the Company as required for at least 12 months from the date of signing the financial statements.

The Group manages its financing via a shareholder loan facility which, including accrued interest, is £30.0m as at 31 December 2019 and is fully drawn down (2018: £22.4m). The Group also takes advantage of a working capital facility to ensure that the short-term liquidity of the business is also managed, and the Group can fulfil its obligations when they fall due. The working capital facility is £30.0m at 31 December 2019 (2018: £20.0m) with £16.5m drawn as at 31 December 2019 (2018: £9.1m).

At 31 December 2019, the Group had net assets of £125.7 million and cash of £26.1 million. The Group has prepared cash flow forecasts for the foreseeable future based on key assumptions. The key drivers of going concern for the Group are the achievement of revenues, management of working capital cycle providing cash self-sufficiency in the Group, the level of case intake based on a strong pipeline and the likely future value of this work. Management has considered these drivers together with the forecasts and projected cash flow patterns of the Group for the foreseeable future being a period of 12 months from the date of approval of these financial statements.

SGS Business Process Services (UK) Limited

Strategic Report (continued)

For the year ended 31 December 2019

Going concern (continued)

The Group has considered the impact of Covid-19 on its business. Covid-19 will have a number of impacts with a reduction in road traffic leading to a reduction in road traffic accidents and less demand for hire cars and repairs, fewer personal injury claims being incurred due to less movement of the population in public places, temporary restriction on face to face medical examination and rehabilitation services, temporary closure of court facilities leading to a slowdown in closure of open cases and delay in completion of property conveyancing matters, which could have a negative impact on the revenue and cash received into the business. This impact is mitigated in part by reduction in variable marketing costs, participation in the HMRC Furlough and VAT deferral schemes, reduced operational costs due to the remote working environment and strong cost management.

The Group has used the 2020 budget as its base case and flexed this for a fall in intake volumes of between 50% to 70% for a period of three months and reducing to a fall of between 20% to 35% for a further three to four months. It is expected that business volumes will return to the base case levels of activity in October 2020. For 2020, this results in an impact on revenue of (17)% and cash flow of (24)% versus budget. Under this forecast the business would still have a minimum of £7.5m of cash headroom over its shareholder covenants and a minimum of £10.9m of cash headroom on its undrawn working capital facility.

In addition to the revised forecast (referred to as 'Moderate') a number of downside scenarios have been considered (namely, 'Significant' and 'Severe'). In respect of the main income streams (Personal Injury, Consumer Legal Services, Health and Motor), in the Significant scenario these include reductions in intake volumes of 50% to 70% for three to four months, and 25% to 70% for a further three to six months. For the full year this has an impact on revenue of (22)% and cashflow of (48)% versus budget. Under the Severe scenario these include reductions in intake volumes of 50% to 75% for three to six months, and 25% to 70% for at least three months and in most streams until the end of the year. For the full year this has an impact on revenue of (28)% and cashflow of (63)% versus budget.

Even under the most pessimistic modelled scenario, there are sufficient mitigating actions available to the business to ensure it would be able to meet its liabilities and remain within its shareholder covenants for a period of more than 12 months.

The Company's projections for the period to July 2021 including receipts and payments indicate that Slater and Gordon expects to pay all its obligations to all stakeholders. Business activity and cash flows are monitored on a regular weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the firms funding requirements through retained profits and borrowing facilities, and projected compliance with shareholders covenants.

The management has reasonable expectations that the Company has adequate resources to continue trading for the foreseeable future. Accordingly, the management continues to adopt the going concern basis of accounting for preparing these financial statements.

Approval

The Strategic Report was approved by the Board and signed on its behalf by:



A L Wilford
Director

28 July 2020

58 Mosley Street, Manchester, M2 3HZ

SGS Business Process Services (UK) Limited

Directors' Report

For the year ended 31 December 2019

The Directors present their report on the affairs of SGS Business Process Services (UK) Limited (the "Company"), together with the financial statements and Auditor's Report, for the year ended 31 December 2019.

Principal activities

SGS Business Process Services (UK) Limited's principal activities are disclosed on page 3 in the Strategic Report.

Results, dividends and key performance indicators

The results for the year are set out on page 11. During the year no dividends were proposed or paid (period to 31 December 2018: £nil). The relevant key performance indicators are disclosed in the Strategic Report.

Directors

The Directors in office at any time during the financial year and up to the date of this report are:

- K J Fowlie (resigned 15 March 2019)
- D J L Whitmore
- A L Wilford

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Employee involvement

The Company's policy is to continuously consult and discuss matters likely to affect employees' interests and engagement. The Company has a dedicated Internal Communications function which supports our drive to engage with our colleagues regularly.

Information is given through media such as regular online information updates, employee surveys and face-to-face Executive briefings which seek to achieve a common awareness on financial and operational matters affecting the Company's performance.

Disabled persons

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Modern slavery

The Company is committed to ensuring the prevention of modern slavery practices across the Company and in its supply chains. The Company has a zero-tolerance approach which reflects our commitment to acting ethically and with integrity in all our business relationships. Anti-slavery awareness has been incorporated within induction and annual training programmes.

Anti-bribery and corruption

The Slater and Gordon Group has a group-wide anti-bribery and corruption policy, which is in compliance with the Bribery Act 2010. Procedures are reviewed periodically to ensure continued effective compliance across the Group (including the Company).

SGS Business Process Services (UK) Limited

Directors' Report (continued)

For the year ended 31 December 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP was appointed as Auditor on 1 November 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. Deloitte LLP has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Report of the Directors was approved by the Board and signed on its behalf by:



A L Wilford
Director

28 July 2020

58 Mosley Street, Manchester, M2 3HZ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SGS BUSINESS PROCESS SERVICES (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of SGS Business Process Services (UK) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss/profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SGS BUSINESS PROCESS SERVICES (UK) LIMITED (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Heather J Crosby BSc ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester

28 July 2020

SGS Business Process Services (UK) Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

		Year ended 31 December 2019	Period ended 31 December 2018
	Notes	£'000	£'000
Revenue	2	43,233	72,920
Cost of sales		(35,306)	(57,955)
Gross profit		7,927	14,965
Administrative expenses		(7,774)	(13,980)
Operating profit	3	153	985
Net finance costs	6	(237)	-
(Loss) / profit before tax		(84)	985
Tax on (loss) / profit on ordinary activities	7	-	-
Total comprehensive (loss) / income		(84)	985

The comparative period financial information reflects an 18 month accounting period. The Company changed its accounting year end from 30 June to 31 December.

The total comprehensive income for the current year and preceding periods arises wholly from the Company's continuing operations.

The notes on pages 14 to 27 are an integral part of these financial statements.

SGS Business Process Services (UK) Limited

Statement of Financial Position

At 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
Non-current assets			
Intangible assets	8	61	191
Property, plant and equipment	9	129	6
Right-of-use assets	13	1,856	-
		2,046	197
Current assets			
Trade and other receivables	10	21,179	25,797
Accrued income		1,656	3,944
Cash and cash equivalents		3,042	1,340
Total current assets		25,877	31,081
Total assets		27,923	31,278
Current liabilities			
Trade and other payables	11	(15,268)	(20,586)
Lease liabilities	13	(83)	-
Total current liabilities		(15,351)	(20,586)
Non-current liabilities			
Lease liabilities	13	(1,964)	-
Total non-current liabilities		(1,964)	-
Total liabilities		(17,315)	(20,586)
Net assets		10,608	10,692
Equity			
Called-up share capital	12	-	-
Retained earnings		10,608	10,692
Total shareholders' funds		10,608	10,692

The notes on pages 14 to 27 are an integral part of these financial statements.

The financial statements were approved by the board of Directors and authorised for issue on 28 July 2020.

They were signed on its behalf by:



A L Wilford
Director

Company Registration Number: 03851175

SGS Business Process Services (UK) Limited

Statement of Changes in Equity

For the year ended 31 December 2019

	Called-up share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 July 2017	-	9,707	9,707
Total comprehensive income for the period	-	985	985
Balance as at 31 December 2018	-	10,692	10,692
Total comprehensive loss for the year	-	(84)	(84)
Balance as at 31 December 2019	-	10,608	10,608

The notes on pages 14 to 27 are an integral part of these financial statements.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1. Accounting policies

The following is a summary of significant accounting policies adopted by the Company in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated. The prior period had been extended to 31 December 2018 and therefore the Company presents an 18 month period for the comparative figures.

a) Basis of preparation

SGS Business Process Services (UK) Limited is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. The address of the Company is shown on page 2.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 6. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101, "*Reduced Disclosure Framework*" ("FRS 101") and in accordance with the Companies Act 2006.

These financial statements are separate financial statements. The consolidated financial statements of Slater and Gordon UK Holdings Limited (the ultimate parent) are available to the public and can be obtained as set out in note 15. The Company's financial statements are prepared in Pounds Sterling (GBP), its functional currency. All values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. These financial statements have been prepared under the historical cost convention.

b) Compliance with accounting standards

The financial statements have been prepared in accordance with Financial Reporting Standard 101, "*Reduced Disclosure Framework*" (FRS 101) and the Companies Act 2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The following disclosure exemptions from the requirements of IFRS have been adopted in the preparation of these financial statements, in accordance with FRS 101:

- A statement of cash flows has not been presented.
- Disclosures in respect of compensation of key management personnel.
- The categories of financial instrument and nature and extent of risks arising on these financial instruments have not been detailed.
- Comparative period reconciliations for property plant and equipment and intangible assets.
- IAS 24 "*Related party disclosures*", including related party transactions between two or more wholly-owned members of the group have not been disclosed.
- IAS 36 "*Impairment of Assets*", where the equivalent disclosures have been given the Group accounts of Slater and Gordon UK Holdings Limited, where the Company has been consolidated.
- The future impact of new and revised IFRS standards in issue but not yet effective, has not been given.

Where relevant, equivalent disclosures have been given in the Group accounts of Slater and Gordon UK Holdings Limited.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

c) Impact of new International reporting standards, amendments & interpretations

The Company adopted the following standards and amendments from 1 January 2019:

- IFRS 9 "*Financial Instruments*"
- IFRS 16 "*Leases*"

The adoption of IFRS 9 resulted in no impact to the financial statements.

The Company has adopted IFRS 16 "*Leases*" retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition provision in the standard. The Company has recognised a right-of-use asset and lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "*Leases*". The adoption resulted in no cumulative effect on initial application at 1 January 2019 in retained earnings. Further details are disclosed in note 13.

d) Going concern

Going concern is disclosed on pages 5 to 6 in the Strategic Report.

e) Significant accounting estimates and judgements

In applying the Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Principal versus Agent

For car hire and repair services the Company acts as Principal. Although the services are provided by third party suppliers, the Company has the primary responsibility to ensure that the services have been delivered to the client. The Company cannot vary prices set by the supplier, as it is governed by an industry framework and the Company collects the revenue from the customer and bears the collectability risk. Revenue resulting from car hire and repair services is recognised on a gross basis.

Key sources of estimation uncertainty

In the preparation of the financial statements, assumptions applied in the below estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

e) Significant accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute. A dilution rate is applied to gross revenue to recognise the fact that there might be a settlement adjustment with the insurer if the insurer disputes any element of the claim.

The Company's estimation of the expected adjustments arising on settlement of claims is calculated with reference to a number of factors, including the Company's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claim.

Trade receivables provisioning

Amounts set aside for settlement adjustments, which insurers seek to negotiate in certain circumstances (e.g. due to administrative delays), are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collectability (credit risk). Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses. Debts that are known to be uncollectable are written off when identified.

f) Intangible assets

Intangible assets with finite useful lives are initially measured at cost or their fair value on date of acquisition, and amortised on a straight line basis over their useful economic lives, which are reviewed on an annual basis. The residual values of such intangible assets are assumed to be nil and their estimated economic lives are as follows:

- Computer software 3 to 5 years

Software development costs are written off as incurred unless it can be demonstrated that the following conditions for capitalisation are met:

- the development costs are separately identifiable;
- the development costs can be measured reliably;
- management are satisfied as to the ultimate technical and commercial viability of the project; and
- it is probable that the asset will generate future economic benefits.

Any subsequent costs are capitalised as computer software and amortised over their useful lives as set out above.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and short-term deposits with an original maturity of three months or less.

h) Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are non-interest bearing and are stated at their nominal value. Trade and other payables are classified as current liabilities if payment is due within one year or less.

i) Pensions

The Company operates a defined contribution pension scheme for Directors and staff. The assets of the scheme are invested and managed independently of the Company. The pension cost charge represents the contributions paid and payable in the year.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

j) Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation method
Computer equipment	3-5 years	Straight Line
Plant, fixtures and equipment	5 years	Straight Line

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any impairment losses are recognised in the profit or loss.

k) Trade and other receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value.

Collectability of trade debtors is reviewed at each reporting period. Management considers whether an impairment of debtors is required based on the ageing profile and uses calculated historic rates of recovery to determine the required impairment. Debts that are known to be uncollectable are written off when identified.

The Company has adopted IFRS 9 applying the simplified approach to measure the expected credit losses. This uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit and market risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and 1 January 2019 and the corresponding historical credit losses experienced within this period. Further details of the credit loss provision are disclosed in note 13.

l) Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

m) Borrowing costs

Borrowing costs includes interest expense, finance charges in respect of leases, amortisation of discounts or premiums and ancillary costs relating to borrowings.

Borrowing costs are expensed in the year in which they are incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

n) Leases

Periods prior to 31 December 2018

Until 31 December 2018, leases where the lessor retains substantially all the risks and benefits of ownership of the asset were classified as operating leases. Operating lease payments were recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Lease incentives under operating leases were recognised as a liability and amortised on a straight-line basis over the life of the lease.

Reporting from 1 January 2019

From 1 January 2019, the Company adopted IFRS 16 which removes the distinction between an operating and a finance lease. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

All existing operating lease commitments are now recognised as right-of-use assets, with corresponding lease liabilities being presented in the statement of financial position, with the exception for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with a value of less than £4k). The right-of-use assets and lease liabilities are initially measured at the present value of the future lease payments. Full details and the impact of the new policy are described in note 13.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the Company will obtain ownership of the asset, or over the term of the lease and is included within administrative expenses in the statement of comprehensive income.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the statement of comprehensive income.

o) Revenue recognition

The material revenue streams of the Company relate ultimately to the servicing of parties involved in Road Traffic Accidents (RTAs). RTA cases usually comprise the provision of vehicle hire and repair services. Claims are typically presented to insurers, acting for the not at fault or fault party. Expected adjustments arising on settlement of claims are detailed in note 1d.

Car Hire Services

For car hire services, revenue is recognised over the time that the services are performed and are from the commencement of the hire period. Charges are recognised on a daily basis in accordance with the General Terms of Agreement of the Association of British Insurers ("GTA") or in line with specific contractual terms. The rates used are based on the category of vehicle provided on each individual claim.

Revenue recognised initially equates to the amount payable to the Company at the completion of the hire transaction.

Repair Services

Revenue from the provision of repair services is recognised at a point in time which is upon confirmation the repair is complete. This confirmation is received from the supplier with the repair invoice.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

o) Revenue recognition (continued)

Late Payment Charges

The Company also has an entitlement to late payment charges where claims are not settled within the timeframes supported by the GTA. Such charges are not recognised at the time of the hire transaction as they have not been earned; rather they are recognised when they can be reliably determined, which is normally on settlement of the related claim.

Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute. A dilution rate is applied to gross revenue to recognise the fact that there might be a settlement adjustment with the insurer if the insurer disputes any element of the claim.

The Company's estimation of the expected adjustments arising on settlement of claims is calculated with reference to a number of factors, including the Company's historical experience of collection levels, its anticipated collection profiles and analysis of the current profile of the claims against insurance companies. Although in principle this is determined by reference to individual cases, in practice the homogenous nature of most claims means that the level of adjustment is calculated by reference to specific categories of claim.

p) Financial instruments

Classification

The Company has financial instruments in the following category: loans and receivables. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash and cash equivalents, lease liabilities, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are non-interest bearing, non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The loans are initially recognised based on fair value plus directly attributable transactions costs and are subsequently stated at amortised cost using the effective interest rate method.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence of impairment.

For loans and receivables carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent year and the decrease can be related objectively to an event occurring after the impairment was recognised.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

p) Financial instruments (continued)

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including loans from or other amounts due to related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Non-interest bearing financial liabilities for deferred cash consideration on the acquisition of acquired firms is measured at amortised cost using the effective interest rate method. The implied interest expense is recognised in profit or loss.

q) Taxation including deferred tax

Taxation consists of income tax and Value Added Tax ("VAT").

Income tax

Income tax expense comprises current and deferred tax.

Current tax

Current income tax expense or benefit is the tax payable / receivable on the current year's taxable income based on the applicable income tax rate for the jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the country where the Company operates and generates taxable income.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax for the year are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Value Added Tax ("VAT")

Revenue, expenses and assets are recognised net of the amount of VAT, except where the VAT incurred is not recoverable from Her Majesty's Revenue and Customs ("HMRC") and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of VAT. The net amount of VAT recoverable from, or payable to, HMRC is included as part of current receivables or payables in the consolidated statement of financial position.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

2. Revenue

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Provision of claims management services	43,233	72,920

The revenue of the Company for the year has been derived wholly from activities undertaken in the United Kingdom.

3. Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Operating lease rentals	-	408
Allowance for non-recovery	(3,025)	975
Gain on disposal of property, plant and equipment	-	(45)
Depreciation of property, plant and equipment (note 9)	25	103
Depreciation of right-of-use assets (note 13)	167	-
Amortisation of intangible assets (note 8)	130	393

Auditor's remuneration is settled on behalf of the Company by a group company, Slater and Gordon (UK) 1 Limited.

4. Employee information

4.1 Employee benefits

The aggregate employee expense, including Directors, comprised:

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Wages and salaries	4,929	7,932
Social security costs	427	563
Pension costs	100	123
	5,456	8,618

4.2 Employee numbers

The average number of people, including Directors, employed by the Company during the year / period was:

	Year ended 31 December 2019	Period ended 31 December 2018
	Number	Number
Operations and claims	199	210
Administration and selling	48	53
	247	263

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5. Directors' emoluments

During the year ended 31 December 2019, the remuneration of the Directors was borne by other Group companies. In the period ended 31 December 2018, one Director was paid by the Company. The emoluments of the Directors were:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Aggregate emoluments	-	127
Compensation for loss of office	-	38
	-	165

6. Net finance costs

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Lease liabilities (see note 13)	(234)	-
Short term financing	(3)	-
Net finance costs	(237)	-

7. Taxation

7.1 Taxation for the year / period

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Current taxation:		
Current tax on (loss) / profit for the year / period	-	-
Total tax	-	-

Factors affecting the tax charge for the year / period:

The tax charge assessed on the (loss) / profit on ordinary activities for the year / period differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
(Loss) / profit on ordinary activities before taxation	(84)	985
At the statutory income tax rate of 19%	(16)	187
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>		
Disallowed expenses	30	30
Non-taxable income	-	(38)
Unutilised losses carried forward and not recognised	(14)	(212)
Other short term temporary differences not recognised	-	33
Total tax for the year / period	-	-

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

7. Taxation (continued)

7.2 Deferred tax asset

	Year ended 31 December 2019 £'000	Period ended 31 December 2018* £'000
Short term timing differences	-	139
Trade losses	2,623	2,637
Unrecognised deferred tax asset	2,623	2,776

*restated trade losses brought for the period ended 31 December 2018.

A reduction to the UK corporation tax rate down from 19% to 17% was announced in the 2016 Budget and enacted on 15 September 2016 (to be effective from 1 April 2020). However, in the 2020 Budget it was announced that this reduction in rate would be reversed with 19% being maintained from 1 April 2020.

8. Intangible assets

	Computer Software £'000
Cost	
At 31 December 2019	6,399
Amortisation	
At 31 December 2018	6,208
Charge for the year	130
At 31 December 2019	6,338
Net book value	
At 31 December 2019	61
At 31 December 2018	191

9. Property, plant and equipment

	Computer Equipment £'000	Plant, Fixtures and Equipment £'000	Total £'000
Cost			
At 31 December 2018	17	-	17
Additions	-	148	148
At 31 December 2019	17	148	165
Depreciation			
At 31 December 2018	11	-	11
Charged for the year	3	22	25
At 31 December 2019	14	22	36
Net book value			
At 31 December 2019	3	126	129
At 31 December 2018	6	-	6

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

10. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	24,681	31,008
Allowance for non-recovery	(6,450)	(9,475)
Prepayments	443	249
Amounts owed by immediate parent	2,291	3,355
Other receivables	214	660
	21,179	25,797

The fair value of the trade debtors, prepayments and other receivables is considered to be equal to their carrying value.

Amounts owed by the immediate parent at 31 December 2019 and at 31 December 2018 do not attract interest and are repayable on demand.

Amounts set aside for settlement adjustments, which insurers seek to negotiate in certain circumstances (e.g. due to administrative delays), are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collectability. Movements in the impairment provision relating to collectability are recognised within administrative expenses as bad debt expenses. The split of trade receivables and provisions shown below is part of The General Terms of Agreement ("GTA") for the credit hire industry.

	31 December 2019 £'000	31 December 2018 £'000
GTA trade receivable	21,848	27,363
GTA impairment provision	(6,432)	(9,402)
Net GTA trade receivables	15,416	17,961
Non-GTA trade receivables	2,833	3,645
Non-GTA impairment provision	(18)	(73)
Net non-GTA trade receivables	2,815	3,572
	18,231	21,533

11. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	7,696	8,473
Payroll and other taxes including social security	4,060	4,849
Accruals	3,198	4,699
Amounts owed to related parties	4	-
Other creditors	310	2,565
	15,268	20,586

Trade payables are non-interest bearing and principally comprise amounts outstanding for trade purchases and on-going costs.

Amounts owed to related parties at 31 December 2019 do not attract interest and are repayable on demand.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

12. Share capital

	31 December 2019 £	31 December 2018 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

13. Adoption of new accounting standards

The Company has applied the following standards and amendments for the first time for the annual reporting year commencing 1 January 2019:

- IFRS 9 "*Financial Instruments*"
- IFRS 16 "*Leases*"

The Company has adopted these new standards retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition provisions in the standards. The adoption of these new standards resulted in no impact at 1 January 2019 in retained earnings. At 31 December 2019, the additional charge / (credit) to profit or loss for the year has been reported in the statement of comprehensive income:

	31 December 2019 £'000	1 January 2019 £'000
Adoption of new standards		
IFRS 9 " <i>Financial Instruments</i> "	-	-
IFRS 16 " <i>Leases</i> "		
Decrease in operating expenses	(227)	-
Depreciation on right-of-use assets	167	-
Finance costs for lease liabilities	234	-
Increase in loss for the year	174	-

i) Adoption of IFRS 9

As indicated in note 1, the Company has adopted IFRS 9 which replaces IAS 39 "*Financial Instruments: Recognition and Measurement*", addresses the classification, measurement and recognition of financial assets and liabilities. The classification and measurement basis for the Company's financial assets and liabilities have not been materially changed by the adoption of IFRS 9.

The adoption of IFRS 9 resulted in no impact to the financial statements.

ii) Adoption of IFRS 16

As indicated in note 1, the Company has adopted IFRS 16 "*Leases*" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period; permitted under the simplified transition approach within the standard.

In applying IFRS 16, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments of whether leases are onerous as an alternative to performing an impairment review;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- reliance on previous assessment of whether leases are onerous in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

13. Adoption of new accounting standards (continued)

ii) Adoption of IFRS 16 (continued)

These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.6%. The Company has performed the following reconciliation for the measurement of lease liabilities as at 1 January 2019 in relation to the existing operating lease commitments reported in the period ended 31 December 2018:

	1 January 2019 £'000
Operating lease commitments disclosed as at 31 December 2018	4,427
Discounted using Group's incremental borrowing rate at the date of initial application	2,064
Of which are:	
Current lease liabilities	18
Non-current lease liabilities	2,046
Lease liability recognised as at 1 January 2019	2,064

The associated right-of-use assets for existing operating leases were measured on a retrospective basis as if the new rules had always been applied. The provision for onerous lease contracts of £nil required under IAS 17 has been derecognised at 1 January 2019. The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets. The statement of financial position shows the following amounts:

	31 December 2019 £'000	1 January 2019 £'000
Right-of-use assets	1,856	2,023
Lease liabilities		
Current	83	18
Non-current	1,964	2,046
	2,047	2,064

There were no additions to the right-of-use assets during the year ended 31 December 2019.

The statement of comprehensive income shows the following amounts:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Depreciation charge of right-of-use assets	167	-
Interest on lease liabilities	234	-

For tax purposes the Company receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment.

The short-term lease payments during the year ended 31 December 2019 was £nil. For the year ended 31 December 2019, the cash paid for the principal portion was £0.3m. The adoption of IFRS 16 did not have an impact on net cash flows.

SGS Business Process Services (UK) Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

14. Contingent liabilities

The Company is party to a GBP currency Super Senior Facility Agreement ("SSFA") dated 22 December 2017 pursuant to which the Company's direct parent company, Slater & Gordon (UK) 1 Limited, is a borrower having fully drawn the facility. The principal and accrued interest under the facility at 31 December 2019 were £30.0m (2018: £22.4m). Pursuant to the terms of the SSFA, the Company has given a cross-guarantee (along with other UK Group companies) in relation to all liabilities outstanding under the SSFA in favour of the Finance Parties (as defined under the SSFA), which are all shareholders of Slater and Gordon UK Holdings Limited, the ultimate parent company.

The Company is also party to a debenture dated 22 December 2017 (the "Debenture") pursuant to which the Company (together with other UK Group companies) covenants with GLAS Trust Corporation Limited (acting as Security Trustee for itself and the Secured Parties (as defined in the Debenture), which are all shareholders of Slater and Gordon UK Holdings Limited, the ultimate parent company) that it will on demand pay all liabilities outstanding under the SSFA (and associated finance documents) when they are due and payable and grants security over all of its assets in favour of GLAS Trust Corporation Limited (acting as Security Trustee for itself and the Secured Parties).

15. Ultimate parent company

The immediate parent is Slater & Gordon (UK) 1 Limited, a company registered in England and Wales.

From 22 December 2017 the ultimate parent undertaking is Slater and Gordon UK Holdings Limited, a company incorporated in England and Wales. Copies of the consolidated accounts of Slater and Gordon UK Holdings Limited can be obtained from 58 Mosley Street, Manchester, England, M2 3HZ.

Prior to 22 December 2017, the ultimate parent undertaking was Slater and Gordon Limited, a company incorporated in Australia. Copies of the consolidated accounts of Slater and Gordon Limited can be obtained from 485 La Trobe Street, Melbourne, Victoria, Australia 3000.

16. Subsequent events

In July 2020 management and the Directors concluded a strategic review of the company's channels to market. As a result of this review certain contracts were either amended or terminated. The impact of this decision is expected to be a reduction in annual revenue and annual profit before tax of approximately £10.2m and £0.8m respectively. The Directors have performed an assessment of the loss of cash flow and do not believe there to be any impact on the going concern of the business.