

REGISTERED NUMBER: 10977311 (England and Wales)

Slater and Gordon UK Holdings Limited

**Group Strategic Report, Directors' Report and**

**Consolidated Financial Statements for the Year Ended 31 December 2022**

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Slater and Gordon UK Holdings Limited

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for the Year Ended 31 December 2022

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Slater and Gordon UK Holdings Limited

Company Information  
for the Year Ended 31 December 2022

**DIRECTORS:**

L A David  
N Lane  
D J R Sanders  
N I Stoesser  
D J L Whitmore

**COMPANY SECRETARY:**

E S Comley

**REGISTERED OFFICE:**

First Floor  
Lee House  
90 Great Bridgewater Street  
Manchester  
M1 5JW  
United Kingdom

**COMPANY NUMBER:**

10977311 (England and Wales)

**STATUTORY AUDITOR:**

Deloitte LLP  
The Hanover Building  
Corporation Street  
Manchester  
M2 4AH  
United Kingdom

**Group Strategic Report**

for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

2022 was a significant year for Slater and Gordon. In particular:

- An out-of-court settlement was finalised for around 70,000 of our clients with Volkswagen in the long-running Diesel emissions case;
- Significant strides were made in consolidating our services to focus on higher-value, more complex cases on behalf of our clients; a significant step in relation to this was the agreement that we entered into with Carpenters Limited (Carpenters) in June 2023 to transfer a significant component of our Small Claims Track ("SCT") cases to them;
- An agreement was entered into with our Manchester landlord to exit 58 Mosley Street allowing us to rationalise our office portfolio in alignment with our hybrid office working policies;
- Our independent financial advisory business Adroit was sold to Brooks Macdonald as part of our strategy to focus on legal services;
- The full repayment of several loans provided by shareholders, and the repurchase of the company's shares from various minority shareholders.

We are proud to have some of the best legal talents in the UK personal injury and wider consumer legal services market working at Slater and Gordon and are committed to investing in our people and our working culture to ensure our firm remains a great place to work.

Post year end and looking forwards during 2024, we continue to adapt to changes in the regulatory environment in particular, and expect to make further progress in improving underlying performance by additional investment in our technology and optimising our processes. An important component for securing this was the entering into a 5 year committed financing facility in August 2023 with Harbour, one of the leading providers of financing to the legal sector.

*A note on our company structure*

This set of accounts relates to Slater and Gordon UK Holdings Limited, the ultimate holding company of the Slater and Gordon UK Group ("the Group"). The Group comprises the following other main trading companies whose accounts have been filed separately:

- Slater and Gordon UK Limited – the principal legal entity through which we provide our legal services. Slater and Gordon UK Limited is an Alternative Business Structure (ABS) as defined and regulated by the Solicitors Regulation Authority (the SRA).
- Slater and Gordon UK 1 Limited - employs all people in the Group and provides shared services and corporate management services to companies within the Group.
- Slater and Gordon Trust Corporation Limited – a Trust Corporation authorised by the SRA to act as a court appointed "deputy" for certain clients.
- Slater and Gordon Scotland Limited – an associated office of Slater and Gordon UK Limited, for provision of legal services in Scotland.

The accounts of all subsidiaries should be read within the context of the Directors' report and accounts for Slater and Gordon UK Holdings Limited, as these are the only accounts that set out an overview of the whole Group's performance.

**FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS**

Slater and Gordon saw positive progress in its financial performance in 2022, helped by the successful VW emissions case. Continuing operations generated revenue of £150.5m, against £93.9m in 2021, and EBITDA of £59.7m, compared with £5.1m in 2021 (see note 7 b for calculation of EBITDA).

Operating profit from continuing operations was £31.8m (2021: loss £8.2m), after non-recurring items of £19.7m (2021: £8.1m). In 2022 the non-recurring items included the costs of exiting the Group's Mosely Street property in Manchester and an increase in the provision for unrecoverable disbursement assets resulting from a detailed review of supplier and partner relationships as part of the refocus on higher value, more complex legal services (the "Core Services").

Those operations not considered Core Services are disclosed separately from the continuing business in the Consolidated Statement of Comprehensive Income account. These include the Motor business, Adroit and SCT activities.

Retained profit for the year for the Group was £12.5m (2021: loss £22.8m).

**Group Strategic Report - continued**  
for the Year Ended 31 December 2022

**FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS - continued**

The Directors believe the steps taken, and developments during 2022 put the Group in a strong position to develop further over the next few years.

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

|                            | <b>2022</b><br><b>£'000</b> | <b>2021</b><br><b>£'000</b> |
|----------------------------|-----------------------------|-----------------------------|
| Revenue                    | 155,158                     | 112,600                     |
| Operating Profit/(Loss)    | 25,014                      | (12,209)                    |
| Profit/(Loss) before tax   | 14,499                      | (22,638)                    |
| Cash and cash equivalents  | 28,330                      | 11,519                      |
| Total shareholders' equity | 96,463                      | 85,116                      |

**FUTURE DEVELOPMENTS**

There have been no changes in the Group's principal activity during the year under review and the directors do not anticipate this will change in the future. During 2024, the directors plan to consolidate what has been put in place in 2022 and 2023 as noted in the operational highlights section below alongside organic growth.

**OPERATIONAL HIGHLIGHTS**

*Volkswagen settlement*

Slater and Gordon was proud to act as the lead lawyer, representing 70,000 of 91,000 vehicle owners, in the groundbreaking and high-profile diesel emissions case against Volkswagen (the VW case). The settlement, which was announced in May 2022, was the culmination of several years of work across numerous departments. It represents our significant and unwavering commitment to deliver a just outcome for clients.

*Management changes*

During the course of 2022 we made some changes to our Executive Leadership Team following the retirement of our previous CEO, David Whitmore, who continues as a Non-Executive Director of the Group. Nils Stoesser, formerly Chief Financial & Operating Officer became the new Chief Executive Officer. Elizabeth Comley became Chief Operating Officer, and Andrew Cranmer was appointed Interim Chief Financial Officer. In 2022 our legal services were managed respectively by Madelene Holdsworth, Managing Director of Specialist Legal Services, and Jennifer Baldwin, Managing Director of Essential Legal Services. During 2023 Jennifer Baldwin left the business as part of our strategy to focus on higher value, complex legal services, and Madelene Holdsworth took on direct management responsibility for all legal services.

*Exit of non-core business areas*

In June 2023, as part of a greater focus on higher value claims within the personal injury market, the Group signed an agreement with Carpenters, enabling it to exit the SCT sector, which accounted for just under 5% of the Group's revenue. Under this agreement, substantially all our SCT clients transitioned to Carpenters, and 42 staff transferred under Transfer of Undertakings Protection of Employment rights (TUPE).

Consistent with our continuing strategy of focusing on core consumer legal services and in line with moves made in previous years to exit non-core businesses, we were pleased to conclude the sale of Adroit, our financial planning business, in December 2022. This follows the previous discontinuing of other areas, including our former residential conveyancing, crime and dispute resolution practices, and our credit hire business.

*Funding*

The settlement of the VW case enabled all shareholder loans to be repaid in full in June 2022, together with all accrued interest.

In August 2023, the Group entered into a new £33m committed five-year facility with Harbour, a leading lender to the legal sector.

Slater and Gordon UK Holdings Limited

**Group Strategic Report - continued**  
for the Year Ended 31 December 2022

**LEGAL SERVICES HIGHLIGHTS**

**BY MADELENE HOLDSWORTH, MANAGING DIRECTOR, SPECIALIST LEGAL SERVICES**

As we continue to focus our business around our specialist legal expertise, we are committed to investing in our teams and in our relationships with clients and partners to support our growth.

*External recognition for our client work*

We are proud of our many colleagues who were recognised as key lawyers in Chambers and Partners and the Legal 500. Slater and Gordon was ranked in nine business areas in Chambers with 25 lawyers named as leading individuals in their respective fields. In the Legal 500, 14 practice areas were ranked and two were selected as Top Tier Practice Areas with 47 lawyers mentioned for their standout contribution to their practice areas. Our Personal Injury and Clinical Negligence team in Newcastle was recognised as a 'Firm to Watch' with John Davis included in the prestigious Legal 500 Hall of Fame, alongside Edward Cooper from our Employment practice and Paul Tapner from our Cambridge office.

Both Chambers and the Legal 500 are a significant indicator of the quality of our work and our strong external reputation with our clients and partners.

Our commitment to the highest standards of client work was also recognised at the prestigious Lexis Nexis Legal Awards where we received the 'Case of the Year' Award for our work on the VW case.

*A strong commitment to charity partnerships*

Slater and Gordon has a strong legacy of supporting and partnering with charities that provide assistance to people who have suffered serious injury. In 2022, we announced a new partnership with Walking With The Wounded (WWTW) which helps those who have served in the military and assists them to get back on their feet after injury. We provide legal advice and expert support when it is needed and also support the charity with fundraising.

During the year, we also signed the Armed Forces Covenant, showing our commitment to offering opportunities and career support to those who are currently serving or have served in the Armed Forces, and their family members. Working with WWTW as well as committing to the Armed Forces Covenant highlights our dedication to being a forces-friendly workplace and assisting those who have served.

Throughout the year, our teams undertook many strenuous fundraising challenges, including the Three Peaks hike which raised money for Stick 'n' Step, and Sheffield and Rotherham Asbestos Group (SARAG).

*Investing in our people and workplaces*

We are committed to being a rewarding place to work where ambitious lawyers can develop their careers. As well as attracting new senior talent into the organisation, we also continue to build our talent pipeline through our trainee solicitor programme.

During 2023, we continued to invest in our workplaces with the move to new office premises in Manchester, following the exit from our previous Manchester lease at the end of 2022. We have significantly reduced our office footprint to make more efficient use of space, reduce our impact on the environment and to cater to modern hybrid working practices which benefit our employees and our clients and partners.

**SECTION 172 STATEMENT**

Slater and Gordon UK Holdings Limited ("the Company") is the parent company of Slater and Gordon UK Limited, an Alternative Business Structure operating as an independent law firm with its own board and leadership team.

**The Directors' approach**

Companies need to report on how the Directors have carried out their Section 172 duties under the Companies Act.

In short, Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, most likely to promote the success of the company for the benefit of its members as a whole.

**Group Strategic Report - continued**  
for the Year Ended 31 December 2022

**SECTION 172 STATEMENT - continued**

To do so, Section 172 requires a Director to have regard (amongst other matters) to:

- a. The likely consequences of any decisions in the long-term;
- b. The interests of the company's employees;
- c. The need to foster the company's business relationships with suppliers, customers and others;
- d. The impact of the company's operations on the community and environment;
- e. The desirability of the company maintaining a reputation for high standards of business conduct;
- f. The need to act fairly as between members of the company.

The Board should also understand the views of the Company's other key stakeholders and describe in the Annual Report how their interests and the matters set out in Section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making. In discharging our Section 172 duty, the Directors of the Company, have given full regard to the factors set out above.

**Consequences of long-term decisions**

In 2022, the Slater and Gordon board made a series of strategic decisions for the business. These decisions were made with due consideration of the potential long-term consequences, and the long-term success of the business.

Actions included: taking strategic decisions on which services to continue to provide to our clients; the entering into new strategic partnerships with charity partners; the benefits of settling a long-running Collective Legal Action; decisions on several property transactions; divestments of SCT activities, the serious crime team and financial planning business; assessment of corporate development opportunities; strategic technology investments; consideration of key regulatory changes faced by the business (in particular changes implemented by the Financial Reporting Council); consideration and approval of the Group strategy and budget for 2023.

In assessing the long-term strategy of the business, the board completed a full assessment to identify the different consequences, including risk management considerations and scenarios that could arise from alternative decisions. Financial performance has also been monitored on a monthly basis. The Board has not paid and has no plans to pay dividends in respect of 2022 or for the foreseeable future; this will continue to be reviewed in line with the performance of the Group.

**Community and the environment**

With technology at the heart of everything we do, it is essential for us to move towards reducing our carbon footprint in order to remain a sustainable and responsible business. We are doing this by working with our internal colleagues, strategic suppliers and partners to create a culture that will achieve this in particular through further digitalisation. Our work in this area is fundamental to a responsible business strategy and was a key priority for our Directors in 2022.

Our workforce is encouraged to increase their use of email, electronic signature and bundling software packages and to use video conferencing. Our facilities department also closely monitor, and report printer use across the business to the Executive Leadership Team. One of the greatest drivers of our carbon footprint is the space we occupy. Strategically, we can downsize our estate by making our people agile and digitising their ways of working. In 2022 we continued to reduce our space by moving to smaller sites in London and Manchester. Our Manchester office decreased from 72,386 sq ft to 30,724 sq ft as a result of our decision in 2022 to surrender part of the premises, and in 2023 reduced again, to 12,348 sq ft, when we moved into our new premises in Lee House. The London office space decreased from 18,000 sq ft to 6,000sq ft. These changes have resulted in a corresponding reduction in our utilities usage and our carbon footprint.

In 2022, we implemented our incoming mail project which digitised all incoming hard copy documents and delivered them along intelligent workflows to the case management system. We off-sited to archive providers all of our on-site files by cataloguing (indexing) 40,000 files. These files may now be scanned off-site in the archive provider warehouses where they are stored efficiently and securely. By scanning the files this also removes transport energy use. Our technology team regularly power off our digital equipment to reduce our energy consumption.

The above initiatives, along with greater control on our printing has reduced our print volumes by 85% since pre-Covid levels.

**Group Strategic Report - continued**  
for the Year Ended 31 December 2022

**SECTION 172 STATEMENT - continued**

**Community and the environment - continued**

We offer our workforce a Cycle to Work scheme to help reduce our impact on the environment and to improve their health and wellbeing. The Cycle to Work scheme offers employees up to £2,000 to spend on a wide choice of bicycles, including electric ones. We also encourage employees who live near an office location to car share and we offer all employees who have to travel by train an up to £10,000 per annum interest free loan for a season ticket. These measures seek to help ensure that less fuel is used when our workforce travels to work so that we can help to reduce air pollution.

Energy consumption and carbon emissions are set out in the Directors' Report.

**Employee interests**

Maintaining a good employee experience is key to staff recruitment and retention. We have a dedicated communications function that supports employee engagement. Relevant information is shared through channels such as regular online updates, employee surveys and face-to-face executive briefings.

Communication with colleagues also takes place through a variety of channels including S+G Colleague live events, videos, blogs, emails, team talks, the Intranet and internal social channels. We also provide wellbeing resources such as mindfulness.

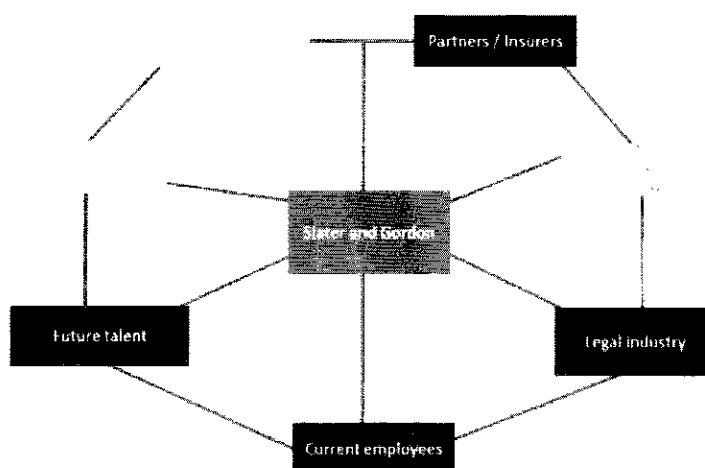
In addition to this, over the course of 2022 we have provided a number of staff training programmes, including our solicitor traineeship programme, 12 apprenticeship programmes, a starter induction training system and our annual PDR training.

We have also provided extensive system training on our case management systems, speech recognition software and Microsoft Excel, as well as compliance training on data protection and the Solicitors Regulation Authority (SRA) codes of conduct.

Proactive employee engagement is of paramount importance and the Group has developed a sophisticated process of cascading information, regular wellbeing one to one sessions, periodic employee surveys and monthly virtual live events hosted by the Executive team to ensure full engagement by the wider employee group. In addition, the Group has provided access to online wellbeing resources including mindfulness sessions.

**Fostering business relationships**

Maintaining healthy relationships with suppliers, stakeholders and regulators is key to the long-term success of the business.



With this in mind, we actively monitor and manage compliance with various regulatory bodies including the Solicitors Regulation Authority and the Financial Conduct Authority. Our Directors also obtain appropriate information to make judgements through stakeholder engagement, day-to-day business interactions, structures or channels for engagement. Details on the Group's supply chain, anti-bribery and corruption policies are detailed in the Directors' Report.



Slater and Gordon UK Holdings Limited

**Group Strategic Report - continued**  
for the Year Ended 31 December 2022

**SECTION 172 STATEMENT - continued**

**Maintaining a reputation for high standards of business conduct**

For Slater and Gordon, maintaining a reputation for excellent business conduct and standards is a priority. It underpins everything we do. The S+G Way has been pivotal in setting the framework for our culture; it also guides the expectations we have of each employee in working with each other, our customers and other stakeholders to ensure that we retain both integrity and accountability. Full details of the Board composition and Directors' responsibilities are detailed in the Directors' Report.

**Acting fairly between Members of the Company**

Slater and Gordon exercises its relevant powers in accordance with the Company's Articles of Association and in accordance with relevant internal policies and procedures to ensure it acts fairly as between the Members of the Group's board. The board is comprised of:

- An executive Director, who is our CEO;
- An independent non-executive director;
- Two non-executive directors, representing Slater and Gordon's majority shareholder; and
- One non-executive director, representing Slater and Gordon's minority shareholders.

All shareholders therefore have a fair opportunity to provide their views to the Board. To ensure probity and transparency, the Board meets at least ten times a year to assess the performance of the Company as part of its responsibility to ensure long-term success.

**Approved by the Board of Directors and signed on its behalf by:**



.....  
N I Stoesser - Director

First Floor  
Lee House  
90 Great Bridgewater Street  
Manchester  
M1 5JW  
United Kingdom

Date: 24 January 2024

## Slater and Gordon UK Holdings Limited

### Directors' Report for the Year Ended 31 December 2022

The Directors present their report, together with the financial report of the consolidated entity consisting of Slater and Gordon UK Holdings Limited (the "Company") and its controlled entities (jointly referred to as the "Group"), for the financial year ended 31 December 2022. This financial report has been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the UK. The Company's business relationships are referred to in the Section 172 statement.

#### PRINCIPAL ACTIVITIES

Slater and Gordon UK Holdings Limited is the ultimate holding company of the Slater and Gordon Group of companies in the UK and Malta. The principal activities of the Group are to provide consumer legal services. Explanations on the Group's future developments can be seen in the section Future Developments in the Group Strategic Report.

#### RESULTS, DIVIDENDS AND KEY PERFORMANCE INDICATORS

The consolidated results for the year ended 31 December 2022 are set out on page 20. No dividend has been proposed by the Group during the year ended 31 December 2022 (2021: £Nil). See the Group Strategic Report for Key Performance Indicators.

#### SUBSEQUENT EVENTS

##### *Exit from Small Claims Track*

In June 2023 the Group exited the Small Claims Track (SCT) sector, consistent with its strategy of focusing on more complex legal services. As part of this the vast majority of clients entered into an agreement with Carpenters Limited to represent their case moving forward.

##### *New borrowing facility*

On 16 August 2023 the Group entered into a new £33m five-year facility with Harbour, a leading lender to the legal sector. Borrowings are based on expected agreed costs, and paid disbursements and liability admitted work in progress on personal injury cases, secured by an assignment of the case proceeds and a floating charge debenture.

#### DIRECTORS

The directors, who served during the financial year and to the date of this report, except as noted, were as follows:

|                |                                                            |
|----------------|------------------------------------------------------------|
| J P Connolly   | (Resigned on 14 February 2022)                             |
| L A David      | (Appointed on 26 February 2022)                            |
| M Glengarry    | (Resigned on 2 February 2022)                              |
| N Lane         | (Appointed on 30 March 2022)                               |
| J C Montes     | (Appointed on 16 February 2022, resigned on 31 March 2023) |
| D S Neave      | (Resigned on 16 February 2022)                             |
| D J R Sanders  | (Appointed on 26 February 2022)                            |
| N I Stoesser   |                                                            |
| D J L Whitmore |                                                            |
| A L Wilford    | (Resigned on 31 January 2022)                              |

The Company Secretary who held office during the year and to the date of this report was:

E S Comley

#### 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, which has been of paramount importance during 2022 and the move to a more virtual environment. 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, we offer a career plan 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.

**Directors' Report - continued  
for the Year Ended 31 December 2022**

**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).

**POLITICAL DONATIONS**

During the year the Company made no political donations (2021: none).

**PURPOSE AND LEADERSHIP**

The mission of Slater and Gordon is to provide high quality legal services to UK consumers who need access to justice. This purpose is underpinned by our culture and commitment to our people. As detailed in the Section 172 statement within the Group Strategic Report above, processes are in place to ensure that the Board has a clear understanding of all shareholder views, including its minority shareholders. The People Committee – a sub-committee of the Board – is tasked not only with setting a consistent HR strategy across the Group, but also in reporting on key employee initiatives to the Board at each board meeting. Unfiltered feedback is also shared with the Board after each regular round of 'Live Events' and 'Strategy Updates' to the business. This process ensures the Board is aware of the views of employees and uses these insights to inform its views on the impact of wider business decisions on employees. Our people are updated on progress against our strategy throughout the year, via communication tools that range from weekly updates in the form of newsletters, to quarterly virtual meetings with the CEO and Executive Leadership Team. Our people agenda focuses on the future growth opportunities of our workforce, strengthening of our culture, the acquisition and retaining of quality talent and the transition to agile working. The greater use of technology also led to a reduction in the use of paper across the Group which fed into our responsible business strategy. The S+G Way is the foundation of our competency framework and a values system for the Group as a whole. It sets out a shared expectation of how the workforce should collaborate and interact, both with customers/clients and with each other. During 2022, we continued various employee recognition initiatives, such as our annual awards programme, to celebrate people demonstrating our values and delivering for colleagues and customers.

**BOARD COMPOSITION AND DIRECTORS' RESPONSIBILITIES**

As befits a business such as ours, the Board is comprised of individuals with a range and balance of skills, backgrounds, experience and knowledge. Skills and experience include financial investment and accountancy, law, investment management and management consultancy. This ensures that a broad range of knowledge, skill sets, and approaches inform every board decision.

David Sanders was appointed as the Chairman of the Company in February 2022. As the Chairman he consistently encouraged open and constructive debate amongst his fellow Directors. Directors have sufficient capacity and opportunity to make a valuable contribution.

The roles of the Chairman and CEO are held by separate individuals. Currently, there are four NEDs (including the Chair), and one executive Director (who is the CEO) on the Board. Therefore, 80% of the Board are NEDs.

During 2022, the Board met eleven times. The Chairman ensures that a full range of critical matters from across the business are scheduled for discussion at each board meeting. In particular, the Board will always hear feedback from the People Committee and Audit and Risk Committee about key matters arising from their meetings. In addition, the CEO updates the Board separately by email, 2- 4 times a month between Board meetings, on important developments.

The Board has delegated its risk function to the Audit and Risk Committee, and its remuneration function to the People Committee. The terms of reference for each committee set out the authorities delegated to them, and the chair of each committee (each an NED) reports to the Board at each meeting. Further, the Board actively seeks to align the business with strategic commercial partners who embrace the same vision.

**Directors' Report - continued**  
**for the Year Ended 31 December 2022**

**BOARD COMPOSITION AND DIRECTORS' RESPONSIBILITIES - continued**

The Chair and Company Secretary periodically review the Company's governance processes to ensure they support effective decision-making. The Company Secretary (who is also the Group's General Counsel) attends board meetings and is responsible for advising the Board on all governance matters, ensuring that all Directors have direct access to this advice. The Group has Delegations of Authority Guidelines (the "DoA") in place. The DoA sets out to whom the Board may delegate decision-making authority to run the business on a day-to-day basis. However, decisions around external commitments which are business-critical in nature, or which represent a high financial commitment, remain reserved to the Board of Directors.

Conflicts of interest are managed by a register of interests for board members and the Articles of Association of the Board sets out how conflicts of interest should be decided. The Board is currently provided with:

- An annual report from an independent auditor who audits the financial statements of the Group.
- A CEO and COO report that cover the key strategic and operational issues and updates, including those of a regulatory nature.
- A CFO report that includes management accounts, cashflow forecasting, and key performance indicators.
- These reports have been complemented where needed by reports from the Managing Director of Essential Legal Services and the Managing Director of Specialist Legal Services on people and operational developments at unit level.
- Feedback from employees via employment engagement surveys and colleague roadshows.
- Regular 'deep dive' reports from each area of the Group.
- Consumer data from research conducted by the Group's Marketing team.

All material provided to the Board for consideration is subject to a rigorous internal review process, which includes approval by the Executive Leadership Team where appropriate, and by the CEO, to ensure the reliability of business information being provided to the Board for consideration.

Where it is appropriate for the Board to appoint external advisors (to provide clear guidance on their statutory responsibilities as Directors) this is commissioned by the General Counsel. Where ongoing monitoring of a particular business matter is required, the Board will appoint a dedicated sub-committee of the Board – with clear terms of reference – to monitor progress of that matter and report back to the Board at regular intervals.

The Company also provides a monthly summary of financial performance to its minority shareholders, and as required will also facilitate calls with these shareholders, where requested.

The Board works to promote the long-term, sustainable success of the Company by identifying opportunities to create and preserve value and by establishing oversight for the identification and mitigation of risks.

One of the values that make up the S+G Way is 'We Don't Wait, We Create', which encapsulates our drive to create solutions and identify future opportunities. We have conducted extensive market research into the UK legal industry, to find out who our customers are, the types of products they demand, and the best ways in which we can meet their needs.

Our quality control processes also involve closely monitoring and responding to customer feedback via our complaints procedures, as well as continuously monitoring Google and Trustpilot reviews and our customer Net Promoter Scores (NPS). In 2022 we saw an improvement in our NPS, Trustpilot reviews and increases in visits to our YouTube page and enquiries left on our website.

*Audit and Risk Committee*

The Audit and Risk Committee (ARC) comprises two non-executive directors and is responsible for maintaining an appropriate relationship with the Group's external auditors and for reviewing the Group's internal financial controls and the audit process. It assists the Board in seeking to ensure the integrity of the financial and non-financial information supplied to external stakeholders and that such information presents a fair, balanced, and understandable assessment of the Group's performance and position.

**Directors' Report - continued  
for the Year Ended 31 December 2022**

**BOARD COMPOSITION AND DIRECTORS' RESPONSIBILITIES - continued**

*Audit and Risk Committee - continued*

The Board considers that the ARC's responsibilities include:

- The principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice.
- Financial performance, including liquidity and matters which may influence the presentation of the financial statements.
- The principles of, and developments in, company law, sector specific laws and other relevant corporate legislation.
- Making recommendations to the Board on the Group's risk strategy and risk appetite.
- Overseeing the design and effectiveness of the Group's risk management framework relative to the Group's activities, including those that would threaten its business model.
- Reviewing the adequacy and quality of the risk management function and the effectiveness of risk reporting.

The Committee reviews the effectiveness, objectivity and independence of the external auditors and considers the scope of their work and fees paid for audit and non-audit services.

The activities of the ARC are supported by a dedicated Compliance and Risk function under the leadership of the Chief Operating Officer.

Slater and Gordon is committed to identifying and understanding environmental, social and governance risks and ensuring that the appropriate decisions are made across the Group and its supply chains. The ARC therefore aims to ensure that all stakeholders are safeguarded and treated fairly and with dignity. Our Risk Charter, in conjunction with our corporate social responsibility programme, sets out all stakeholders' responsibilities in this regard. Through our risk and assurance programmes, we work with our people and procurement functions to strengthen our internal controls framework and systems.

The Board has determined its risk appetite and the Group's key risk indicators are reviewed as required, but at a minimum once per annum. In addition to this, the Board keeps the risk appetite statement and risk framework under active review, and both of these documents require board approval on an annual basis.

Identifying potential problems is a vital part of managing risk, so in line with the Group Raising Issues and Concerns Policy there are various reporting channels in place for each business unit. These are set out within the Whistleblowing Policy and Procedures, together with local business unit reporting procedures.

The ARC reports to the Board on all matters within its remit and the Committee makes whatever recommendations to the Board that it deems appropriate.

*Remuneration*

The Board promotes executive remuneration structures that are aligned to the long-term sustainable success of the Company, taking into account pay and conditions elsewhere in the Company.

There are harmonised benefits across the Group and a Group Incentive Plan in place, designed to reward the results and behaviours that help to drive the profitable growth of Slater and Gordon by:

1. Incentivising superior results, including cash management measures.
2. Promoting the values, behaviours and actions which will help the business advance.
3. Rewarding results and behaviour in a clear, consistent, fair and straightforward manner.

The Group Incentive Plan offers the opportunity to earn a market-competitive percentage of salary in return for results achieved. Annual performance reviews are aligned with the incentive.

The executive leadership team and senior management remuneration is closely aligned to the results of a bi-annual performance review. This performance rating is based not only on individual output but also functional and group performance on a financial and non-financial basis. Further governance is enabled via the People Committee of the Board.

**Directors' Report - continued  
for the Year Ended 31 December 2022**

**BOARD COMPOSITION AND DIRECTORS' RESPONSIBILITIES - continued**

Regarding the mechanism for remunerating Directors, Slater and Gordon (UK) 1 Limited, a direct subsidiary of the Company, administers the pay for Directors of Slater and Gordon Group Companies under the supervision of the People Committee.

*The People Committee*

The People Committee is made up of two non-executive directors, with the Chief Executive Officer in attendance, and has responsibility for setting the overall remuneration policy and making decisions about specific remuneration arrangements in the broader context of employee remuneration throughout the Group. This involves approving all awards under the group incentive plan and the wider remuneration package for all employees and specifically for all Directors and Executive Leadership Team members.

Further, the Company uses an external benchmarking provider to inform benchmarking data for all roles within the organisation, ensuring a robust salary review process and informing a competitive range of rewards for all employees in the context of their local market. As part of our commitment to continuous improvement we complete a salary review annually to inform our Reward Strategy.

Full and detailed calibration of group-wide pay awards and incentives is also undertaken, which includes visibility of any gender pay gap.

We offer enhanced family-friendly leave payments to all levels of the workforce. This involves the standardisation of maternity, enhanced maternity and paternity pay for all colleagues across the Group, including voluntary benefits. We also have a colleague discount hub.

*Our diversity and inclusion policy*

The aim of this policy is to support a diverse and inclusive workplace where all members of the workforce feel free to be themselves and are able to thrive. This is aligned with the S+G Way and applies equally throughout the Group hierarchy including to the executive leadership team.

Slater and Gordon is also a 'Diversity Champion' member of the Valuable 500, with the People Committee enabling five diversity and inclusion networks and each has its own network Chair and executive sponsor.

The People Committee regularly reports on diversity and inclusion initiatives to the Board.

Some of the key initiatives that we have underway are:

- We have made a submission to the Social Mobility Commission's Employer Index to help us identify where we can improve in this area.
- We updated our employee census data to gain insight into and understanding of both the current diversity makeup of our workforce and also diversity throughout the recruitment stage. This information helps us to continue with established inclusiveness initiatives that are working and enables us to further refine our diversity and inclusion strategy and training.
- Commitment to building a pipeline of diverse talent by supporting colleagues along their career trajectory. We are in the process of launching personal development programmes including an internal mentoring scheme, which will allow colleagues in senior positions within the business to offer themselves up as a mentor to less experienced colleagues.
- Working with key partners and the community to support equality of opportunity through our work with universities and community groups, to attract candidates from a variety of sources, creating a diverse talent pool.
- Ongoing work to ensure that our policies and internal processes support and commit to a zero tolerance approach to any form of harassment, discrimination, and unethical behaviour. All colleagues and all those who work with us are expected to uphold our values and training is provided to all people leaders on an ongoing basis.
- Slater and Gordon has placed disability inclusion on its leadership agenda by making a commitment to the Valuable 500, becoming a Disability Confident Employer on the Disability Confident scheme and becoming a member of the Business Disability Forum.
- We have partnered with 55/Redefined and work closely with them to become a better age inclusive employer and to create better solutions for our employees and customers over the age of 55.
- Partnership with SCOPE – all of our job ads are posted to the members of this national disability charity. We work closely with them and offer our services out to its members e.g. CV writing and interview skills workshops, hosting their member events.

**Directors' Report - continued**  
**for the Year Ended 31 December 2022**

**BOARD COMPOSITION AND DIRECTORS' RESPONSIBILITIES - continued**

- A hugely successful and well received International Women's Day event celebrating the careers and successes of women from across the business.
- Events organised in conjunction with Black History Month including a quiz to raise our people's awareness of race-related issues.
- A number of events and activities throughout Pride month to show solidarity with our LGBTQ+ colleagues.
- We continue to provide training to managers in relation to mental health and absence management.
- Gender pay gap has decreased from 15.9% in 2021 to 15.6% in 2022.
- Slater and Gordon employees now have the option to add their pronouns to their work email address.
- S+G partner with InterLaw Diversity Forum, a forum where they work to foster inclusion for all diverse, socially mobile and under-represented talent in the legal industry.
- Our lawyers also support, partner with and participate in fund-raising activities for a large number of charities, including charities supporting individuals and families impacted by cancer, disability and discrimination.

*Stakeholder relationships and engagement*

The Board is responsible for overseeing and fostering meaningful engagement with all stakeholders, including the workforce. Just as importantly, it has a responsibility to have a proper regard for their views when taking decisions.

Similarly, the Board understands its duty to treat clients, and each other, with mutual respect and trust. With this in mind, Slater and Gordon upholds a board-approved corporate and social responsibility strategy, which comprises three key areas: pro bono, community and the environment.

This works in concert with the business' evolving environmental policy, which includes the property strategy deliverables and document management strategy for the Group and is designed to introduce measures that will ultimately reduce the carbon footprint of the Group.

Together with the ongoing initiatives to promote the S+G Way, enhance dialogue with staff and stakeholders and manage risk, our commitment to social responsibility puts Slater + Gordon on a firm footing with regard to all stakeholder relationships and engagement.

To make Slater and Gordon as inclusive and supportive as possible, we also support an active Employee Assistance Programme, which is a confidential service designed to help staff with life's ups and downs, both at home and at work. This provides our colleagues with a range of professional services, including counselling, either over the telephone or face-to-face.

And because clients are always at the heart of our thinking, we also provide a formal complaints process for clients whereby the Client Care Team provides details of any complaints to senior management for further review and action. The Section 172 statement earlier in this document provides additional information relating to the Board and the Company's dialogue with stakeholders.

**ENERGY AND CARBON REPORTING**

The Group is committed to year-on-year improvements in its operational energy efficiency. Our total energy consumption for 2022 was 3,725,805 kWh (2021: 5,277,589 kWh). Our property strategy and Document Services Programme have enabled us to significantly reduce our property estate. The figures below represent the energy consumption and carbon emissions for the report period 1 January 2022 to 31 December 2022.

**Directors' Report - continued  
for the Year Ended 31 December 2022**

**ENERGY AND CARBON REPORTING - continued**

| Utility and scope         | Consumption<br>(kWh)         |                  | Consumption<br>(tCO <sub>2</sub> e) |              |
|---------------------------|------------------------------|------------------|-------------------------------------|--------------|
| Year                      | 2022                         | 2021             | 2022                                | 2021         |
| Grid-supplied electricity | 1,957,491                    | 2,375,125        | 379                                 | 504          |
| Gaseous and other fuels   | 1,217,886                    | 2,566,306        | 222                                 | 470          |
| Transportation            | 550,428                      | 336,158          | 127                                 | 78           |
| Total                     | <u>3,725,805</u>             | <u>5,277,589</u> | <u>728</u>                          | <u>1,052</u> |
| <b>Intensity Metric</b>   | <b>2022 Intensity Metric</b> |                  | <b>2021 Intensity Metric</b>        |              |
| (tCO <sub>2</sub> e)/FTE  | 0.60                         |                  | 0.75                                |              |

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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.

**GOING CONCERN**

The Directors have prepared financial projections for the foreseeable future, taking into account anticipated case intake, billing and costs, the aftermath of the Covid-19 pandemic, inflationary pressures and other macro-economic factors being influenced not just in the UK, but also globally. Having due consideration of the financial projections and the funding available to the Group, the Directors are of the opinion that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of signing these financial statements, and therefore consider it appropriate to prepare the financial statements on a going concern basis.

**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 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.



**Directors' Report - continued  
for the Year Ended 31 December 2022**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and the parent company 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 the parent Company 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

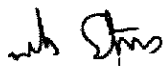
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In assessing the long-term strategy of the business, the Board completed a full assessment to identify the different consequences, including risk management considerations and scenarios that could arise from alternative decisions. Significant financial risks are routinely considered and disclosed in note 26.

**Approved by the Board of Directors and signed on its behalf by:**



.....  
N I Stoesser - Director

First Floor  
Lee House  
90 Great Bridgewater Street  
Manchester  
M1 5JW  
United Kingdom

Date: 24 January 2024

Independent Auditor's **Report** to the Members of  
Slater and Gordon UK Holdings Limited

Report on the audit of the financial statements

**Opinion**

In our opinion:

- the financial statements of Slater and Gordon UK Holdings Limited] (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the summary of significant accounting policy information; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

**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 group and the parent 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditor's **Report** to the Members of  
Slater and Gordon UK Holdings Limited - **continued**

**Other information - continued**

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

**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 group's and the parent 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 group or the parent 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included Health and Safety at Work legislation and the Solicitors Regulation Authority.

We discussed among the audit engagement team and relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **Independent Auditor's Report to the Members of Slater and Gordon UK Holdings Limited - continued**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud - continued**

As a result of performing the above, we identified the greatest potential for in the following areas, and our procedures performed to address them are described below:

- Revenue recognition pinpointed to accuracy and cut-off including valuation of work-in-progress;
  - We have obtained an understanding of the controls over the valuation of work-in-progress and revenue recognition based on the performance obligation being met;
  - We have tested the mathematical accuracy of the model used to value work-in-progress at year-end;
  - We have tested the revenue recognition criteria and the validity of work-in-progress by gathering audit evidence, including engagement letters, email correspondences, and relevant bills issued post year-end; and
  - Deloitte engaged analytics specialists to review the script logic used in the model to confirm its alignment with the methodology applied by management and understood by the audit team. Furthermore, we have compared the prior year valuation to the current year recovery to determine the historical accuracy of the model.
- Revenue recognition pinpointed to accuracy and occurrence of intercompany recharges;
  - We have obtained an understanding of relevant controls over the reasonableness of intercompany recharges;
  - We have assessed the reasonableness of agreements between the group entities;
  - We have tested the intercompany recharges on a sample basis to ensure they are in line with transfer pricing policy and legislation; and
  - We have reviewed and challenged the management paper on transfer pricing that is in line with HMRC requirements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **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 group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**Independent Auditor's Report to the Members of  
Slater and Gordon UK Holdings Limited - continued**

**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.

A handwritten signature in black ink, appearing to read 'Heather Crosby', with a long horizontal flourish extending to the right.

Heather J Crosby BSc ACA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester  
United Kingdom

Date: 26 January 2024

**Slater and Gordon UK Holdings Limited**

**Consolidated Statement of Comprehensive Income  
for the Year Ended 31 December 2022**

|                                                                             | Notes | 2022<br>Continuing<br>£'000 | 2022<br>Discontinued<br>£'000 | 2022<br>Total<br>£'000 | 2021<br>Continuing<br>£'000 | 2021<br>Discontinued<br>£'000 | 2021<br>Total<br>£'000 |
|-----------------------------------------------------------------------------|-------|-----------------------------|-------------------------------|------------------------|-----------------------------|-------------------------------|------------------------|
| <b>REVENUE</b>                                                              | 3     | 150,505                     | 4,653                         | 155,158                | 93,927                      | 18,673                        | 112,600                |
| Cost of sales                                                               |       | (285)                       | (1,399)                       | (1,684)                | (64)                        | (9,370)                       | (9,434)                |
| <b>GROSS PROFIT</b>                                                         |       | <u>150,220</u>              | <u>3,254</u>                  | <u>153,474</u>         | <u>93,863</u>               | <u>9,303</u>                  | <u>103,166</u>         |
| Other income                                                                | 4     | -                           | -                             | -                      | 364                         | 191                           | 555                    |
| Operating expenses                                                          |       | (98,706)                    | (16,120)                      | (114,826)              | (94,289)                    | (9,319)                       | (103,608)              |
| <b>OPERATING PROFIT/(LOSS) BEFORE<br/>NON-RECURRING ITEMS</b>               |       | <u>51,514</u>               | <u>(12,866)</u>               | <u>38,648</u>          | <u>(62)</u>                 | <u>175</u>                    | <u>113</u>             |
| Non-recurring items                                                         | 7     | (19,741)                    | (3,412)                       | (23,153)               | (8,131)                     | (4,162)                       | (12,293)               |
| Profit/(loss) on disposal of subsidiary                                     |       | -                           | 9,519                         | 9,519                  | -                           | (29)                          | (29)                   |
| <b>OPERATING PROFIT/(LOSS)</b>                                              |       | <u>31,773</u>               | <u>(6,759)</u>                | <u>25,014</u>          | <u>(8,193)</u>              | <u>(4,016)</u>                | <u>(12,209)</u>        |
| Net finance costs                                                           | 9     | (10,473)                    | (42)                          | (10,515)               | (10,208)                    | (221)                         | (10,429)               |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                                             |       | <u>21,300</u>               | <u>(6,801)</u>                | <u>14,499</u>          | <u>(18,401)</u>             | <u>(4,237)</u>                | <u>(22,638)</u>        |
| Income tax expense                                                          | 10    | (1,954)                     | -                             | (1,954)                | (2)                         | (149)                         | (151)                  |
| <b>PROFIT/(LOSS) AND TOTAL COMPREHENSIVE<br/>PROFIT/(LOSS) FOR THE YEAR</b> |       | <u>19,346</u>               | <u>(6,801)</u>                | <u>12,545</u>          | <u>(18,403)</u>             | <u>(4,386)</u>                | <u>(22,789)</u>        |

The notes on pages 25 to 52 form an integral part of these consolidated financial statements.

Slater and Gordon UK Holdings Limited

Consolidated Statement of Financial Position  
As at 31 December 2022

|                                      | Notes | 2022<br>£'000    | 2021<br>£'000    |
|--------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                        |       |                  |                  |
| <b>NON-CURRENT ASSETS</b>            |       |                  |                  |
| Intangible assets                    | 11    | 6,842            | 14,538           |
| Property, plant and equipment        | 12    | 3,691            | 10,366           |
| Work in progress                     | 14    | 18,487           | 16,924           |
| Trade and other receivables          | 15    | 69,750           | 16,017           |
|                                      |       | <u>98,770</u>    | <u>57,845</u>    |
| <b>CURRENT ASSETS</b>                |       |                  |                  |
| Deferred tax assets                  | 13    | -                | 2                |
| Work in progress                     | 14    | 108,064          | 124,109          |
| Trade and other receivables          | 15    | 74,676           | 150,528          |
| Cash and cash equivalents            | 16    | 28,330           | 11,519           |
|                                      |       | <u>211,070</u>   | <u>286,158</u>   |
| <b>TOTAL CURRENT ASSETS</b>          |       | <u>211,070</u>   | <u>286,158</u>   |
| <b>TOTAL ASSETS</b>                  |       | <u>309,840</u>   | <u>344,003</u>   |
| <b>LIABILITIES</b>                   |       |                  |                  |
| <b>CURRENT LIABILITIES</b>           |       |                  |                  |
| Trade and other payables             | 17    | (91,394)         | (141,978)        |
| Lease liabilities                    | 18    | (2,034)          | (3,086)          |
| Current tax                          |       | (1,431)          | (74)             |
| Provisions                           | 19    | (9,142)          | (6,330)          |
| Borrowings                           | 20    | (27,213)         | (31,370)         |
|                                      |       | <u>(131,214)</u> | <u>(182,838)</u> |
| <b>TOTAL CURRENT LIABILITIES</b>     |       | <u>(131,214)</u> | <u>(182,838)</u> |
| <b>NON-CURRENT LIABILITIES</b>       |       |                  |                  |
| Trade and other payables             | 17    | (75,951)         | (14,491)         |
| Lease liabilities                    | 18    | (4,992)          | (16,408)         |
| Provisions                           | 19    | (1,220)          | (1,666)          |
| Borrowings                           | 20    | -                | (43,484)         |
|                                      |       | <u>(82,163)</u>  | <u>(76,049)</u>  |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |       | <u>(82,163)</u>  | <u>(76,049)</u>  |
| <b>TOTAL LIABILITIES</b>             |       | <u>(213,377)</u> | <u>(258,887)</u> |
| <b>NET ASSETS</b>                    |       | <u>96,463</u>    | <u>85,116</u>    |
| <b>EQUITY</b>                        |       |                  |                  |
| Share premium                        | 21    | 22,584           | 23,901           |
| Other reserves                       | 21    | (5)              | (124)            |
| Retained earnings                    | 21    | 73,884           | 61,339           |
|                                      |       | <u>96,463</u>    | <u>85,116</u>    |
| <b>TOTAL EQUITY</b>                  |       | <u>96,463</u>    | <u>85,116</u>    |

Slater and Gordon UK Holdings Limited

Consolidated Statement of Financial Position - continued  
**As at 31 December 2022**

The notes on pages 25 to 52 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 24 January 2024 and were signed on its behalf by:



.....  
N I Stoesser - Director



Slater and Gordon UK Holdings Limited

Consolidated Statement of Changes in Equity  
for the Year Ended 31 December 2022

|                             | <b>Called up<br/>share<br/>capital<br/>£'000</b> | <b>Share<br/>premium<br/>£'000</b> | <b>Own<br/>shares<br/>£'000</b> | <b>Retained<br/>earnings<br/>£'000</b> | <b>Total<br/>equity<br/>£'000</b> |
|-----------------------------|--------------------------------------------------|------------------------------------|---------------------------------|----------------------------------------|-----------------------------------|
| Balance at 1 January 2021   | -                                                | 23,901                             | (124)                           | 84,128                                 | 107,905                           |
| Loss for the year           | -                                                | -                                  | -                               | (22,789 )                              | (22,789)                          |
| Balance at 31 December 2021 | -                                                | 23,901                             | (124)                           | 61,339                                 | 85,116                            |
| Issue of shares             | -                                                | 58                                 | 119                             | -                                      | 177                               |
| Own shares purchased        | -                                                | (1,375)                            | -                               | -                                      | (1,375)                           |
| Profit for the year         | -                                                | -                                  | -                               | 12,545                                 | 12,545                            |
| Balance at 31 December 2022 | -                                                | 22,584                             | (5)                             | 73,884                                 | 96,463                            |

The notes on pages 25 to 52 form an integral part of these consolidated financial statements.

Slater and Gordon UK Holdings Limited

Consolidated Statement of Cash Flows  
for the Year Ended 31 December 2022

|                                                                 | Notes | 2022<br>£'000   | 2021<br>£'000    |
|-----------------------------------------------------------------|-------|-----------------|------------------|
| <b>Operating activities</b>                                     |       |                 |                  |
| Profit/(loss) before tax from continuing operations             |       | 21,300          | (17,953)         |
| Loss before tax from discontinued operations                    |       | (6,801)         | (4,685)          |
| <b>Profit/(loss) before tax</b>                                 |       | <b>14,499</b>   | <b>(22,638)</b>  |
| <i>Adjustments for:</i>                                         |       |                 |                  |
| Depreciation of property, plant and equipment                   |       | 5,014           | 3,700            |
| Amortisation of intangible assets                               |       | 1,606           | 1,659            |
| Impairment of intangibles                                       |       | 6,090           | -                |
| Disposal of property, plant and equipment                       |       | -               | 121              |
| Disposal of right-of-use assets                                 |       | 2,301           | 608              |
| IFRS 16 lease modifications                                     |       | (12)            | 156              |
| Profit on the disposal of subsidiaries                          |       | (9,519)         | -                |
| Finance costs                                                   |       | 10,530          | 10,439           |
| Interest income                                                 |       | (15)            | (10)             |
| <b>Changes in working capital:</b>                              |       |                 |                  |
| Decrease/(increase) in work in progress                         |       | 14,482          | (690)            |
| Decrease in trade and other receivables                         |       | 22,119          | 712              |
| Increase in trade and other payables                            |       | 10,876          | 10,065           |
| Decrease in provisions                                          |       | (15,598)        | (920)            |
| <b>Cash generated from operations</b>                           |       | <b>62,373</b>   | <b>3,202</b>     |
| Interest received                                               |       | 15              | 10               |
| Interest paid                                                   |       | (3,958)         | (3,407)          |
| Interest paid on Shareholders loans                             |       | (17,291)        | -                |
| Income tax paid                                                 |       | -               | (920)            |
| <b>Net cash from operating activities</b>                       |       | <b>41,139</b>   | <b>(149,487)</b> |
| <b>Cash flows from investing activities</b>                     |       |                 |                  |
| Purchases of property, plant and equipment                      |       | (628)           | (41)             |
| Proceeds from disposal of subsidiary                            |       | 11,262          | 1,142            |
| Purchases of software development and assets under construction |       | -               | (2,785)          |
| <b>Net cash from investing activities</b>                       |       | <b>10,634</b>   | <b>1,684</b>     |
| <b>Cash flows from financing activities</b>                     |       |                 |                  |
| Issue of share capital                                          |       | 58              | -                |
| Purchase of own shares                                          |       | (1,375)         | -                |
| Shareholder loan (repayment) / drawdown                         |       | (29,488)        | 5,000            |
| Working capital facility loan repayment                         |       | (4,157)         | -                |
| Repayment of lease liabilities                                  |       | -               | (5,292)          |
| <b>Net cash from financing activities</b>                       |       | <b>(34,962)</b> | <b>(292)</b>     |
| Increase/(decrease) in cash and cash equivalents                |       | 16,811          | (2,256)          |
| Cash and cash equivalents at beginning of year                  |       | 11,519          | 13,775           |
| <b>Cash and cash equivalents at end of year</b>                 |       | <b>28,330</b>   | <b>11,519</b>    |

The notes on pages 25 to 52 form an integral part of these consolidated financial statements.

## 1. ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the consolidated group of Slater and Gordon UK Holdings Limited ("the Group") in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### a) Basis of preparation of the financial report

The parent company of the Group is Slater and Gordon UK Holdings Limited (the "Company"), a private company limited by shares, incorporated in England and Wales and domiciled in the United Kingdom ("UK") under the Companies Act 2006. The consolidated financial statements comprise the Company and its controlled entities set out in note 23, together referred to as the "Group" and individually as "Subsidiaries".

This financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom and the Companies Act 2006. The consolidated financial statements were authorised for issue by the Directors as at the date in the Directors' report.

The consolidated financial statements are presented in Pounds Sterling (GBP) which is the functional currency of the Company and all values are rounded to the nearest thousand pounds ('000), except when otherwise indicated.

The preparation of the consolidated financial statements requires the use of certain estimates and judgements in applying the Group's accounting policies. The estimates and judgements that are significant to the financial report are disclosed in note 2.

### *Historical cost convention*

The consolidated financial statements are prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

### *Impact of new and amendments to IFRS*

The Group adopted the following amendments to IFRS from 1 January 2021:

|                                |                                                                                            |
|--------------------------------|--------------------------------------------------------------------------------------------|
| Interest Rate Benchmark Reform | <i>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</i>                            |
| Amendments to IAS 1            | <i>Amendments to presentation of financial statements on classification of liabilities</i> |

The adoption of the amendments listed above did not have any impact on the amounts recognised in prior and current periods. No impact is expected in future periods.

### *Amendments to IFRS in issue but not yet effective*

At the date of authorisation of these financial statements, the Group has not applied the following amendments to IFRS that have been issued but are not yet effective:

|                                       |                                                                                               |
|---------------------------------------|-----------------------------------------------------------------------------------------------|
| IFRS 17                               | <i>Insurance Contracts (effective from 1 January 2023)</i>                                    |
|                                       | <i>Provisions, Contingent Liabilities and Contingent Assets (effective from January 2022)</i> |
| Annual improvements to IFRS 2018-2020 | <i>Effective from 1 January 2022</i>                                                          |

The Directors do not expect that the amendments to IFRS listed above will have a material impact on the financial statements of the Group in future periods.

1. ACCOUNTING POLICIES - continued

**b) Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all of its controlled entities. Control is achieved where the Company has the power to govern the financial and operating policies of an entity, has the rights to variable returns from its involvement with the entity and has the ability to use its power to affect its returns.

The financial statements of controlled entities are prepared using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All intercompany balances and transactions, including any unrealised profits or losses, are eliminated on consolidation. Controlled entities are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

**c) Business combinations**

The Group assesses each transaction to determine whether it is a business combination or an asset acquisition under IFRS 3 "Business Combinations". A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquired. Deferred consideration payable is measured at fair value. Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Goodwill is initially recognised as the excess over the consideration transferred at the acquisition date and the fair value of the identifiable assets acquired and liabilities assumed. The fair value of any non-controlling interest or previously held equity interest (in the case of a step acquisition) are added where relevant.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the gain is immediately recognised in the consolidated statement of comprehensive income as a gain from bargain purchase.

For an asset acquisition the cost of the assets and liabilities acquired are allocated on the basis of their relative fair value at the date of acquisition.

**d) Discontinued operations**

A discontinued operation is a component of the business that represents a separate major line of business that has been disposed of, is held for sale or abandoned. Classification as a discontinued operation occurs when the operation meets the criteria to be discontinued (either through abandonment or disposal) or when the operation meets the criteria to be classified as held for sale or to be abandoned, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and statement of cash flows are reclassified as if the operation had been discontinued from the start of the comparative period.

**e) Going concern**

The Directors have prepared financial projections for the foreseeable future, taking into account anticipated case intake, billing and costs, the aftermath of the Covid-19 pandemic, inflationary pressures and other macro-economic factors, including significant geopolitical issues. Having due consideration of the financial projections and the funding available to the Group, the Directors are of the opinion that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of signing these financial statements, and therefore consider it appropriate to prepare the financial statements on a going concern basis.

1. ACCOUNTING POLICIES - continued

**(f) Revenue**

*Legal services*

• *Personal injury law claims*

The personal injury law business operates a No Win - No Fee conditional fee arrangement, whereby fees are earned only in the event of a successful claim outcome. Contracts with customers comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim. Upon successful settlement, the performance obligations in the contract are satisfied.

The Group recognises revenue for personal injury matters over time and when a claim is highly probable on a portfolio basis of a successful outcome. Revenue represents the fair value of the consideration receivable in respect of services delivered during the year and is shown excluding disbursements. Where a contract has only been partially completed at the year-end date, revenue is recognised proportionally based on the stage of completion of the performance obligation.

• *Consumer legal services*

Revenue from the provision of consumer legal services is recognised over time when services are rendered based on the stage of completion of the single distinct performance obligation.

• *Collective actions*

Revenue from the provision of collective actions services is recognised over time when services are rendered based on the stage of completion of the single distinct performance obligation, when the claim is highly probable of a successful outcome. Certain collective actions matters are undertaken on a partially funded basis. In such arrangements, the funded portion of fees is recognised in line with the billing schedule and is not contingent on the successful outcome of the litigation.

The legal services revenue streams do not contain a significant financing component because a substantial amount of the consideration is variable and dependent on whether a future event occurs that is not within the control of the customer or the Group.

*Ancillary revenue - provision of non-legal services*

• *Vehicle hire and repair*

Revenue from the provision of car repair services is recognised on completion of all repair work and upon the customer taking back possession of the car.

Revenue from the provision of car hire and cost recovery services are recognised over the time that the services are performed, being the period between the commencement of the car hire and settlement of costs through the Third-Party Insurer ("TPI").

Accrued income is recorded based on the provision of car recovery services where the services provided overlap the year end date and the final invoice has not been billed to the customer.

**g) Government grants**

Government grants are recognised in the consolidated statement of comprehensive income on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. General government grants for which there is no specified purpose are recognised in other income.

**h) Non-recurring items**

Income or costs which are both material and exceptional or one-off in nature, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as non-recurring items. The Directors consider that the separate disclosure of these items assists in understanding the Group's financial performance.

1. ACCOUNTING POLICIES - continued

i) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except for borrowing costs incurred as part of the refinancing of the shareholder loan which are disclosed as other receivables in note 15. Borrowing costs includes finance charges in respect of leases and interest accrued on the shareholders' loan and working capital facility in place.

j) Taxation

*Income tax*

The tax expense for the year comprises of current and deferred tax and is recognised in the statement of comprehensive income. Under certain circumstances, tax is recognised either in other comprehensive income or directly in equity, depending on the item that the tax relates to.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the UK where the Group operates and generates taxable income.

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are determined using the current income tax charge defined above and is shown net in the statement of financial position.

Deferred tax assets are recognised to the extent that it is highly probable that future taxable profits will be available against which the temporary differences can be utilised. The 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.

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.

*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 payable to HMRC is included as part of current payables in the consolidated statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, HMRC.

k) Foreign currency translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year. Monetary items held under foreign currency contracts with an explicit exchange rate are translated at that contractual rate.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

1. ACCOUNTING POLICIES - continued

l) Intangible assets

*Software development costs*

Acquired software licenses and expenditure on developing software and other computer systems, providing they meet the criteria for recognition under IAS 38 "Intangible Asset", are capitalised and held at historic cost less accumulated amortisation and any accumulated impairment losses. Each asset is amortised from the date the asset is available for use on a straight-line basis over its finite useful economic life of 5-8 years.

Expenditure on research activities and maintenance of the software programmes is recognised as an expense in the period in which it is incurred.

*Assets under construction*

The recognition of assets held under construction is expenditure on developing software platforms that will benefit the Group in the future. Until the asset becomes fully operational for its intended use, no amortisation is charged. Once operational, these assets are transferred to software development costs and are amortised over its finite useful economic life of 5-8 years.

*Trademarks*

Trademarks acquired in a business combination are recognised at their fair value at the acquisition date (which is regarded as their cost). The fair value of trademarks is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. Trademarks have been assessed as having an infinite useful life and in accordance with IAS 36 "Impairment of Asset" are tested annually for impairment.

*Customer relationships*

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. They are assessed as having a finite useful life and are amortised over their useful economic life.

Amortisation of intangible assets is expensed to operating expenses on the face of the statement of comprehensive income.

m) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

*Depreciation*

The depreciable amounts of property, plant and equipment are depreciated over their estimated useful economic lives, commencing from the time the asset is ready for use. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates used for each class of assets are:

| Class of fixed asset                      | Depreciation rates | Depreciation method |
|-------------------------------------------|--------------------|---------------------|
| Fixtures, fittings and computer equipment | 3-5 years          | Straight Line       |
| Right-of-use assets                       | 1-15 years         | Straight Line       |
| Leasehold improvements                    | Length of lease    | Straight Line       |

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of comprehensive income.

1. ACCOUNTING POLICIES - continued

n) Impairment of assets

All property, plant and equipment and intangible assets are reviewed for impairment at each financial year end in accordance with IAS 36 "Impairment of Assets" if there is an indication that the carrying value of the asset may have been impaired.

An impairment loss is recognised for the amount at which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated using future estimated cash flows, discounted by the appropriate cost of capital resulting from the use of those assets. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Any impairment losses are recognised in the consolidated statement of comprehensive income.

o) Work in progress ("WIP")

Work in progress represents revenue from the provision of legal services which are highly probable of a successful outcome, which have not yet reached a conclusion and are not yet invoiced at the year end. The revenue is recognised in accordance with the accounting policy noted in 1f.

The Group allocates work in progress between current and non-current classifications based on a historical analysis of the rates of completion for the Group's work in progress balances to determine expected future timing of settlements. The Group allocates work in progress between current and non-current classifications based on a historical analysis of the rates of completion for the Group's work in progress balances to determine expected future timing of settlements.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and short-term deposits with an original maturity of three months or less. It includes any amounts held in escrow. For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding banking overdrafts.

Under the Solicitors Accounts Rules 2019 the Group is required to have a separate bank account to hold and receive client monies. This must be under the name of the relevant entity and the name of the account must also include the word 'client'. All client monies must be held in a client account. Client monies do not appear in the financial statements.

q) Trade and other receivables

Trade receivables are amounts due for services performed, completed and invoiced in the ordinary course of business. These are due for settlement within one year and are therefore all classified as current. Due to the short-term nature of the trade receivables, their fair value is considered to be equal to their carrying value.

Collectability of trade receivables is reviewed at each reporting date. Management considers whether an impairment of trade receivables 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. These are recognised in the statement of comprehensive income.

The Group acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the customer or on their behalf. Disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred. The amount of any expected reimbursement is reduced by an allowance for non-recovery based on past experience.



Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

1. ACCOUNTING POLICIES - continued

q) Trade and other receivables - **continued**

The Group applies the IFRS 9 "Financial Instruments" simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables, work in progress and disbursements, which are grouped based on shared credit and market risk characteristics and days overdue. For balances in consumer legal services, the expected loss rates are based on the three-year historic default rate experienced for each aged group of items. For all other business units, there is no history of credit loss owing to the nature of the counterparties. The average expected credit loss rates for consumer legal services is detailed as follows:

|                   | 2022    | 2021    |
|-------------------|---------|---------|
| Trade receivables |         |         |
| 0 - 30 days       | 0.97%   | 1.97%   |
| 31 - 60 days      | 1.02%   | 4.34%   |
| 61 - 90 days      | 2.46%   | 6.20%   |
| 91 + days         | 100.00% | 100.00% |
| Disbursements     | 1.2%    | 1.97%   |
| Work in progress  | 2.35%   | 1.97%   |

The expected credit loss provision movement is recognised in the consolidated statement of comprehensive income.

Accrued income represents the revenue recognised in accordance with the Group's revenue recognition policy to the extent it has not been invoiced. Due to the short-term nature of accrued income, fair value is considered to be equal to carrying value.

r) Trade and other payables

Trade payables, accruals and legal creditors are obligations to pay for services provided to the Group prior to the end of the financial year that are unpaid. Trade payables, accruals and legal creditors are classified as current liabilities if payment is due within one year.

The Group has a working capital facility in place whereby a third party will lend on expected agreed costs and paid disbursements and liability admitted work in progress on personal injury (No Win-No Fee) cases. This facility is disclosed in borrowings.

s) Employee benefits

*Short-term employee benefit obligations*

Liabilities for wages and salaries, annual leave and any other employee benefits that are expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented in other payables.

*Defined contribution pension plan*

The Group contributes to a defined contribution plan in respect of employee services rendered during the year. The Group recognises a liability and an expense as they are incurred. The pension liability is presented in social security and pension payable in the consolidated statement of financial position.

*Termination benefits*

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits when the Group can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted and presented as non-current liabilities.

1. ACCOUNTING POLICIES - continued

t) Leases

A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of a lease, a right-of-use asset and a lease liability are recognised in the consolidated financial statements.

The lease liability is initially measured at the present value of expected future lease payments discounted at the interest rate implicit in the lease. Lease incentives are recognised as part of the measurement of the lease liability. In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options or break clauses are only included in the lease term if the lease is reasonably certain to not be terminated. Subsequently the lease liability decreases by the lease payments made, offset by the interest on the liability which is recognised as a finance cost in the statement of comprehensive income.

The right-of-use asset is initially measured at cost, being the value of the lease liability at the commencement date. The asset is depreciated on a straight-line basis over the expected term of the lease and is tested for impairment in accordance with IAS 36 "Impairment of Asset".

The Group has elected to use the recognition exemptions 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 £4,000) which are expensed to administrative expenses on a straight-line basis over the term of the lease.

u) Provisions

Provisions for liabilities are recognised when the Group has a present, legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

v) Financial instruments

*Classification*

The Group classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value;
- Those to be measured at amortised cost; or
- Those to be measured at the present value, where future cash flows have been discounted.

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings, lease liabilities, provisions 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.

*Financial assets*

The Group holds financial assets at fair value consisting of trade and other receivables and cash and cash equivalents.

*Impairment of financial assets*

Financial assets are reviewed for impairment at each financial year end in accordance with IAS 36 "Impairment of Asset" if there is an indication that the carrying value of the asset may have been impaired. For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition.

1. ACCOUNTING POLICIES - continued

v) Financial instruments - **continued**

*Financial liabilities*

Financial liabilities include trade and other payables, lease liabilities and loans and borrowings. Non-derivative financial liabilities are recognised at present value, comprising the original debt plus interest less principal payments. The implied interest expense is recognised in the consolidated statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income.

Lease liabilities are held at the present value of expected future payments discounted at the interest rate implicit in the lease. Liabilities are classified as current if the obligation falls due within one year.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies, the carrying amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

a) Critical judgements in applying the Group's accounting policies

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

***Revenue recognition - Performance obligation and stage of completion***

Management is required to assess the single distinct performance obligation in a contract. Some personal injury contracts contain multiple deliverables but given the significant integration of services, these are collectively considered to represent a single distinct performance obligation, which is the pursuit of the successful settlement of a customer's claim. The Group has some contractual arrangements outside of personal injury matters that include multiple performance obligations. In these instances, the transaction price is allocated to the performance obligations on a relative standalone selling price basis as identified in the contract.

Management is required to make judgements in determining the progress of a case as it reaches completion of the performance obligation. A stage of completion approach is used to measure progress. Revenue is recognised when the significant risks and rewards of a service is transferred to the customer or, when the claim is highly probable of a successful outcome. Where a contract has only been partially completed at the year-end date, the fair value of revenue is recognised if the consideration can be measured reliably. The stage of completion is either linked to specific key stages in the life of a case based on a review of the work required to be done at each stage or the age of a case, depending on the nature of the matter.

b) Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period(s) to which they relate.

***Impairment of intangible assets***

Following the assessment of the recoverable amount of the trademark acquired in a prior business combination, the fair value is considered recoverable by the Directors. The sensitivity analysis in respect of the recoverable amount for the Trademark shows no indications of an impairment.

Management has estimated the future income attributable to the trademark and has used applicable royalty rates and discount rate. Budgets used include forecasts of revenue based on current and anticipated market conditions that have been considered and approved by the Board. Naturally, the revenue projections are uncertain due to the nature of the business and variable market conditions. Revenue is most sensitive to changes in the revenue attributable to each business sector, particularly surrounding the personal injury services given that this is the largest service provided by the Group.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

## b) Key sources of estimation uncertainty - continued

*Provision for claims against the Group*

The liability represents the cost of open and potential future claims in process at the year-end brought against the Group by former customers. In estimating the fair value of the liability, management uses market-observable data, to the extent it is available, which is based on past experience and historical performance of similar matters and expected reimbursed expense on a case-by-case basis. The provision estimate reflects the potential amount payable by the Group under its Professional Indemnity Insurance Policy based on historical information and facts pertinent to the individual claim if material. The carrying value of the provision for claims is detailed in note 19.

*Revenue recognition - Estimating the transaction price*

The Group provides various legal services on the basis of No Win - No Fee conditional fee arrangements. The uncertainty around the fees received under these types of contracts is generally only resolved when a matter is concluded.

Management uses the expected value method to assess past experience and historical performance of similar contracts to estimate the probability of a successful outcome of a case. The estimated amount of consideration is based on the expected fee for the nature of the legal service provided with reference to historical fee levels and the relative probability rates of successful and unsuccessful outcomes.

In some circumstances, the Group has limited historical experience with similar contracts and thus management are required to use judgement to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded. Revenue generated from legal services is detailed in note 3.

## 3. REVENUE

|                      | 2022<br>Continuing<br>£'000 | 2022<br>Discontinued<br>£'000 | 2022<br>Total<br>£'000 | 2021<br>Continuing<br>£'000 | 2021<br>Discontinued<br>£'000 | 2021<br>Total<br>£'000 |
|----------------------|-----------------------------|-------------------------------|------------------------|-----------------------------|-------------------------------|------------------------|
| Legal services       | 149,954                     | 2,745                         | 152,699                | 93,927                      | -                             | 93,927                 |
| Ancillary revenue    | 551                         | 1,908                         | 2,459                  | -                           | 18,673                        | 18,673                 |
| <b>Total revenue</b> | <b>150,505</b>              | <b>4,653</b>                  | <b>155,158</b>         | <b>93,927</b>               | <b>18,673</b>                 | <b>112,600</b>         |
| <b>PI</b>            | 52,214                      | 769                           | 52,983                 |                             |                               |                        |
| <b>Non-PI</b>        | 98,291                      | 3,884                         | 102,175                |                             |                               |                        |
| <b>Total revenue</b> | <b>150,505</b>              | <b>4,653</b>                  | <b>155,158</b>         |                             |                               |                        |

Continuing Non-PI revenue represents revenue from primarily the Court of Protection, Employment, Family, Costs and Collective Actions businesses which in 2022 included the VW settlement. Revenue is solely derived in the United Kingdom.

## 4. OTHER INCOME

|                          | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------|---------------|---------------|
| <b>Government grant:</b> |               |               |
| Continuing operations    | -             | 364           |
| Discontinued operations  | -             | 191           |
|                          | -             | 555           |

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

4. **OTHER INCOME - continued**

The Group used the Coronavirus Job Retention Scheme in the year ended 31 December 2021. This resulted in the Group receiving a government grant which provided funding for salaries of employees whose roles were impacted by the Covid-19 pandemic. The total receipt is shown gross since the grant has no conditions attaching to it.

5. **EMPLOYEES AND DIRECTORS**

The aggregate employee benefit expense, including Directors, comprised:

|                                                           | 2022<br>Continuing<br>£'000 | 2022<br>Discontinued<br>£'000 | 2021<br>Continuing<br>£'000 | 2021<br>Discontinued<br>£'000 |
|-----------------------------------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Wages and salaries                                        | 48,116                      | 1,897                         | 52,132                      | 3,871                         |
| Social security costs                                     | 5,071                       | 245                           | 5,620                       | 328                           |
| Contribution to defined contribution pension arrangements | 2,929                       | 144                           | 3,617                       | 92                            |
| <b>Total aggregate employee benefits</b>                  | <b>56,116</b>               | <b>2,286</b>                  | <b>61,369</b>               | <b>4,291</b>                  |

Pension arrangement costs includes the defined contribution plan costs included within operating costs.

The monthly average number of people, including Directors, employed by the Group during the year was:

|                          | 2022<br>Continuing | 2022<br>Discontinued | 2021<br>Continuing | 2021<br>Discontinued |
|--------------------------|--------------------|----------------------|--------------------|----------------------|
| <b>Headcount by type</b> |                    |                      |                    |                      |
| Fee earner               | 560                | 36                   | 692                | -                    |
| Legal support            | 181                | 9                    | 200                | 2                    |
| Shared services          | 539                | 50                   | 687                | 155                  |
| <b>Total</b>             | <b>1,280</b>       | <b>95</b>            | <b>1,579</b>       | <b>157</b>           |

Discontinued operations had an average headcount for the year ended 31 December 2022 of 95 (2021: 157).

6. **DIRECTORS' REMUNERATION**

|                       | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------|---------------|---------------|
| Directors' emoluments | 1,500         | 1,243         |

During the year ended 31 December 2022 remuneration was paid to six (2021: five) Directors.

The highest paid Director received remuneration, including termination benefits, of £611,531 (2021: £363,000).

The termination benefits included in the figure above, totalled £139,559 (2021: £nil) and are included in non-recurring items in the statement of comprehensive income.

During the year no (2021: no) Directors participated in the defined contribution pension arrangements.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 7. OPERATING PROFIT/(LOSS)

The following items have been charged to the Consolidated Statement of Comprehensive Income to arrive at the operating profit/(loss):

|                                                                          | 2022<br>£'000     | 2021<br>£'000     |
|--------------------------------------------------------------------------|-------------------|-------------------|
| Amortisation of intangible assets                                        | 1,606             | 1,659             |
| Impairment of intangible assets                                          | 6,090             | -                 |
| Depreciation of property, plant and equipment                            | 5,014             | 3,700             |
| Loss on disposal of property, plant and equipment                        | -                 | 41                |
| Loss on disposal of right-of-use assets                                  | 2,301             | 554               |
| IFRS 16 lease modifications                                              | 15                | 156               |
| Auditor's remuneration for the audit of the Group's financial statements | 336               | 253               |
|                                                                          | <u>          </u> | <u>          </u> |

## a) Fees payable to the Company's auditors

|                                                                  | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| Audit and audit-related services                                 |               |               |
| Continuing operations:                                           |               |               |
| Audit of the Company and Group financial statements              | 56            | 45            |
| Audit of the financial statements of subsidiaries of the Company | 184           | 160           |
| Other audit services (Solicitor Regulation Act)                  | 61            | 48            |
| Total audit services for continuing operations                   | <u>301</u>    | <u>253</u>    |

|                                                                  | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| <b>Discontinued operations:</b>                                  |               |               |
| Audit of the financial statements of subsidiaries of the Company | 35            | 100           |
| Total audit services for discontinued operations                 | <u>35</u>     | <u>100</u>    |
| Total audit and audit-related services                           | <u>336</u>    | <u>353</u>    |

## b) Reconciliation of operating profit / (loss) to EBITDA

|                                               | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------------------------------|---------------|---------------|
| Continuing operations:                        |               |               |
| Operating profit/(loss)                       | 31,773        | (8,193)       |
| IFRS 16 lease modifications                   | 15            | 156           |
| Amortisation of intangible assets             | 1,606         | 1,657         |
| Impairment of intangible assets               | 1,554         | -             |
| Depreciation of property, plant and equipment | 5,014         | 3,468         |
| Non-recurring items                           | 19,741        | 8,131         |
| <b>EBITDA</b>                                 | <u>59,703</u> | <u>5,219</u>  |

The Group calculates EBITDA as operating profit / (loss) before interest, tax, depreciation, amortisation, effects of IFRS 16 lease modifications, loss on share issuance and excludes non-recurring items.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 7. OPERATING PROFIT / (LOSS) - continued

## c) Non-recurring items

|                                     | 2022<br>£'000 | 2021<br>£'000 |
|-------------------------------------|---------------|---------------|
| <b>Continuing operations</b>        |               |               |
| Redundancies                        | 919           | 2,068         |
| Restructuring costs                 | 253           | 5,553         |
| Legacy litigation                   | 641           | 510           |
| Increase in disbursements provision | 16,470        | -             |
| Manchester office move              | 1,458         | -             |
|                                     | <u>19,741</u> | <u>8,131</u>  |
| <b>Discontinued operations</b>      |               |               |
| Restructuring costs                 | -             | 4,162         |
| Increase in disbursements provision | 3,412         | -             |
|                                     | <u>3,412</u>  | <u>4,162</u>  |

Non-recurring items are costs or income that have been recognised in the statement of comprehensive income which the Directors believe, due to their nature or size, should be disclosed separately to give a more comparable view of year-on-year underlying performance. Non-recurring items include costs associated with, but not limited to, restructuring the business including redundancies and legal costs.

Redundancy costs of £0.9 (2021: £2.1m) relate to early termination of staff employment due to the restructuring of the Group.

Restructuring costs totalling £0.3m (2021: £9.7m).

The Group has incurred costs of £0.6m (2021: £0.5m) associated with resolving various historical disputes.

In 2022 the Group reached an agreement to exit its Manchester Mosely Street office. This process was completed in 2023 with the Group moving to new premises in Manchester. Also, in 2022 the Group performed a detailed review of its suppliers and partners as part of the refocus on higher value, more complex legal services. This review resulted in the exiting of certain supplier and partner relationships and the write-off of related unrecoverable amounts.

Non-recurring items in discontinued operations totalled £3.4m and comprised additional provisions against disbursements on SCT cases (2021: £4.3m comprising restructuring costs).

Restructuring costs in 2021 included £4.2m in relation to additional asset provisions and onerous contracts in discontinued operations, together with £5.6m for office closures and relocations, and expenditure on technology.

## 8. DISCONTINUED OPERATIONS

During the year ended 31 December 2022, under the criteria of IFRS 5 "Non-current assets held for sale and discontinued operations", the Group has classified three businesses and three practices areas (seen as being non-core) as discontinued operation:

- Overland Group (Overland Health Limited, Overland Malta Trading Limited, Overland Limited) ("Health")
- Adroit Financial Planning Limited ("Adroit")
- SGS Business Process Services (UK) Limited ("Motor")
- Small Claims Track ("SCT") (practice area)
- Residential Conveyancing ("Rescon") (practice area)
- Crime (practice area)

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 8. DISCONTINUED OPERATIONS - continued

The results of the discontinued operations, which have been included in the consolidated statement of comprehensive income, were as follows:

|                                                         | Year ended 31 December 2022 |                 |                |                 |                |              |                |
|---------------------------------------------------------|-----------------------------|-----------------|----------------|-----------------|----------------|--------------|----------------|
|                                                         | Health<br>£'000             | Adroit<br>£'000 | Motor<br>£'000 | ResCon<br>£'000 | Crime<br>£'000 | SCT<br>£'000 | Total<br>£'000 |
| Discontinued operations                                 |                             |                 |                |                 |                |              |                |
| Revenue                                                 | 7                           | 2,012           | 1,901          | (50)            | 14             | 769          | 4,653          |
| Cost of sales                                           | (2)                         | (37)            | (1,351)        | (7)             | (2)            | -            | (1,399)        |
| Gross profit                                            | 5                           | 1,975           | 550            | (57)            | 12             | 769          | 3,254          |
| Other Income                                            | -                           | -               | -              | -               | -              | -            | -              |
| Operating expenses before non-recurring items           | (72)                        | (4,650)         | (3,674)        | (942)           | (100)          | (6,682)      | (16,120)       |
| Operating profit/(loss) before non-recurring items      | (67)                        | (2,675)         | (3,124)        | (999)           | (88)           | (5,913)      | (12,866)       |
| Pre tax loss on disposal of Non-recurring items         | -                           | 9,519           | -              | -               | -              | -            | 9,519          |
|                                                         | -                           | -               | -              | -               | -              | (3,412)      | (3,412)        |
| Operating profit/(loss)                                 | (67)                        | 6,844           | (3,124)        | (999)           | (88)           | (9,325)      | (6,759)        |
| Net finance costs                                       | -                           | -               | (42)           | -               | -              | -            | (42)           |
| Profit/(loss) before tax                                | (67)                        | 6,844           | (3,166)        | (999)           | (88)           | (9,325)      | (6,801)        |
| Income tax (expenses)/credit                            | -                           | -               | -              | -               | -              | -            | -              |
| Profit/(loss) for the year from discontinued operations | (67)                        | 6,844           | (3,166)        | (999)           | (88)           | (9,325)      | (6,801)        |



Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 8. DISCONTINUED OPERATIONS - continued

|                                                         | Year ended 31 December 2021 |                 |                |                 |                |              |                |
|---------------------------------------------------------|-----------------------------|-----------------|----------------|-----------------|----------------|--------------|----------------|
|                                                         | Health<br>£'000             | Adroit<br>£'000 | Motor<br>£'000 | ResCon<br>£'000 | Crime<br>£'000 | SCT<br>£'000 | Total<br>£'000 |
| Discontinued operations                                 |                             |                 |                |                 |                |              |                |
| Revenue                                                 | 1,687                       | 2,159           | 12,633         | 247             | 813            | 1,134        | 18,673         |
| Cost of sales                                           | (1,034)                     | (27)            | (8,290)        | (17)            | (2)            | -            | (9,370)        |
| Gross profit                                            | <b>653</b>                  | <b>2,132</b>    | <b>4,343</b>   | <b>230</b>      | <b>811</b>     | <b>1,134</b> | <b>9,303</b>   |
| Other Income                                            | -                           | -               | 191            | -               | -              | -            | 191            |
| Operating expenses before non-recurring items           | 882                         | (1,577)         | (6,342)        | (1,223)         | (779)          | (280)        | (9,319)        |
| Operating profit/(loss) before non-recurring items      | <b>1,535</b>                | <b>(555)</b>    | <b>(1,808)</b> | <b>(993)</b>    | <b>32</b>      | <b>(854)</b> | <b>175</b>     |
| Pre tax loss on disposal of Non-recurring items         | (29)                        | -               | -              | -               | -              | -            | (29)           |
|                                                         | (301)                       | -               | (3,861)        | -               | -              | -            | (4,162)        |
| Operating profit/(loss)                                 | <b>1,205</b>                | <b>555</b>      | <b>(5,669)</b> | <b>(993)</b>    | <b>32</b>      | <b>854</b>   | <b>(4,016)</b> |
| Net finance costs                                       | (1)                         | -               | (220)          | -               | -              | -            | (221)          |
| Profit/(loss) before tax                                | <b>1,204</b>                | <b>555</b>      | <b>(5,889)</b> | <b>(993)</b>    | <b>32</b>      | <b>(854)</b> | <b>(4,237)</b> |
| Income tax (expenses)/credit                            | (148)                       | (1)             | -              | -               | -              | -            | (149)          |
| Profit/(loss) for the year from discontinued operations | <b>1,056</b>                | <b>554</b>      | <b>(5,889)</b> | <b>(993)</b>    | <b>32</b>      | <b>854</b>   | <b>(4,386)</b> |

## a) Disposal of Adroit Financial Planning Limited

|                                                        | £'000         |
|--------------------------------------------------------|---------------|
| Trade and other receivables                            | 750           |
| Cash and cash equivalents                              | 189           |
| Trade and other payables                               | (196)         |
| Net assets                                             | 743           |
| Other disposal costs                                   | 1,000         |
| Profit on disposal recognised in profit for the period | 9,519         |
| Total consideration                                    | <b>11,262</b> |

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 9. NET FINANCE COST

|                               | 2022<br>Continuing<br>£'000 | 2022<br>Discontinued<br>£'000 | 2022<br>Total<br>£'000 | 2021<br>Continuing<br>£'000 | 2021<br>Discontinued<br>£'000 | 2021<br>Total<br>£'000 |
|-------------------------------|-----------------------------|-------------------------------|------------------------|-----------------------------|-------------------------------|------------------------|
| Interest receivable           |                             |                               |                        |                             |                               |                        |
| On deposits                   | 14                          | 1                             | 15                     | 9                           | 1                             | 10                     |
| Interest payable              |                             |                               |                        |                             |                               |                        |
| Shareholders' loan            | (3,294)                     | -                             | (3,294)                | (4,684)                     | -                             | (4,684)                |
| Lease liabilities             | (3,255)                     | (42)                          | (3,298)                | (2,126)                     | (222)                         | (2,348)                |
| Working capital facility      | (3,938)                     | -                             | (3,938)                | (3,407)                     | -                             | (3,407)                |
| <b>Total interest payable</b> | <b>(10,487)</b>             | <b>(42)</b>                   | <b>(10,530)</b>        | <b>(10,217)</b>             | <b>(222)</b>                  | <b>(10,439)</b>        |
| <b>Net finance costs</b>      | <b>(10,473)</b>             | <b>(42)</b>                   | <b>(10,515)</b>        | <b>(10,208)</b>             | <b>(221)</b>                  | <b>(10,429)</b>        |

## 10. INCOME TAX

|                                                      | 2022<br>Continuing<br>£'000 | 2022<br>Discontinued<br>£'000 | 2022<br>Total<br>£'000 | 2021<br>Continuing<br>£'000 | 2021<br>Discontinued<br>£'000 | 2021<br>Total<br>£'000 |
|------------------------------------------------------|-----------------------------|-------------------------------|------------------------|-----------------------------|-------------------------------|------------------------|
| Current tax                                          |                             |                               |                        |                             |                               |                        |
| Overseas current tax                                 | -                           | -                             | -                      | -                           | 40                            | 40                     |
| UK current tax                                       | 1,852                       | -                             | 1,852                  | -                           | -                             | -                      |
| Adjustment for current tax relating to prior periods | 102                         | -                             | 102                    | 3                           | 9                             | 12                     |
| <b>Tax expense on profit before taxation</b>         | <b>1,954</b>                | <b>-</b>                      | <b>1,954</b>           | <b>3</b>                    | <b>148</b>                    | <b>151</b>             |

## Factors affecting the tax expense

The differences in tax expense between the standard rate of corporation tax in the UK are explained below:

|                                                                                                | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------------------------------------------------------------------------|---------------|---------------|
| Profit/(loss) before income tax                                                                | 14,499        | (22,638)      |
| Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%) | 2,755         | (4,301)       |
| Effects of:                                                                                    |               |               |
| Expenses not deductible for tax purposes                                                       | 2,302         | 1,272         |
| Non-taxable income on disposal of subsidiary                                                   | (1,843)       | (440)         |
| Adjustments in respect of prior periods                                                        | 3             | 111           |
| Difference in overseas tax rate                                                                | -             | (113)         |
| Deferred tax assets not recognised                                                             | (1,261)       | 3,622         |
| Group relief (claimed)/surrendered                                                             | (2)           | -             |
| <b>Tax expense</b>                                                                             | <b>1,954</b>  | <b>151</b>    |

An increase to the UK corporation tax rate from 19% to 25% was announced in the 2021 Budget and was substantively enacted on 24 May 2021, effective from 1 April 2023. The changes in tax rates do not have a current impact on the recognition of deferred tax at 31 December 2022. Any future recognition of deferred tax assets will be assessed on an annual basis as appropriate.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 11. INTANGIBLE ASSETS

| Group                 | Software<br>development<br>£'000 | Trademarks<br>£'000 | Customer<br>relationships<br>£'000 | Acquired<br>intangibles<br>£'000 | Total<br>£'000 |
|-----------------------|----------------------------------|---------------------|------------------------------------|----------------------------------|----------------|
| <b>COST</b>           |                                  |                     |                                    |                                  |                |
| At 1 January 2022     |                                  |                     |                                    |                                  |                |
| and 31 December 2022  | 10,407                           | 5,726               | 1,096                              | 4,835                            | 22,064         |
| <b>AMORTISATION</b>   |                                  |                     |                                    |                                  |                |
| At 1 January 2022     | 4,317                            | -                   | 1,096                              | 2,113                            | 7,526          |
| Amortisation for year | -                                | 1,483               | -                                  | 123                              | 1,606          |
| Impairment            | 6,090                            | -                   | -                                  | -                                | 6,090          |
| At 31 December 2022   | 10,407                           | 1,483               | 1,096                              | 2,236                            | 15,222         |
| <b>NET BOOK VALUE</b> |                                  |                     |                                    |                                  |                |
| At 31 December 2022   | -                                | 4,243               | -                                  | 2,599                            | 6,842          |
| At 31 December 2021   | 6,090                            | 5,726               | -                                  | 2,722                            | 14,538         |

Software development included expenditure on portal systems recognised at cost. The portals facilitated the provision of accessible legal solutions for customers through technology. These were transferred to software development and were amortised on a straight-line basis over an estimated useful economic life of 5 years. In 2022 development expenditure with a net book value of £4,536k relating to the portal for SCT cases was fully impaired as the Group exited this sector of the market. This impairment is included in discontinued activities.

Trademarks are an indefinite life intangible asset, which were acquired through business combinations and have been allocated to individual cash generating units ("CGUs") in the UK business for the purposes of impairment testing.

The recoverable amount of indefinite life intangible asset allocated to each of the CGUs has been determined based on a value in use calculation as required by IAS 36 "Impairment of Assets". This uses financial budgets and cash flow projections approved by senior management.

The value in use is compared to the net carrying amount of the CGU. If the calculated value in use exceeds the net carrying amount, no impairment loss is recorded. In 2022 the value of trademarks was impaired based on the above review of carrying value.

The customer relationships were recognised at their fair value at the date of acquisition and have been subsequently amortised on a straight - line basis, based on the timing of the projected cash flows on the contracts over their estimated useful economic lives.

Included within acquired intangibles are software licences and fair value adjustments for WIP acquired as part of a previous business combination. Software licences were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis, based on the timing of the projected cash flows on the contracts over their estimated useful economic lives. WIP is recognised at the present value of its future profit and is amortised in line with the realisation of these profits.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 12. PROPERTY, PLANT AND EQUIPMENT

## Group

|                       | Fixtures, fittings<br>and computer<br>equipment<br>£'000 | Right-of-use<br>assets<br>£'000 | Total<br>£'000 |
|-----------------------|----------------------------------------------------------|---------------------------------|----------------|
| <b>COST</b>           |                                                          |                                 |                |
| At 1 January 2022     | 6,205                                                    | 13,907                          | 20,112         |
| Additions             | 339                                                      | -                               | -              |
| Disposals             | -                                                        | (3,616)                         | (3,616)        |
| Remeasurement         | 289                                                      | (1,469)                         | (1,180)        |
| At 31 December 2022   | <u>6,833</u>                                             | <u>8,822</u>                    | <u>15,655</u>  |
| <b>DEPRECIATION</b>   |                                                          |                                 |                |
| At 1 January 2022     | 3,168                                                    | 6,578                           | 9,746          |
| Charge for the year   | 3,110                                                    | 1,904                           | 5,014          |
| Disposals             | -                                                        | (1,315)                         | (1,315)        |
| Remeasurement         | -                                                        | (1,481)                         | (1,481)        |
| At 31 December 2022   | <u>6,278</u>                                             | <u>5,686</u>                    | <u>11,964</u>  |
| <b>NET BOOK VALUE</b> |                                                          |                                 |                |
| At 31 December 2022   | <u>555</u>                                               | <u>3,136</u>                    | <u>3,691</u>   |
| At 31 December 2021   | <u>3,037</u>                                             | <u>7,329</u>                    | <u>10,366</u>  |

Right-of-use assets comprise properties and computer equipment under leases within the scope of IFRS 16. The IFRS 16 lease modifications have arisen from changes to payment terms of the lease obligations.

## 13. DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items due to the future taxable profits not being highly probable:

|                                     | 2022<br>£'000 | 2021<br>£'000 |
|-------------------------------------|---------------|---------------|
| Tax losses                          | 90,487        | 92,857        |
| Property, plant and equipment       | 3,982         | 3,143         |
| Other short-term timing differences | 161           | 250           |
| Deferred tax asset not recognised   | <u>94,630</u> | <u>96,250</u> |

Deferred tax relates to the following:

|                                | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------|---------------|---------------|
| Maltese refundable tax credit  | -             | 2             |
| Property, plant and equipment  | 1,109         | 2,044         |
| Revenue losses carried forward | (1,109)       | (2,044)       |
|                                | <u>-</u>      | <u>2</u>      |

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

14. **WORK IN PROGRESS**

|             | 2022           | 2021           |
|-------------|----------------|----------------|
|             | £'000          | £'000          |
| Non-current | 18,487         | 16,924         |
| Current     | 108,064        | 124,109        |
|             | <u>126,551</u> | <u>141,033</u> |

15. **TRADE AND OTHER RECEIVABLES**

|                     | 2022           | 2021           |
|---------------------|----------------|----------------|
|                     | £'000          | £'000          |
| <b>Current:</b>     |                |                |
| Trade receivables   | 8,023          | 16,413         |
| Other receivables   | 2,964          | 7,062          |
| VAT receivables     | 4,591          | 2,877          |
| Accrued income      | 66             | 834            |
| Prepayments         | 3,271          | 5,884          |
| Disbursements       | 55,761         | 117,458        |
|                     | <u>74,676</u>  | <u>150,528</u> |
| <b>Non-current:</b> |                |                |
| Disbursements       | 69,750         | 16,017         |
|                     | <u>69,750</u>  | <u>16,017</u>  |
| Aggregate amounts   | <u>144,426</u> | <u>166,545</u> |

Trade receivables are reported net, after charging a provision for non-recovery of £10.8m (2021: £9.9m).

Disbursements are reported net, after charging a provision for non-recovery of £25.4m (2021: 34.1m) on current and £33.3m (2021: £4.6m) on non-current.

The fair value of trade receivables, accrued income, disbursements, prepayments and other receivables are considered to be equal to their carrying amount.

16. **CASH AND CASH EQUIVALENTS**

|                          | 2022          | 2021          |
|--------------------------|---------------|---------------|
|                          | £'000         | £'000         |
| Cash at bank and in hand | <u>28,330</u> | <u>11,519</u> |

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

17. TRADE AND OTHER PAYABLES

|                                   | 2022<br>£'000  | 2021<br>£'000  |
|-----------------------------------|----------------|----------------|
| <b>Current:</b>                   |                |                |
| Trade payables                    | 5,432          | 8,323          |
| Legal creditors                   | 60,034         | 106,267        |
| Social security & pension payable | 2,495          | 3,026          |
| Accruals                          | 21,920         | 19,441         |
| Other payables                    | 1,513          | 4,921          |
|                                   | <u>91,394</u>  | <u>141,978</u> |
| <b>Non-current:</b>               |                |                |
| Legal creditors                   | <u>75,951</u>  | <u>14,491</u>  |
| Aggregate amounts                 | <u>167,345</u> | <u>156,469</u> |

18. LEASE LIABILITIES

The lease liabilities reported in the statement of financial position comprise:

|                                        | 2022<br>£'000  | 2021<br>£'000  |
|----------------------------------------|----------------|----------------|
| Amounts payable under finance leases:  |                |                |
| Within one year                        | 2,700          | 4,952          |
| In the second to fifth years inclusive | 5,703          | 13,999         |
| After five years                       | -              | 8,318          |
| Total gross payments                   | <u>8,403</u>   | <u>27,269</u>  |
| Less: future finance charges           | <u>(1,377)</u> | <u>(7,775)</u> |
| Carrying value of liability            | <u>7,026</u>   | <u>19,494</u>  |
|                                        |                |                |
|                                        | 2022<br>£'000  | 2021<br>£'000  |
| Analysed as:                           |                |                |
| Current                                | 2,034          | 3,086          |
| Non-current                            | <u>4,992</u>   | <u>16,408</u>  |
|                                        | <u>7,026</u>   | <u>19,494</u>  |

Lease liabilities comprise properties and computer equipment under leases within the scope of IFRS 16 "Leases".

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 18. LEASE LIABILITIES - continued

The lease liabilities reported in the statement of financial position comprise:

|                                        | 2022<br>£'000 | 2021<br>£'000 |
|----------------------------------------|---------------|---------------|
| Amounts payable under finance leases:  |               |               |
| Within one year                        | 2,700         | 4,952         |
| In the second to fifth years inclusive | 5,703         | 13,999        |
| After five years                       | -             | 8,318         |
|                                        | <hr/>         | <hr/>         |
| Total gross payments                   | 8,403         | 27,269        |
| Less: future finance charges           | (1,377)       | (7,775)       |
|                                        | <hr/>         | <hr/>         |
| Carrying value of liability            | 7,026         | 19,494        |
|                                        | <hr/>         | <hr/>         |
|                                        | 2022<br>£'000 | 2021<br>£'000 |
| Analysed as:                           |               |               |
| Current                                | 2,034         | 3,086         |
| Non-current                            | 4,992         | 16,408        |
|                                        | <hr/>         | <hr/>         |
|                                        | 7,026         | 19,494        |
|                                        | <hr/>         | <hr/>         |

Lease liabilities comprise properties and computer equipment under leases within the scope of IFRS 16 "Leases".

## 19. PROVISIONS

|                                | Dilapidations<br>£'000 | Onerous<br>provision<br>£'000 | Legal<br>Claims<br>£'000 | Total<br>£'000 |
|--------------------------------|------------------------|-------------------------------|--------------------------|----------------|
| Balance as at 31 December 2021 | 1,613                  | 978                           | 5,405                    | 7,996          |
| Additions                      | 1,836                  | 90                            | 2,787                    | 4,713          |
| Releases                       | (794)                  | (818)                         | (735)                    | (2,347)        |
|                                | <hr/>                  | <hr/>                         | <hr/>                    | <hr/>          |
| Balance as at 31 December 2022 | 2,655                  | 250                           | 7,457                    | 10,362         |
|                                | <hr/>                  | <hr/>                         | <hr/>                    | <hr/>          |
| Analysed as:                   |                        |                               |                          |                |
| Current                        | 1,525                  | 160                           | 7,457                    | 9,142          |
| Non-current                    | 1,130                  | 90                            | -                        | 1,220          |
|                                | <hr/>                  | <hr/>                         | <hr/>                    | <hr/>          |
|                                | 2,655                  | 250                           | 7,457                    | 10,362         |
|                                | <hr/>                  | <hr/>                         | <hr/>                    | <hr/>          |

The dilapidations, onerous provision and legal claims reported above have been shown as current or non-current in the statement of financial position reflecting the Group's expected timing of the matters reaching conclusion. Due to the nature of the legal claims and unknown settlement date, the balance has been reported as current.

**Dilapidations:** The provision represents the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease terms.

**Onerous provision:** The provision represents the remaining expenditure on rates and utilities that no longer derive economic benefit in the future. Onerous provisions are stated at the net present value of the amounts payable under the contracts.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

19. PROVISIONS - continued

Legal claims: The provision represents the cost of open and potential future claims in process at the year-end brought against the Group by former customers. The provision estimate reflects the potential amount payable by the Group under its Professional Indemnity Insurance Policy based on historical information and facts pertinent to the individual claim if material.

20. BORROWINGS

|                            | 2022<br>£'000 | 2021<br>£'000 |
|----------------------------|---------------|---------------|
| Non-current                |               |               |
| Shareholders' Loan         | -             | 43,484        |
| Current                    |               |               |
| Working Capital Facilities | 27,213        | 31,370        |

On 10 June 2022, the Group repaid the shareholders' loan in full including all accrued interest. Following repayment of the shareholder loans, the Group does not hold any external debt other than the third-party working capital facility (see below). The security in respect of the shareholders' loan was subsequently released.

The Group has a working capital facility in place with VFS Legal Limited ("VFS") whereby a third party lends on expected agreed costs and paid disbursements and liability admitted WIP on personal injury (No Win - No Fee) cases. At 31 December 2022, the Group had drawn down £27.2m of funds made available under this facility with VFS. The loan is classified as being current as it is not a committed facility. On 16 August 2023, the Group entered into a new £33m five year committed facility with Harbour for future working capital funding; in parallel the VFS borrowings will reduce as cases settle

21. CALLED-UP SHARE CAPITAL

Allotted, authorised, called-up and fully-paid

| Number: | Class:          | Nominal<br>value: | 2022<br>£ | 2021<br>£ |
|---------|-----------------|-------------------|-----------|-----------|
| 748,889 | Ordinary shares | £0.000001         | -         | -         |
| 224,532 | Class A shares  | £0.0017           | -         | -         |

Retained earnings represent cumulative retained earnings net of distributions to owners.

In September 2022 the Company issued 119,125 Class A Shares to key management personnel ("beneficial owners") for cash at their unrestricted market value as at the purchase date. Slater and Gordon UK Nominees Limited and Slater and Gordon EBT Limited holds these shares on behalf of the beneficial owners.

On 7 July 2022, the Company repurchased 232,632 Ordinary shares for £0.01 following the full repayment of the shareholders' loan of £46.3m held within the Group by Slater & Gordon (UK) 1 Limited.

In 2022 the Company repurchased 83,472 Class A Shares from beneficial owners for cash at their unrestricted market value.

|                                                | Share premium<br>£'000 |
|------------------------------------------------|------------------------|
| Balance at 31 December 2020 & 31 December 2021 | 23,901                 |
| Issue of shares                                | 58                     |
| Repurchase of ordinary shares                  | (1,375)                |
| Balance at 31 December 2022                    | 22,584                 |



# Slater and Gordon UK Holdings Limited

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 22. OWN SHARES

|                      | 2022           | 2021         |
|----------------------|----------------|--------------|
|                      | £'000          | £'000        |
| At start of year     | (124)          | (124)        |
| Own shares purchased | (1,375)        | -            |
| Own shares reissued  | 119            | -            |
|                      | <u>(1,380)</u> | <u>(124)</u> |
| At end of the year   | <u>(1,380)</u> | <u>(124)</u> |

Slater and Gordon EBT Limited holds 877 ordinary shares (2021: 26,669 ordinary shares) in the Company with a nominal value of £0.0m (2021: £0.0m) representing 0.09% of the ordinary share capital (2021: 2.7%).

## 23. GROUP ENTITIES

The following companies as well as the parent company (Slater and Gordon UK Holdings Limited) form the Group. The basis of the subsidiaries within the Group is not defined by ownership but by control of the entity. The companies which can apply the subsidiary exemption from audit of accounts under section 479A of the Companies Act 2006 are noted below:

| Company Name                                       | Country of incorporation | Company Number | Ownership Interest (%) | Audit Exemption | Principal Activity |
|----------------------------------------------------|--------------------------|----------------|------------------------|-----------------|--------------------|
| Controlled entities                                |                          |                |                        |                 |                    |
| 4 Legal Limited                                    | United Kingdom*          | 06466579       | 100                    | Exempt          | Dormant            |
| 4 Legal Solutions Limited                          | United Kingdom*          | 06492865       | 100                    | Exempt          | Legal              |
| Abstract Legal Holdings Limited                    | United Kingdom*          | 05107527       | 100                    | Exempt          | Dormant            |
| Access to Compensation Limited                     | United Kingdom*          | 05107366       | 100                    | Exempt          | Dormant            |
| Accident Advice Helpline Direct Limited            | United Kingdom*          | 05107417       | 100                    | Exempt          | Non-Legal          |
| Accident Advice Helpline Limited                   | United Kingdom*          | 05121321       | 100                    | Exempt          | Dormant            |
| Accident Advice Insurance Management Group Limited | United Kingdom*          | 05121320       | 100                    | Exempt          | Dormant            |
| Compass Costs Consultants Limited                  | United Kingdom*          | 04265483       | 100                    | Exempt          | Dormant            |
| Intelligent Claims Management Limited              | United Kingdom*          | 05658734       | 100                    | Exempt          | Non-Legal          |
| iSaaS Technology Limited                           | United Kingdom*          | 07434692       | 100                    | Exempt          | Non-Lega           |
| Legal Facilities Management & Services Limited     | United Kingdom*          | 05340220       | 100                    | Exempt          | Dormant            |
| Liberty Protect Limited                            | United Kingdom*          | 05657846       | 100                    | Exempt          | Non-Legal          |
| MDL Medical Administration Limited                 | United Kingdom*          | 03688229       | 100                    | Exempt          | Dormant            |
| Medicalaw Limited                                  | United Kingdom*          | 03447569       | 100                    | Exempt          | Non-Legal          |
| Medici Legal Limited                               | United Kingdom*          | 04266208       | 100                    | Exempt          | Dormant            |

Slater and Gordon UK Holdings Limited

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

23. GROUP ENTITIES - continued

| Company Name                                                            | Country of incorporation | Company Number | Ownership Interest (%) | Audit Exemption | Principal Activity |
|-------------------------------------------------------------------------|--------------------------|----------------|------------------------|-----------------|--------------------|
| Controlled entities                                                     |                          |                |                        |                 |                    |
| SG Health Group Limited (formerly Mobile Doctors Group Limited)         | United Kingdom*          | 05383361       | 100                    | Exempt          | Dormant            |
| SG Health Solutions Limited (formerly Mobile Doctors Solutions Limited) | United Kingdom*          | 04215291       | 100                    | Exempt          | Non-Legal          |
| Overland Health Limited                                                 | Malta**                  | C49864         | 100                    | Audit           | Non-Legal          |
| Overland Limited                                                        | Malta**                  | C43412         | 100                    | Audit           | Non-Legal          |
| Overland Malta (Trading) Limited                                        | Malta**                  | C43415         | 100                    | Audit           | Non-Legal          |
| React & Recover Medical Group Limited                                   | United Kingdom*          | 07316438       | 100                    | Exempt          | Non-Legal          |
| React Medical Management Limited                                        | United Kingdom*          | 07315629       | 100                    | Exempt          | Non-Legal          |
| React Medical Reporting Limited                                         | United Kingdom*          | 06872536       | 100                    | Exempt          | Non-Legal          |
| Recover Healthcare Limited                                              | United Kingdom*          | 06836625       | 100                    | Exempt          | Non-Legal          |
| SG Funding Limited                                                      | United Kingdom*          | 13130201       | 100                    | Exempt          | Dormant            |
| SG Technology Innovations Limited                                       | United Kingdom*          | 13595369       | 100                    | Exempt          | Non-Legal          |
| SGS Business Process Services (UK) Limited                              | United Kingdom*          | 03851175       | 100                    | Audit           | Non-Legal          |
| Slater & Gordon (UK) 1 Limited                                          | United Kingdom*          | 07895497       | 100                    | Audit           | Holding Company    |
| Slater & Gordon (UK) 2 LLP                                              | United Kingdom*          | OC371153       | 100                    | Exempt          | Dormant            |
| Slater & Gordon Collections Limited                                     | United Kingdom*          | 12500854       | 100                    | Exempt          | Non-Legal          |
| Slater & Gordon Trust Corporation Limited                               | United Kingdom*          | 08185633       | 100                    | Exempt          | Dormant            |
| Slater and Gordon EBT Limited                                           | United Kingdom*          | 06519828       | 100                    | Exempt          | Non legal          |
| Slater and Gordon Scotland Limited                                      | United Kingdom***        | SC572803       | -                      | Exempt          | Legal              |
| Slater and Gordon UK Limited                                            | United Kingdom*          | 07931918       | 100                    | Audit           | Legal              |
| Slater and Gordon UK Nominees Limited                                   | United Kingdom*          | 04432180       | 100                    | Exempt          | Dormant            |
| Walker Smith Way Limited                                                | United Kingdom*          | 07016439       | 100                    | Exempt          | Dormant            |
| WSW Limited                                                             | United Kingdom*          | 07016446       | 100                    | Exempt          | Dormant            |

**Registered office:**

\*First Floor, Lee House, 90 Great Bridgewater Street, Manchester, United Kingdom, M1 5JW

\*\*Level 4, Suite 8A, Rosa Marina Building, 216 Marina Seafront, Pieta PTA 9041, Malta

\*\*\*1 Lochrin Square, Fountainbridge, Edinburgh, Scotland, EH3 9QA

## 24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (comprising of interest bearing loans and borrowings, lease liabilities and deducting cash and short-term deposits) and equity of the Group (comprising issued capital and retained earnings).

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, determined as the proportion of net debt to equity.

|                                                                | 2022          | 2021          |
|----------------------------------------------------------------|---------------|---------------|
|                                                                | £'000         | £'000         |
| Interest bearing borrowings                                    | 27,213        | 74,854        |
| Lease liabilities                                              | 7,026         | 19,494        |
| Less: cash and short-term deposits                             | (28,330)      | (11,519)      |
| Net debt                                                       | <u>5,909</u>  | <u>81,829</u> |
| Equity                                                         | <u>98,032</u> | <u>85,116</u> |
| Net debt to equity ratio                                       | 6%            | 96%           |
| Net debt to equity ratio excluding impact of lease liabilities | -1%           | 73%           |

## 25. RELATED PARTIES

### Key management personnel

The key management have been assessed to be the Group's Executive Leadership Team. During the year ended 31 December 2022 there were twelve (2021: nine) key management personnel. The compensation paid or payable to key management for employee services is shown below:

|                                                            | 2022         | 2021         |
|------------------------------------------------------------|--------------|--------------|
|                                                            | £'000        | £'000        |
| Short-term employee benefits                               |              |              |
| Wages and salaries                                         | 3,108        | 2,010        |
| Social security costs                                      | 376          | 262          |
| Contributions to defined contribution pension arrangements | 64           | 28           |
| Total key management compensation                          | <u>3,548</u> | <u>2,300</u> |

Included in the figures above are termination payments of £374,094 (2021: nil).

### Transactions with Group related parties

During the year ended 31 December 2022, the Group issued loans of £0.16m (2021: nil) to three key management personnel (2021: one).

The outstanding loans balance is £0.2m (2021: £0.2m) and repayable as a result of certain corporate transactions. The loans attract interest at 2.00% (2021: 2.00%). There were no other related party transactions during the year to 31 December 2022 other than the shareholders' loan referred to in note 20.

## 26. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks comprising:

- i) Credit risk
- ii) Liquidity risk
- iii) Fair values
- iv) Foreign exchange risk

The Directors have overall responsibility for identifying and managing operational and financial risks. The categories of financial instruments are as follows:

|                                          | 2022<br>£'000  | 2021<br>£'000  |
|------------------------------------------|----------------|----------------|
| <b><i>Financial assets</i></b>           |                |                |
| Cash and cash equivalents                | 28,330         | 11,519         |
| Net trade receivables and accrued income | 8,089          | 17,247         |
| Other receivables and prepayments        | 10,826         | 15,822         |
| Net disbursements                        | 125,511        | 133,476        |
|                                          | <u>172,756</u> | <u>178,064</u> |
| <b><i>Financial liabilities</i></b>      |                |                |
| Trade and other payables                 | 167,345        | 156,469        |
| Interest bearing loans                   | 27,213         | 74,854         |
|                                          | <u>194,558</u> | <u>231,323</u> |

### ***i) Credit risk***

Credit risk arises from the financial assets of the Group. The main exposure to credit risk in the Group is represented by trade and other receivables owing to the Group. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements.

The credit risk associated with cash and cash equivalents is considered as minimal as the cash and cash equivalents are held with reputable financial institutions in the UK.

Debtors are almost exclusively due from insurance companies. The capitalisation of insurers is regulated by the Financial Conduct Authority in the UK. The insurance industry operates a policy holders' protection scheme to alleviate the impact of the failure of an insurance company, minimising risk to the Group.

No interest is charged on the receivable's balances, however late penalty payments become payable at certain dates under the Association of British Insurers' General Terms of Agreement. The Group does not hold any security over these balances nor has the legal right of offset with any amounts owed by the Group to the receivables counterparty.

### ***Management of credit risk***

The Group actively manages its credit risk by:

- assessing the capability of a customer to meet its obligations under the fee and retainer agreement;
- periodically reviewing the reasons for bad debt write-offs in order to improve the future decision-making process;
- maintaining an adequate provision against the future recovery of receivables and disbursements;
- including in practitioner's Key Performance Indicators ("KPI's") measurements in respect of receivable levels, recovery and investment in disbursements;
- providing ongoing training to staff in the management of their personnel and practice group receivable portfolios; and
- where necessary, pursuing the recovery of debts owed to the Group through external mercantile agents and the courts.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2022

## 26. FINANCIAL RISK MANAGEMENT - continued

*i) Credit risk - continued**Management of credit risk - continued*

Due to the nature of the No Win - No Fee arrangements applicable to the majority of the legal matters managed by the Group an increase in the required processing time between initiation and settlement and an increase in the ageing of receivables, particularly disbursements, does not always increase the associated credit risk.

Management performs periodic assessment of the recoverability of receivables, and provisions are calculated based on historical write-offs of the receivables as well as any known circumstances relating to the matters in progress.

*ii) Liquidity risk*

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained.

*Maturity analysis*

The table below represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

|                                         | < 12 Months<br>£'000 | 1-5 years<br>£'000 | Total<br>contractual<br>cash flows<br>£'000 | Carrying<br>amount<br>£'000 |
|-----------------------------------------|----------------------|--------------------|---------------------------------------------|-----------------------------|
| <b>As at 31 December 2022</b>           |                      |                    |                                             |                             |
| Non-derivative financial liabilities    |                      |                    |                                             |                             |
| Trade and other payables                | 91,394               | 75,951             | 167,345                                     | 167,345                     |
| Lease liabilities                       | 2,034                | 4,992              | 8,403                                       | 7,026                       |
| Provisions                              | 9,142                | 1,220              | 10,362                                      | 10,362                      |
| Borrowings                              | 27,213               | -                  | 27,213                                      | 27,213                      |
| <b>Financial liabilities maturities</b> | <b>129,783</b>       | <b>82,163</b>      | <b>213,323</b>                              | <b>211,946</b>              |
|                                         |                      |                    |                                             |                             |
|                                         | < 12 Months<br>£'000 | 1-5 years<br>£'000 | Total<br>contractual<br>cash flows<br>£'000 | Carrying<br>amount<br>£'000 |
| <b>As at 31 December 2021</b>           |                      |                    |                                             |                             |
| Non-derivative financial liabilities    |                      |                    |                                             |                             |
| Trade and other payables                | 141,978              | 14,491             | 156,469                                     | 156,469                     |
| Lease liabilities                       | 3,086                | 16,408             | 26,475                                      | 19,494                      |
| Provisions                              | 6,330                | 1,666              | 7,996                                       | 7,996                       |
| Borrowings                              | 31,370               | 43,484             | 74,854                                      | 74,854                      |
| <b>Financial liabilities maturities</b> | <b>182,764</b>       | <b>76,049</b>      | <b>265,794</b>                              | <b>258,813</b>              |

*iii) Fair values*

The financial assets and financial liabilities not measured at fair value approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

*iv) Foreign exchange risk*

The Group is exposed to currency risk on services income, expenses, receivables and borrowings that are denominated in a currency other than the functional currency of the Group entities, which is Sterling (GBP). The Group has one subsidiary denominated in EUR but has deemed the risk as not significant at the end of the reporting period.

27. **SUBSEQUENT EVENTS**

**Exit from Small Claims Track**

In June 2023 the Group exited the Small Claims Track (SCT) sector, consistent with its strategy of focusing on complex personal injury claims. The vast majority of clients entered into an agreement with Carpenters Limited to represent their case moving forward.

**New borrowing facility**

On 16 August 2023 the Group entered into a new £33m five-year facility with Harbour, a leading lender to the legal sector. Borrowings are based on expected agreed costs, and paid disbursements and liability admitted work in progress on personal injury cases, secured by an assignment of the case proceeds and a floating charge debenture.

28. **CONTROLLING PARTY**

At 31 December 2022, Anchorage Capital Group, L.L.C. a New York City based investment firm, which manages funds on behalf of third parties, had significant control of Slater and Gordon UK Holdings Limited and its subsidiaries. Slater and Gordon UK Holdings Limited is the largest and smallest group for which consolidated accounts are prepared.

Slater and Gordon UK Holdings Limited

Company Statement of Financial Position  
As at 31 December 2022

|                                     | Notes | 2022<br>£'000        | 2021<br>£'000        |
|-------------------------------------|-------|----------------------|----------------------|
| <b>ASSETS</b>                       |       |                      |                      |
| <b>NON-CURRENT ASSETS</b>           |       |                      |                      |
| Investments                         | 3     | 23,751               | 23,751               |
|                                     |       | <u>23,751</u>        | <u>23,751</u>        |
| <b>CURRENT ASSETS</b>               |       |                      |                      |
| Trade and other receivables         | 4     | 112                  | 554                  |
| Cash and cash equivalents           | 5     | 97                   | 157                  |
|                                     |       | <u>209</u>           | <u>711</u>           |
| <b>TOTAL ASSETS</b>                 |       | <u><u>23,960</u></u> | <u><u>24,462</u></u> |
| <b>LIABILITIES</b>                  |       |                      |                      |
| <b>CURRENT LIABILITIES</b>          |       |                      |                      |
| Trade and other payables            | 6     | -                    | 560                  |
| <b>TOTAL LIABILITIES</b>            |       | <u>-</u>             | <u>560</u>           |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       |                      |                      |
| <b>BEING NET ASSETS</b>             |       | <u><u>23,960</u></u> | <u><u>23,902</u></u> |
| <b>EQUITY</b>                       |       |                      |                      |
| <b>SHAREHOLDERS' EQUITY</b>         |       |                      |                      |
| Share premium                       | 7     | 22,584               | 23,901               |
| Retained earnings                   | 7     | 1,376                | 1                    |
| <b>TOTAL EQUITY</b>                 |       | <u><u>23,960</u></u> | <u><u>23,902</u></u> |

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented a Statement of Comprehensive Income for the Company. Profit after tax for the financial year was £1.4m (2021: £nil).

The notes on pages 55 to 57 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 24 January 2024 and were signed on its behalf by:



.....  
N I Stoesser - Director

Slater and Gordon UK Holdings Limited

Company Statement of Changes in Equity  
for the Year Ended 31 December 2022

|                               | <b>Called up<br/>share<br/>capital<br/>£'000</b> | <b>Share<br/>premium<br/>£'000</b> | <b>Retained<br/>earnings<br/>£'000</b> | <b>Total<br/>equity<br/>£'000</b> |
|-------------------------------|--------------------------------------------------|------------------------------------|----------------------------------------|-----------------------------------|
| Balance at 1 January 2021     | -                                                | 23,901                             | 1                                      | 23,902                            |
| Results for the year          | -                                                | -                                  | -                                      | -                                 |
| Balance at 31 December 2021   | -                                                | 23,901                             | 1                                      | 23,902                            |
| Issue of ordinary shares      | -                                                | 58                                 | -                                      | 58                                |
| Repurchase of ordinary shares | -                                                | (1,375)                            | -                                      | (1,375)                           |
| Results for the year          | -                                                | -                                  | 1,375                                  | 1,375                             |
| Balance at 31 December 2022   | -                                                | 22,584                             | 1,376                                  | 23,960                            |

The notes on pages 55 to 57 form an integral part of these consolidated financial statements.



## 1. ACCOUNTING POLICIES

### (a) Basis of preparation of financial statements

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006. 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 IFRS as issued by the IASB. The Company meets the definition of a qualifying entity under FRS 100, "Application of Financial Reporting Requirements" as issued by the Financial Reporting Council.

The Company's financial statements are presented in Pounds Sterling (GBP), which is the functional currency of the Company and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

### *Historical cost convention*

The financial statements are prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. By publishing the Company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

### *Impact of new and amendments to IFRS*

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Companies Act 2006 and related Regulations. The Company adopted the following amendments to IFRS from 1 January 2022:

|                                |                                                                                     |
|--------------------------------|-------------------------------------------------------------------------------------|
| Interest Rate Benchmark Reform | Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16                            |
| Amendments to IAS 1            | Amendments to presentation of financial statements on classification of liabilities |

The adoption of the amendments listed above did not have any impact on the amounts recognised in prior and current periods. No impact is expected in future periods.

### *Amendments to IFRS in issue but not yet effective*

At the date of authorisation of these financial statements, the Company has not applied the following amendments to IFRS that have been issued but are not yet effective:

|                                       |                                                                                          |
|---------------------------------------|------------------------------------------------------------------------------------------|
| IFRS 17                               | Insurance Contracts (effective from 1 January 2023)                                      |
| Amendments to IAS 37                  | Provisions, Contingent Liabilities and Contingent Assets (effective from 1 January 2022) |
| Annual improvements to IFRS 2018-2020 | Effective from 1 January 2022                                                            |

The Directors do not expect that the amendments to the Standards listed above will have a material impact on the financial statements of the Company in future periods.

### (b) Investments

Investments in subsidiaries are stated at cost less accumulated impairment. Impairment reviews are carried out if there is an indication that the carrying value of the investments may have been impaired. Where, in the opinion of the Directors, an impairment of the investment has arisen, provisions are made in accordance with IAS 36 "Impairment of Assets".

### (c) Trade and other receivables

Amounts owed from group companies are repayable on demand and do not attract interest. Due to the short-term nature of the amounts, their fair value is considered to be equal to their carrying value. The amounts owed are assessed for expected credit losses on a general basis under IFRS 9 "Financial Instruments".

**Notes to the Company Financial Statements - continued**  
for the Year Ended 31 December 2022

**1. ACCOUNTING POLICIES - continued**

**(d) Trade and other payables**

Amounts owed to group companies are stated at cost and are classified as current liabilities as the payment is repayable on demand and does not attract interest.

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

**(e) Going concern**

The Directors have prepared financial projections for the foreseeable future, taking into account anticipated case intake, billing and costs, the aftermath of the Covid-19 pandemic, inflationary pressures and other macro-economic factors, and the geopolitical issues in Ukraine. Having due consideration of the financial projections and the funding available to the Group, the Directors are of the opinion that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of signing these financial statements, and therefore consider it appropriate to prepare the financial statements on a going concern basis.

**2. AUDIT FEES**

The audit fee of £56,000 was borne by Slater and Gordon (UK) 1 Limited, a subsidiary company (2021: £45,000).

**3. INVESTMENTS**

|                     | Shares in<br>group<br>undertakings<br>£'000 |
|---------------------|---------------------------------------------|
| Cost                |                                             |
| At 1 January 2022   | 23,751                                      |
| Additions           | -                                           |
|                     | <hr/>                                       |
| 31 December 2022    | 23,751                                      |
|                     | <hr/>                                       |
| NET BOOK VALUE      |                                             |
| At 31 December 2022 | 23,751                                      |
|                     | <hr/>                                       |
| At 31 December 2021 | 23,751                                      |
|                     | <hr/>                                       |

Investments comprise of equity shares in Slater & Gordon (UK) 1 Limited, a company incorporated in the United Kingdom with registered office First Floor, Lee House, 90 Great Bridgewater Street, Manchester, England, M1 5JW.

**4. TRADE AND OTHER RECEIVABLES**

|                                    | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------------|---------------|---------------|
| Current                            |               |               |
| Amounts owned from group companies | 112           | 554           |
|                                    | <hr/>         | <hr/>         |

The amounts due from group companies are repayable on demand and do not attract interest (2021: same).

**Notes to the Company Financial Statements - continued**  
for the Year Ended 31 December 2022

**5. CASH AND CASH EQUIVALENTS**

|              | 2022  | 2021  |
|--------------|-------|-------|
|              | £'000 | £'000 |
| Cash at bank | 97    | 157   |

**6. TRADE AND OTHER PAYABLES**

|                                 | 2022  | 2021  |
|---------------------------------|-------|-------|
|                                 | £'000 | £'000 |
| Current                         |       |       |
| Amounts owed to group companies | -     | 560   |

The amounts owed to group companies are repayable on demand and do not attract interest (2021: same).

**7. CALLED-UP SHARE CAPITAL**

**Allotted, authorised, called-up and fully-paid**

| Number: | Class:          | Nominal value: | 2022 | 2021 |
|---------|-----------------|----------------|------|------|
|         |                 |                | £    | £    |
| 748,887 | Ordinary shares | £0.000001      | -    | -    |
| 224,532 | Class A shares  | £0.0017        | -    | -    |

At 31 December 2022 the Company has two classes of shares which carry no right to fixed income.

In September 2022 the Company issued 119,125 Class A Shares to key management personnel ("beneficial owners") for cash at their unrestricted market value as at the purchase date. Slater and Gordon UK Nominees Limited and Slater and Gordon EBT Limited holds these shares on behalf of the beneficial owners.

On 7 July 2022, the Company repurchased 232,632 Ordinary shares for £0.01 following the full repayment of the shareholders' loan of £46.3m held within the Group by Slater & Gordon (UK) 1 Limited.

In 2022 the Company repurchased 83,472 Class A Shares from beneficial owners for cash at their unrestricted market value.

**8. RELATED PARTY TRANSACTIONS**

The Company is taking advantage of the exemption granted under Financial Reporting Standard 101, Paragraph 8(k), "Related Party Transactions", not to disclose transactions with wholly owned group companies, which are related parties. Disclosures related to Directors' remuneration are made within note 6 of the consolidated accounts.