

Minster Law Limited

Report and Financial Statements

Registered number 04659625

Year Ended 30 June 2022



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Company Information

Directors

I R Leech
C E Layfield
M I Warren
S Woolham
M Hume
M Currie

Secretary

L Sinfield

Registered office

Kingfisher House
Peel Avenue
Wakefield
WF2 7UA

Auditor

RSM UK Audit LLP
Central Square
Fifth Floor
29 Wellington Street
Leeds
LS1 4DL

Strategic Report

Results and dividends

The Company loss for the year after exceptional items and taxation, amounted to £1,575,000 (2021: *Restated loss of £4,197,000*). The 2020/21 result has been restated for changes in accounting treatment in order that the accounts are presented on a like for like basis for comparison purposes, as detailed in note 22.

The directors do not recommend the payment of a dividend (2021: *£nil*).

Principal activities, trading review and future developments

Minster Law is one the UK's leading providers of legal services, working in partnership with the insurer and broker markets to provide a range of outsourced claims services.

The Company is authorised and regulated by the Solicitors Regulation Authority (SRA).

Turnover was £28,300,000 for the year ended 30th June 2022 (2021: *Restated £28,768,000*). This was in line with the Company's expectations and represents a stable performance and a significant achievement for the business, with volume growth achieved in the year from new and existing partners offsetting the impact from the government's implementation of reforms to the Road Traffic Accident (RTA) personal injury market in May 2021.

The implementation of the reforms has had a major impact on the Company, as a result of the new Official Injury Claim (OiC) portal launching with number of teething issues including the need to await legal guidance on the valuation of mixed-injury claims. These issues impacted on the Company's ability to effectively progress customers' claims through to settlement as efficiently as the Company's small claim processing capability enables.

The Company's focus over the year has been to continue to make progress in delivering its well-defined strategy which is focussed on three pillars;

- Be a consolidator in the volume RTA claims market utilising technology to deliver market leading efficiency and customer service
- Diversify the serious injury team through the development on new channels to market and broadening its capability
- Grow non-RTA capability and extend geographical reach to offer a full service solution for insurance and broker partners

In order to deliver its long-term strategy, the business has continued to invest in further development of its technology and broader digital capabilities along with fully integrating with the OiC portal, which underpins its cost-efficient, small claim processing capability. This has provided the Company with a scalable and sustainable platform for further growth in the RTA personal injury market and the delivery of high-quality services that meet the demands of its customers and business partners.

Alongside the increasing use of technology, the Company's progressive approach to the use of Alternative Dispute Resolution (ADR) and its collaborative approach to working with third-party insurers seeks to further accelerate the route to more efficient claims settlement whilst delivering the right outcome for its customers.

During the year, the business migrated the Fast Track personal injury department from Irwin Mitchell, demonstrating the Company's commitment to the personal injury market and focus on accessing further scale and talent to continue to deliver the best and most efficient customer service in the sector.

The Company's serious injury expertise continues to be a core strength, with significant progress made in growing and developing this capability in year through a number of new partner contracts delivering an increase in overall serious injury claims. A strong balance sheet provides Minster Law with the ability to fund the costs of what are often lengthy and complex claims. The slight decline in net assets reported reflects the initial investment to win the increased volume of serious injury claims within the business.

Strategic Report *(continued)*

The Company retains a strong balance sheet and will continue to explore opportunities to increase scale and achieve its long-term strategy of becoming the pre-eminent legal services provider to the insurance industry.

Whilst Covid-19 continued to impact the business through reduced new claim volumes as a result of lockdowns, by year end new claim volumes had recovered close to pre Covid-19 levels. The business continues to monitor the situation around Covid-19 and take the necessary steps to protect its colleagues and customers and embed appropriate resource, skill and operational structures to reflect new ways of working in an increasingly digitally-led business.

The board considers the post accounting policy amendment loss on ordinary activities for the 12 months of £1,575,000 (2021: Restated £4,197,000) to be a satisfactory result given the exceptional trading environment that the regulatory reforms and Covid-19 have created.

Key performance indicators

| | Year ended 30 June 2022 £000 | Restated Year ended 30 June 2021 £000 |
|---------------------------------------|---------------------------------------|---|
| Turnover | 28,300 | 28,768 |
| Loss | (1,575) | (4,197) |
| Gross profit % | 19.9% | 25.8% |
| Administration costs as % of turnover | 30.5% | 28.7% |

Turnover in the year reduced due the income earned for low value personal injury claims being impacted by the implementation in May 2021 of the government's reforms to the RTA personal injury market. The impact on profitability is being and will continue to be mitigated by investments in technology, integration and process efficiency, combined with volume increases from recent and future new partner contracts.

Whilst the impact of government reforms has reduced turnover and driven a deterioration in the administration cost ratio, the addition of new serious injury partnerships has allowed the business to further consolidate its position in the market and benefit from the increase in scale.

The directors plan to continue to expand Minster Law and are working towards increasing the current customer base and growing the key areas of the business, through continued investment in talent and merger and acquisition activity as appropriate opportunities are identified.

Strategic Report *(continued)*

Board decision making (Section 172 Statement)

The board has a duty to promote the success of the Company for the benefit of its members as a whole whilst also having regard to other stakeholders. The board is responsible for leading stakeholder engagement, ensuring that it fulfils its obligations to those impacted by the business. The board believes that considering all stakeholders in key business decisions is not only the right thing to do but is fundamental to the Company's ability to drive value creation over the longer term and to differentiate Minster Law from its competitors.

The board also actively canvasses the opinion of a wide range of stakeholders to ensure all perspectives are taken into consideration to act in a manner it considers would be most likely to promote the success of the company for the benefit of the stakeholders collectively. To fulfil its obligations a number of key stakeholder groups are engaged with frequently:

- **Shareholders**
The Company's majority shareholder is regularly kept informed through its representative on the Company's board who engages with them on key Company issues.
- **Colleagues**
The company takes its responsibility to build an inclusive and supportive working environment seriously. It employs various channels including quarterly town hall sessions and a colleague listening group to ensure colleagues are updated on business performance and have an opportunity to provide feedback to management and the board.
- **Partners**
Building and maintaining the trust and confidence of existing and future partners is critical to the success of the business and a significant level of senior management time is invested in building relationships and developing enduring propositions.
- **Suppliers**
The business has maintained strong relationships with all suppliers and regularly engages with key suppliers to develop process improvements and ensure high levels of service are achieved.
- **Customers**
The business has focussed on maintaining high levels of customer service and ensuring customers are kept informed of the impacts on managing their claims from the reforms and the implementation of the OiC online portal. The business has continued to invest in technology to improve the customer experience and deliver a market leading level of efficiency. Feedback is sought from all customers and reviewing and acting on this is an integral part of the operating model.
- **Environment and Community**
The company continues to strive to improve the local community in which it resides, the Corporate Social Responsibility (CSR) committee co-ordinates all community activities and all colleagues are encouraged to volunteer and fundraise in the community. The business aims to reduce its negative environmental impacts, and invest in projects to reduce paper, energy and water usage year on year. For further information see the Corporate Social Responsibility section in the directors' report.
- **Industry organisations**
The Company is an active member of the Association of Consumer Support Organisations (ASCO) and believes in wide ranging collaboration with insurers and wider industry stakeholders to drive enhanced efficiency and customer outcomes.

Strategic Report *(continued)*

The most significant decisions faced by the board in the previous financial year are set out below. The board has received regular updates on the impact of these issues and their impact on the long-term strategy for the business. In forming its decision, the board has sought to consider the interests of all stakeholders and act fairly to achieve balanced decisions.

1. New contract wins

Decision: Which new business contracts should Minster tender for in order to deliver both long term value for stakeholders and best strategic fit for future operations.

The new business contracts were considered in the context of the long-term value created for shareholders weighed against the short-term impact on cash and profitability from the contracts. The board considered the contracts to be consistent with its stated objective to create long term shareholder value.

In deciding to take on new contracts the board also considered the beneficial impact of greater financial certainty on existing colleagues and suppliers.

2. Regulatory reforms

Decision: How to effectively manage the implementation of the regulatory reforms of the RTA personal injury market effectively for all stakeholders. The government's reforms of the RTA market were implemented during the year and have had a significant impact on both the business, its partners and its customers. The business had been planning for these reforms and had a clear strategy, approved by the board, to take advantage of the opportunities the reforms present. It also enacted a long-planned communications strategy across all impacted stakeholders to smoothly transition to a post reform regulatory environment.

3. Covid-19

Decision: How to manage the impact of Covid-19 on the business to deliver the best outcome for all stakeholders. Covid-19 restrictions continued during the financial year albeit at a reduced level compared to the prior year. The board has received regular updates in terms of the impacts of the restrictions on all stakeholders and the best strategy to mitigate them where possible.

Financial control

The board has defined the financial disciplines under which it operates. The key areas of focus are summarised below:

- **Ethics - Relationships and transactions** are conducted to high ethical standards. Customers, staff and suppliers are treated fairly, and transactions conducted on an arm's length basis.
- **Safeguarding of assets** – The board ensures that the assets of the business are appropriately managed and maximising long term shareholder value is central to all transactions involving Company assets.
- **Establishment of investment disciplines** - Robust internal processes ensure effective use of capital delivering an acceptable long-term return. Appropriate sensitivity analysis to enable the board to make effective decisions on the allocation of financial resources.
- **Authority and accountability** - The board has agreed the scope of the executive team's responsibilities and has defined a number of matters that are reserved for the board in order to ensure it can effectively carry out its duties. The main operating budget including investment expenditure is reviewed and approved by the board on an annual cycle. Expenditure outside of this process is approved subject to appropriate justification and business case based on expenditure limits delegated by the board to specific individuals. Accountability for expenditure is ensured through regular business performance reporting, forecasting and review.

Strategic Report *(continued)*

- Financial planning, reporting and monitoring - The Company runs a performance review cycle summarised below:

| | |
|----------------|---|
| Third Quarter | Strategic review and target setting for the business |
| Fourth Quarter | Following year budget and 5-year plan review |
| Monthly | Executive management meetings with review of operating performance and KPIs |
| Quarterly | Reforecast of current year out turn performance and review by the board |

Principal risks and uncertainties

Minster Law Limited operated as a subsidiary of BHL (UK) Holdings Limited throughout the financial year. The risks of the Company are managed locally and at a Group level.

The Company has a mature and embedded risk management framework which is focussed on the rigorous monitoring and management of the principal risks and mitigates the potential adverse effects on the Company, whilst allowing informed risks to be taken. All principal risks are owned by the Executive Team, reporting into the monthly Executive Risk Committee. The board of directors meets quarterly and routinely reviews all risk matters and is ultimately responsible for the oversight and management of Company's risks.

The Corporate Risk Register includes monitoring and managing risks around the following risk areas:

Financial Risk

The risk management framework focuses on the primary financial risks to the business through monthly review by management and the Risk Team, which are detailed below:

- Accurately reporting our financial position
- Prevention of internal and external fraud
- Credit and liquidity risks were reviewed monthly by management and the risk team

Trading Risk

The Company is continually managing a variety of risks relating to the market in which it operates. The RTA reforms regarding soft tissue injuries and the increase to the small claims limit were implemented in May 2021 and are expected to have a material impact on the business. The Company monitors various external market forces to manage these risks on an ongoing basis and adapts its strategy accordingly. The external market position and its impact on the Company is managed through the Company's risk management framework through the following processes:

- Regular review and monitoring of competitive threats
- New business development
- Retaining partnerships

Strategic Report *(continued)*

Operational Risk

The Company recognises the need to continuously invest in its people, systems and infrastructure to deliver the required customer, regulatory and financial outcomes. The Company monitors these risks through the risk management framework on an ongoing basis and is continually evolving its operating model to meet the desired outcomes. Risks actively monitored include:

- Customer service
- Competence and capability of colleagues
- Recruitment and retention of colleagues
- Business change portfolio
- IT Services
- Cyber / Information Security

Reputational Risk

Reputational risk is the risk of adverse publicity arising from the Company's relationships with its customers, partners, suppliers and regulators. A key source of reputational risk arises around direct interaction with customers. The Company seeks to minimise reputational risk wherever possible and manages such risks where they arise through established communications and public relations channels.

Regulatory Risk

Regulatory risk is the risk that the Company will breach the requirements of its regulators. This risk is mitigated through an effective risk management framework which includes the management and monitoring of a regulatory obligations risk.

By order of the board


I R Leech
Director

Date: 20.12.22

Directors' Report

The directors present their directors' report and financial statements for the year ended 30 June 2022.

Results, dividends and future developments

The Company has chosen in accordance with Companies Act 2006, s. 414(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch 7 which was previously contained in the directors' report. It has done so in respects of the Company's results, dividend, principal activities, trading review (including KPIs) and future developments. Also disclosed in the Strategic Report are details of the Company's principal risks and uncertainties.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company is disclosed on the balance sheet on page 16. The directors have reviewed the budget and cash flow forecasts of the Company for a period of not less than 12 months from the date of approving these financial statements. The directors are satisfied that the Company has adequate resources to continue in operational existence as outlined in note 1 and have not identified any material uncertainties that would cast significant doubt on the ability of the business to operate as a going concern. In addition, they have obtained written confirmation that balances due from its Parent Company will be repaid on demand if required. Due consideration has been made for the potential impacts of the Civil Liability Bill implemented in May 2021 on the Company's cashflow and reserves. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who held office during the year, and to the date of this report, were as follows:

I R Leech *(Chairman)*
M I Warren *(Non-executive)*
C E Layfield *(Non-executive)*
S Woolham
M Hume
M Currie

Directors' indemnity provision

In accordance with the Company's Articles of Association, the Company has indemnified the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year and is still in place as at the date of this report.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing colleagues become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled colleagues wherever appropriate.

Directors' report *(continued)*

Colleague engagement

The directors recognise the importance of colleague engagement in making sound business decisions and achieving positive business outcomes. They have continued their focus on creating an environment where new opportunities and ideas are celebrated and embraced, and a culture of openness and shared purpose is encouraged.

Minster was awarded a Platinum status accreditation by Investors in People (IIP) in 2020, demonstrating its commitment to high performance through good people management and a strong company culture. The Company has maintained its Platinum status through the reassessment process in December 2022.

Engagement scores for the year closed at 72% which is a positive demonstration of how colleagues feel about working at Minster, and the Company's commitment to people and culture.

Regular quarterly pulse surveys are utilised to gain feedback on how colleagues are feeling against ten drivers of engagement which focus on management, colleagues, colleague satisfaction, strategy and leadership, continuous learning and development, diversity and inclusion, health and wellbeing alignment, celebrating success through reward and recognition and communication.

Colleague led feedback groups provide rich insights and suggestions for continuous improvements. Colleague engagement is owned by the whole business with a cohort of colleague led ambassadors who support with driving positive engagement. The Equality, Diversity and Inclusion committee acts as communication channel across the business and focuses on building a sense of community and encouraging conversation. The colleague listening group regularly consults on colleague issues or suggestions affecting the business. The health and wellbeing group provides support to colleagues on health and wellbeing matters and is underpinned by four key enablers; having a clear strategy to support the health and wellbeing of everyone; a strong people culture where colleagues have a safe space to discuss health and wellbeing; skilled and competent leaders to support colleagues on health and wellbeing matters and a vehicle for continuous improvement. The Company also takes its corporate social responsibilities very seriously and the CSR committee provides support on how colleagues can give back to the community.

The people and culture initiatives at Minster link strongly back to its corporate values which drives performance and behaviours and common, unified understanding of the strategic direction of the business.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a fundamental part of life at Minster Law, as the Company strives to improve the local communities in which it operates.

The Company recognises the significant difference its contribution makes to the local communities within which it operates and continued its longstanding commitment to charity partner FareShare, assisting the Leeds warehouse in redistributing 960 tonnes of surplus food, the equivalent of 270,000 trays of food. The company also encourages colleagues to 'share their skills' alongside undertaking traditional volunteering, sponsorship and fundraising.

The year saw Minster support 12 local charities and two local schools generating £25,707. A further 172 volunteering activities, 1,200 volunteering hours, were complete by colleagues generating £22,734 in value. Colleagues continued to be committed to fundraising internally generating £10,000 towards our target through bake sales, raffles and fun activities. Supporting a wide range of charities and causes including bereaved children support, Wakefield Hospice, SURF and Pontefract Hospice. The overall CSR value generated during the year was £75,754.

Directors' report *(continued)*

Environment

The board recognises the importance of environmental sustainability and promotes policies which encourage energy saving and reduce the Company's environmental footprint.

The Company has continued to optimise its approach to energy saving, building on already implemented initiatives around active heating management and sensory lighting. The Company has transitioned to an energy supply in year with an 80% non-carbon generation mix.

The Company continues to explore a range of opportunities for energy saving and waste management with the implementation of several additional initiatives in the year including installation of more efficient air conditioning units, reduction of plastic waste and continuing transition to electronic communication methods to reduce paper and delivery miles.

For the purposes of the streamlined energy and carbon reporting requirements the Company is a qualifying subsidiary of BHL (UK) Holdings Limited, and the relevant disclosures are presented within the Group's report of the directors. However, the summary information is disclosed below:

| | 2021/22 | 2020/21 | |
|-----------------------------------|---------------|---------------|---------------------------|
| UK energy consumption | 461,980 | 474,092 | kWh |
| Scope 1 emissions | 0.26 | 8.41 | tCO ₂ e |
| Scope 2 emissions | 97.06 | 106.84 | tCO ₂ e |
| Scope 3 emissions | 8.88 | 1.76 | tCO ₂ e |
| Total | 106.21 | 117.01 | tCO₂e |
| tCO ₂ e/£m revenue | 3.75 | 3.43 | tCO ₂ e/£m |

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

By order of the Board


I R Leech
Director

Date: 20.12.22

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

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 those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Please refer to Strategic Report and Section 172 Statement for additional Directors' responsibility reporting.

Independent Auditor's Report to the Members of Minster Law Limited

Opinion

We have audited the financial statements of Minster Law Limited (the 'Company') for the year ended 30 June 2022 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 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.

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 of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Minster Law Limited *(continued)*

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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial.

Independent Auditor's Report to the Members of Minster Law Limited *(continued)*

statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Company's authorisation with the Solicitors Regulatory Authority (SRA). We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations. We inspected compliance documentation, including correspondence with the SRA as well as considering compliance with the conditions for authorisation, including with any restrictions or requirements placed on the firm, and other regulatory obligations.

The audit engagement team identified the risk of management override of controls, valuation of work in progress, valuation of disbursements and revenue recognition, as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the valuation of work in progress, disbursements and revenue recognition.

Independent Auditor's Report to the Members of Minster Law Limited *(continued)*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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.

Hugh Fairclough

HUGH FAIRCLOUGH (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Central Square

5th Floor

29 Wellington Street

Leeds

LS1 4DL

21/12/22
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Profit and Loss Account
for the year ended 30 June 2022

| | Note | Year ended 30 June 2022 £000 | (Restated) Year ended 30 June 2021 £000 |
|---|------|------------------------------------|--|
| Turnover | 3 | 28,300 | 28,768 |
| Cost of sales | | (22,659) | (21,349) |
| Gross profit | | 5,641 | 7,419 |
| Exceptional items | 15 | 1,073 | (4,733) |
| Administrative expenses | | (8,631) | (8,246) |
| Operating (loss)/profit | | (1,917) | (5,560) |
| Interest receivable | 7 | 42 | 16 |
| Interest payable | 8 | (74) | (79) |
| (Loss)/Profit before taxation | | (1,949) | (5,623) |
| Tax on profit | 9 | 374 | 1,426 |
| (Loss)/Profit for the financial year | | (1,575) | (4,197) |

The operating loss for the year arises from the Company's continuing operations.

The notes on pages 19 to 34 form an integral part of these financial statements.

Statement of Other Comprehensive Income
for the year ended 30 June 2022

| | Year ended June 2022 £000 | (Restated) Year ended June 2021 £000 |
|--|---------------------------------|---|
| (Loss)/profit for the financial year | (1,575) | (4,197) |
| Total comprehensive (expense)/income relating to the financial year | (1,575) | (4,197) |

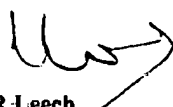
The notes on pages 19 to 34 form an integral part of these financial statements.

Balance Sheet
at 30 June 2022

| | Note | 30 June 2022 | (Restated) 30 June 2021 |
|--|------|-----------------|-------------------------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Intangible assets | 10 | 735 | 815 |
| Tangible assets | 11 | 958 | 1,101 |
| Right to use assets | 12 | 2,362 | 2,808 |
| | | <u>4,055</u> | <u>4,724</u> |
| Current assets | | | |
| Debtors | 13 | 63,167 | 57,853 |
| Amount due from parent company | | 7,697 | 14,506 |
| Cash at bank and in hand | | 2,359 | 3,721 |
| | | <u>73,223</u> | <u>76,080</u> |
| Creditors: amounts falling due within one year | 14 | <u>(23,893)</u> | <u>(22,657)</u> |
| Net current assets | | <u>49,330</u> | <u>53,423</u> |
| Total assets less current liabilities | | <u>53,385</u> | <u>58,147</u> |
| Creditors: amounts falling due after more than one year | | | |
| Provisions | 15 | (2,415) | (5,283) |
| Lease liabilities | 16 | (1,911) | (2,230) |
| Net assets | | <u>49,059</u> | <u>50,634</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 20 | 20 |
| Share premium account | 18 | 11,590 | 11,590 |
| Profit and loss account | 19 | 37,449 | 39,024 |
| Shareholders' funds | | <u>49,059</u> | <u>50,634</u> |

The notes on pages 19 to 34 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 20th December 2022 and were signed on its behalf by:


I-R Leech
Director

Statement of Changes in Equity
For the year ended 30 June 2022

| | Called up share capital £000 | Share Premium £000 | Profit and loss account £000 | Shareholders' funds £000 |
|--|------------------------------------|--------------------------|------------------------------------|--------------------------------|
| Balance as at 30 June 2020 (Restated) | 20 | 11,590 | 43,221 | 54,831 |
| Profit and total comprehensive income for the year (Restated) | - | - | (4,197) | (4,197) |
| Balance as at 30 June 2021 (Restated) | 20 | 11,590 | 39,024 | 50,634 |
| Profit and total comprehensive income for the year | - | - | (1,575) | (1,575) |
| Balance as at 30 June 2022 | 20 | 11,590 | 37,449 | 49,059 |

Refer to note 22 for details on restatement

The notes on pages 19 to 34 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The Company, a private company, limited by shares and incorporated and domiciled in England and Wales, has elected to prepare its financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The address of the Company's registered office and principal place of business is Kingfisher House, Peel Avenue, Wakefield, WF2 7UA.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking is BHL (UK) Holdings Limited. This Company includes the Company in its consolidated financial statements. The consolidated financial statements of BHL (UK) Holdings Limited are prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, as adopted by the European Union (IFRS) and the requirements of the Companies Act 2006, these are available to the public and may be obtained from Companies House. Consequently, in these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Presentation of a Statement of Cash Flows and related notes;
- Revenue disclosures, including:
 - Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
 - Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
 - Significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
 - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract;
- Financial instrument disclosures, including:
 - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments; Income, expenses, gains and losses on financial instruments;
 - Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
 - Disclosure of the objectives, policies and processes for managing capital;
 - Comparative period reconciliations for the carrying amounts of property, plant and equipment and intangible assets;
 - Disclosure of key management personnel compensation, and amounts incurred for the provision of key management personnel services by a separate management entity;
 - Disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments Disclosures.

The financial statements are stated in sterling, which is the Company's functional and presentation currency.

Notes (continued)

1 Accounting policies (continued)

The Company's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out below.

Measurement convention

The financial statements have been prepared on the historical cost basis.

Going concern

The directors have continued to prepare the financial statements on a going concern basis. The directors have reviewed the budget and cash flow forecasts of the Company for a period of not less than 12 months from the date of approving these financial statements. In addition, they have obtained written confirmation that balances due from its Parent Company will be repaid on demand if required. After making these considerations, the directors are confident that they show the Company will have sufficient resources to meet its liabilities as they fall due. Due consideration has been made for the impacts of the Civil Liability Bill implemented in May 2021 on the Company's cashflow and reserves, when making this judgement.

Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Revenue Recognition

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably, in line with IFRS 15 "Revenue from Contracts with Customers". Revenue is recognised when the significant risks and rewards of a service has been transferred to the customer, when the claim is highly probable of a successful outcome, and the stage of completion can be reliably measured. Incremental costs incurred in obtaining contracts are capitalised where those contracts have an expected term of more than 12 months.

Turnover is shown exclusive of value added tax.

Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

| | | |
|------------------------|---|------------------------|
| Leasehold improvements | - | over the life of lease |
| Fixtures and fittings | - | 20% straight line |
| Computer hardware | - | 33% straight line |
| Motor vehicles | - | 33% straight line |
| Right to use assets | - | over the life of lease |

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate. An estimate of costs to be incurred in restoring the leased asset to the condition required under the terms and conditions of the lease is recognised as part of the cost of the right-of-use asset when the Company incurs the obligation for these costs.

Notes (continued)

1 Accounting policies (continued)

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

Intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Development costs represent typical internally generated intangible assets of relevance for the Company. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the technical feasibility of the product has been ascertained and (iii) management has the intention and ability to complete the intangible asset and use or sell it.

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over its useful economic life as follows:

| | | |
|--|---|-------------------------|
| Computer software | - | 33% straight line |
| Internally generated intangible assets - | | 20% - 33% straight line |

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Work in Progress

Trade debtors include unbilled amounts for work performed in relation to legal services contracts where the fee has yet to be agreed. These unbilled amounts for client work are stated at a percentage completion for fixed fee work or time spent for more complex claims (in accordance with the revenue recognition policy) less provision for foreseeable losses and net of amounts billed on account. A number of assumptions around profitability, drop off and work complete are incorporated into the calculation. This treatment is consistent with the requirements of IFRS 15 – Revenue from Contracts with Customers.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Client Account Balances are presented on balance sheet with corresponding liabilities to those clients and disbursement suppliers, however the Company cannot and does not use those monies.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax base. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only to the extent that the Company considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. This is in accordance with IAS 12.

Classification of financial instruments issued by the Company

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows

2 Key sources of judgement and estimation uncertainty

Estimates and Judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have the most significant effects on the carrying amounts of the assets and liabilities in the financial information are discussed below:

Revenue Recognition

The Company recognises revenue on work performed during the reporting period on legal claims based on the stage of work complete and an assessment of the ultimate value of these claims. Management uses the expected value method to assess past experience and historical performance of similar contracts to estimate the probability of a successful outcome. 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 related probability rates of successful and unsuccessful outcomes, by reference to key milestones in the process, the percentage of claims that will ultimately be settled in our clients' favour, and the expected consideration receivable by the Company in relation to each claim.

Notes (continued)

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 the reporting period will not be subject to significant reversal when the matter is concluded.

The ultimate outcome in relation to each of these assumptions may differ from the estimates made by management and, as a result, the total consideration receivable will vary. The carrying value of work in progress at the year-end was £27,589,000 (Restated 2021: £26,004,000).

3 Turnover

The total turnover of the Company for the period has been derived from its principal activity which is wholly undertaken in the UK.

4 Expenses and auditor remuneration

| | Year ended 30 June 2022 £000 | Year ended 30 June 2021 £000 |
|--|------------------------------------|------------------------------------|
| <i>Included in (loss)/profit are the following:</i> | | |
| Depreciation and other amounts written off owned tangible fixed assets | 214 | 320 |
| Depreciation and other amounts written off right to use assets | 446 | 446 |
| Amortisation and other amounts written off owned intangible fixed assets | 394 | 250 |
| Auditor's remuneration | | |
| - Audit of these financial statements | 52 | 52 |
| - Other assurance service | 18 | 14 |
| | <hr/> | <hr/> |

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

| | Year ended 30 June 2022 No. | Year ended 30 June 2021 No. |
|-----------------|-----------------------------------|-----------------------------------|
| Customer facing | 312 | 245 |
| Support staff | 141 | 148 |
| | <hr/> | <hr/> |
| | 453 | 393 |
| | <hr/> | <hr/> |

Notes (continued)

5 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

| | Year ended 30 June 2022 £000 | Year ended 30 June 2021 £000 |
|-----------------------|------------------------------------|------------------------------------|
| Wages and salaries | 15,976 | 13,664 |
| Social security costs | 1,533 | 1,276 |
| Other pension costs | 618 | 564 |
| | <u>18,127</u> | <u>15,504</u> |

The Company operates a defined contribution pension scheme. Contributions amounting to £202,500 (2021: £91,870) were payable to the scheme at the year end and are included in creditors.

6 Remuneration of directors

| | Year ended 30 June 2022 £000 | Year ended 30 June 2021 £000 |
|---|------------------------------------|------------------------------------|
| Directors' emoluments | 682 | 839 |
| Company contributions to money purchase pension schemes | 45 | 60 |
| | <u>727</u> | <u>899</u> |

Emoluments for the highest paid director:

| | Year ended 30 June 2022 £000 | Year ended 30 June 2021 £000 |
|---|------------------------------------|------------------------------------|
| Total emoluments (excluding pension contributions) | 319 | 544 |
| Company contributions to money purchase pension schemes | 11 | 11 |
| | <u>330</u> | <u>555</u> |

Retirement benefits are accruing to the following number of directors under:

| | Year ended 30 June 2022 No. | Year ended 30 June 2021 No. |
|------------------------|-----------------------------------|-----------------------------------|
| Money purchase schemes | <u>2</u> | <u>2</u> |

Notes (continued)

7 Interest receivable

| | Year ended 30 June 2022 £000 | Year ended 30 June 2021 £000 |
|--------------------------|------------------------------------|------------------------------------|
| Bank interest receivable | 42 | 16 |
| | <u>42</u> | <u>16</u> |

8 Interest payable

| | Year ended 30 June 2022 £000 | Year ended 30 June 2021 £000 |
|---------------------------------------|------------------------------------|------------------------------------|
| Interest payable on Lease Liabilities | 74 | 79 |
| | <u>74</u> | <u>79</u> |

9 Taxation

Analysis of charge / (credit):

| | Year ended 30 June 2022 £000 | (Restated) Year ended 30 June 2021 £000 |
|---|------------------------------------|--|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | - | - |
| Group relief for the period | 137 | |
| Adjustments in respect of prior periods | - | 8 |
| Total current tax | <u>137</u> | <u>8</u> |
| <i>Deferred tax</i> | | |
| Prior period | (40) | (263) |
| Current period | (471) | (1,171) |
| Total deferred tax | <u>(511)</u> | <u>(1,434)</u> |
| Tax on (loss) / profit on ordinary activities | <u>(374)</u> | <u>(1,426)</u> |

Notes (continued)

Reconciliation of effective tax rate:

| | Year ended 30 June 2022 £000 | (Restated) Year ended 30 June 2021 £000 |
|--|------------------------------------|--|
| Current tax at 19% (2019: 19%) | (370) | (1,068) |
| Expenses not deductible for tax purposes | 8 | - |
| Prior year deferred tax | (40) | (263) |
| Rate difference on deferred tax (current year) | 28 | (103) |
| Losses c/f | - | - |
| Adjustment in respect of prior periods (corporation tax) | - | 8 |
| Total tax charge / (credit) (see above) | <u>(374)</u> | <u>(1,426)</u> |

Reductions in the UK corporation tax rate from 20% (effective from 1 April 2016) to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was enacted on 6 September 2016. Ultimately, the corporation tax rate has remained at 19%, however it has been announced that from 1 April 2023 the corporation rate will increase to 25%.

Recognised deferred tax (at rate of 25% for 2022 and 2021):

| | 30 June 2022 £000 | 30 June 2021 £000 |
|----------------------------------|----------------------|----------------------|
| Accelerated capital allowances | 168 | 214 |
| Short term timing differences | 145 | (1,439) |
| Taxable losses not recognised | 124 | 1,151 |
| Recognised asset carried forward | <u>437</u> | <u>(74)</u> |

Notes (continued)

10 Intangible Fixed Assets

| | Computer Software £'000 | Internally Generated £'000 | Total £000 |
|-----------------------|-------------------------------|----------------------------------|---------------|
| Cost | | | |
| At 1 July 2021 | 202 | 3,613 | 3,815 |
| Additions | - | 314 | 314 |
| Disposals | - | - | - |
| At 30 June 2022 | 202 | 3,927 | 4,129 |
| Amortisation | | | |
| At 1 July 2021 | (158) | (2,842) | (3,000) |
| Charge for the period | (29) | (365) | (394) |
| Disposals | - | - | - |
| At 30 June 2022 | (187) | (3,207) | (3,394) |
| Net book value | | | |
| At 30 June 2022 | 15 | 720 | 735 |
| At 30 June 2021 | 44 | 771 | 815 |

11 Tangible Fixed assets

| | Leasehold improvements £000 | Fixtures and fittings £000 | Computer hardware £000 | Total £000 |
|-----------------------|-----------------------------------|----------------------------------|------------------------------|---------------|
| Cost | | | | |
| At 1 July 2021 | 1,492 | 87 | 736 | 2,315 |
| Additions | 33 | - | 39 | 72 |
| Disposals | - | - | (16) | (16) |
| At 30 June 2022 | 1,525 | 87 | 759 | 2,371 |
| Depreciation | | | | |
| At 1 July 2021 | (493) | (56) | (665) | 1,214 |
| Charge for the period | (154) | (17) | (44) | (215) |
| Disposals | - | - | 16 | 16 |
| At 30 June 2022 | (647) | (73) | (693) | (1,413) |
| Net book value | | | | |
| At 30 June 2022 | 878 | 14 | 66 | 958 |
| At 30 June 2021 | 999 | 31 | 71 | 1,101 |

Notes (continued)

12 Right to Use assets

| | Buildings £'000 | Printers £'000 | Total £000 |
|-----------------------|--------------------|-------------------|---------------|
| Cost | | | |
| At 1 July 2021 | 4,240 | 110 | 4,350 |
| Additions | - | - | - |
| Impairment | - | - | - |
| Disposals | - | - | - |
| At 30 June 2022 | 4,240 | 110 | 4,350 |
| Depreciation | | | |
| At 1 July 2021 | (1,491) | (51) | (1,542) |
| Charge for the period | (424) | (22) | (446) |
| Impairment | - | - | - |
| Disposals | - | - | - |
| At 30 June 2022 | (1,915) | (73) | (1,988) |
| Net book value | | | |
| At 30 June 2022 | 2,325 | 37 | 2,362 |
| At 30 June 2021 | 2,749 | 59 | 2,808 |

13 Debtors

| | 30 June 2022 £000 | (Restated) 30 June 2021 £000 |
|--|----------------------|------------------------------------|
| Trade debtors | 57,455 | 53,423 |
| Prepayments and accrued income | 4,836 | 4,365 |
| Amounts owed by BHL Holdings Limited group companies | 440 | 65 |
| Deferred tax | 436 | - |
| | 63,167 | 57,853 |

Trade debtors include work in progress relating to legal services contracts of £27,589,000 (Restated 2021: £26,004,000). The valuation of this balance is subject to estimation uncertainty as disclosed in note 2. These contracts relate to work done on behalf of our clients. Materially, the responsibility for payment sits with major insurance companies and, as such, the Directors consider that there is no significant uncertainty around the successful settlement and recoverability of these amounts.

Certain unbilled disbursements are disclosed net in the financial statements. This is in accordance with contracts with those suppliers where disbursements only become payable when recovered; hence the Company is not obliged to support any losses and nor does it intend to do so. At 30 June 2022 £23,774,000 (2021: £21,408,000) remained within trade debtors after £2,868,000 (2021: £3,454,000) had been offset with trade creditors.

Notes (continued)

There is no material difference between the fair value of receivables and their carrying amount.

14 Creditors: amounts falling due within one year

| | £000 | £000 |
|--|---------------|---------------|
| Trade creditors | 17,429 | 14,053 |
| Other taxation and social security | 1,360 | 1,516 |
| Accruals and deferred income | 3,986 | 3,430 |
| Lease liabilities | 319 | 552 |
| Amounts owed to BHL Holdings Limited group companies | - | 2,132 |
| Corporation tax | 799 | 900 |
| Deferred tax | - | 74 |
| | <u>23,893</u> | <u>22,657</u> |

Trade creditors include £18,785,000 (2021: £17,253,000) in respect of disbursements where there is a contractual obligation to pay the supplier regardless of whether the disbursement is recovered.

There is no material difference between the fair value of trade and other payables, accruals, deferred income and amounts due to group companies and their carrying amount.

15 Provisions

| | Building Dilapidation £000 | Onerous Contract £000 | Total Provisions £000 |
|-------------------------------------|-------------------------------|--------------------------|--------------------------|
| Balance at 1 July 2021 | 550 | 4,733 | 5,283 |
| Provisions released during the year | - | (1,073) | (1,073) |
| Provisions utilised during the year | - | (1,795) | (1,795) |
| Balance at 30 June 2022 | <u>550</u> | <u>1,865</u> | <u>2,415</u> |

The dilapidation provision relates to the estimated cost for restoring the Wakefield office back to its original state under the terms of the Lease agreement as calculated as part of the initial measurement of the Right to Use Asset under IFRS16. The recognition of an onerous contractual commitment of £4.7m was a one-off exceptional charge in 2021 this related to a commitment to assist a long-term partner in transitioning to a post reform environment. The provision will be utilised within a 2-year period and was based on a best estimate of volumes on information available, during 2022 this was revised based on reduced claims volumes post Covid-19.

Notes (continued)

16 Lease Liabilities

The Company has lease liabilities recognised under IFRS16 as set out below. Calculations provided are based on the leases running for their full term. The Wakefield office has a break clause after five years at the end of 2022, however the full term of 10 years has been assumed below:

| | Land and buildings | | Printers | |
|---------------------------------|--------------------|--------------|--------------|--------------|
| | 30 June 2022 | 30 June 2021 | 30 June 2022 | 30 June 2021 |
| | £000 | £000 | £000 | £000 |
| Lease liabilities: | | | | |
| Less than one year | 296 | 524 | 23 | 28 |
| Between one year and five years | 1,781 | 1,611 | 12 | 35 |
| Over five years | 118 | 584 | - | - |
| | <u>2,195</u> | <u>2,719</u> | <u>35</u> | <u>63</u> |

17 Share capital

| Called up share capital – fully paid ordinary shares of £1 each | No of shares | £000 |
|---|---------------|-----------|
| Balance at 1 July 2021 | 20,000 | 20 |
| Issued during year | - | - |
| Balance at 30 June 2022 | <u>20,000</u> | <u>20</u> |

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

18 Share premium

| | 2022 | 2021 |
|-------------------------|---------------|---------------|
| | £000 | £000 |
| Balance at 1 July 2021 | 11,590 | 11,590 |
| Issued during the year | - | - |
| Balance at 30 June 2022 | <u>11,590</u> | <u>11,590</u> |

Notes (continued)

The share premium represents consideration received for shares issued above their nominal value net of transaction costs.

19 Profit and loss account

| | 30 June 2022 £000 | (Restated) 30 June 2021 £000 |
|--|----------------------|------------------------------------|
| At the beginning of the year | 39,024 | 43,221 |
| (Loss) / Profit for the financial year | (1,575) | (4,197) |
| At the end of the year | 37,449 | 39,024 |

The profit and loss account represents cumulative profit and loss net of distributions to owners.

20 Related Party Transactions

The following transactions took place during the financial year with related parties. The related parties with the exception of Charles Layfield (Non Exec Director) are members of the same group, with BHL (UK) Holdings Limited being the common parent.

ACM ULR Limited ceased to be a related party as at 30th April 2022.

| Related Party | Type of Service | 30 June 2022 £000 | 30 June 2021 £000 |
|----------------------------------|-------------------------------------|----------------------|----------------------|
| BGL Group Limited | Building and services | 60 | 138 |
| BHL (UK) Holdings Limited | Loan interest receivable & services | 76 | 46 |
| Coral Insurance Services Limited | Support services | 759 | 467 |
| ACM ULR Limited | Legal services | 383 | 318 |
| Total Income | | 1,278 | 969 |

| Related Party | Type of Service | 30 June 2022 £000 | 30 June 2021 £000 |
|--------------------------------------|------------------|----------------------|----------------------|
| Charles Layfield (Non Exec Director) | Consultancy | 36 | 46 |
| BHL (UK) Holdings Limited | Support services | 361 | 125 |
| ACM ULR Limited | Cost of sales | (93) | 5,306 |
| Coral Insurance Services Limited | Cost of sales | 1,396 | 619 |
| Total Expenditure | | 1,700 | 6,096 |

Notes (continued)

The following balances were outstanding at the year-end:

| Related Party | Type of Service | 30 June 2022 £000 | 30 June 2021 £000 |
|----------------------------------|----------------------|----------------------|----------------------|
| BGL Group Limited | uilding and services | - | 24 |
| BHL (UK) Holdings Limited | loan | 7,697 | 14,506 |
| Coral Insurance Services Limited | cost of sales | 440 | 41 |
| Current Asset | | 8,137 | 14,571 |

Invoices raised to BGL Group Limited are repayable on 30 day terms; the loan with BHL Holdings (UK) Limited is repayable on demand.

| Related Party | Type of Service | 30 June 2022 £000 | 30 June 2021 £000 |
|--------------------------|-----------------|----------------------|----------------------|
| ACM ULR Limited | Cost of sales | - | 2,132 |
| Current Liability | | - | 2,132 |

Invoices received from ACM ULR Limited are payable on 9 month terms from the date of service; all other invoices are payable on 30 day terms.

21 Ultimate parent company

The Company's immediate parent company is BHL (UK) Holdings Limited which is incorporated in England and Wales. The Company's ultimate parent undertaking and ultimate controlling party is BHL Holdings Limited.

The largest group in which the results of the company are consolidated is that headed by BHL (UK) Holdings Limited. No other group financial statements include the results of the company

The consolidated financial statements of BHL (UK) Holdings Limited can be obtained from Companies House.

22 Restatement of comparative financial information

Following a review of accounting policies, a decision has been made to change the accounting treatment for revenue recognition in respect of contingent fees and the treatment of incremental costs incurred in obtaining contracts to ensure the most appropriate and correct interpretation of the relevant accounting standards has been used and to ensure consistency with other companies in the BHL (UK) Limited group.

As a result of the review, the financial statements of the company have been restated to reflect the revisions to accounting treatment.

The accounting treatment of incremental costs incurred in obtaining contracts has been reviewed against the IFRS 15 accounting standard to assess whether the current interpretation is the most appropriate implementation of the standard. IFRS 15 - Revenue from Contracts with Customers establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. It lists several factors to consider when assessing when revenue or costs associated with a contract are recognised.

Notes (continued)

The directors' review and interpretation of IFRS 15 centres on a two-stage assessment as to whether costs should be capitalised. The first, is whether the costs would be incurred if the contract was not taken on, and the second assesses whether the incremental costs are expected to be recovered. The review determined that claim related contract distribution costs should have been capitalised, rather than expensed on claim acceptance. By capitalising contract distribution fees to match income generation, the corrected treatment has resulted in cumulative costs of £1,922,000 as at 30th June 2021 (£1,562,000 in the year to 30th June 2021), which had previously been expensed being prepaid and recognised in future years.

The trade debtor balance included unbilled amounts for work performed in relation to legal services contracts where the fee has yet to be agreed. Historically no value was recognised until a positive admission of liability had been received from the third-party insurer. However, on review of IFRS 15 - Revenue from Contracts with Customers, the directors believe applying this treatment does not fully consider the prospects of success on the cases based on historical evidence. Previously a provision for unsuccessful cases was applied to the revenue recognition calculation based on the analysed historic trends, the decision has been taken to change the accounting policy for revenue recognition, as the directors deem it unnecessary to delay valuation of work in progress until after admission of liability. This change in accounting policy results in a more appropriate accounting treatment, the change has resulted in a decrease in profit of £196,000 in the year to 30th June 2022, (2021: increase in profit of £159,000). The cumulative increase in current assets as at 30th June 2021 was £8,100,000.

The adjusted creditors falling due within one year solely relates to changes in tax due to the adjustments stated above.

Profit and Loss Account

| | Original 30 June 2021 £000 | Adjusted 30 June 2021 £000 | (Restated) 30 June 2021 £000 |
|---|----------------------------------|----------------------------------|------------------------------------|
| Turnover | 28,609 | 159 | 28,768 |
| Cost of sales | (19,787) | (1,562) | (21,349) |
| Gross profit | 8,822 | (1,403) | 7,419 |
| (Loss)/Profit before taxation | (4,220) | (1,403) | (5,623) |
| Tax on profit | (8) | 1,434 | 1,426 |
| (Loss)/Profit for the financial year | (4,228) | 31 | (4,197) |

Notes *(continued)*

Balance Sheet

| | Original 30 June 2021 £000 | Adjusted 30 June 2021 £000 | (Restated) 30 June 2021 £000 |
|--|-------------------------------------|-------------------------------------|------------------------------------|
| Debtors | 47,831 | 10,022 | 57,853 |
| Creditors: amounts falling due within one year | (21,921) | (736) | (22,657) |
| Net Assets | 41,347 | 9,286 | 50,634 |
| Capital and reserves | | | |
| Called up share capital | 20 | - | 20 |
| Share premium account | 11,590 | - | 11,590 |
| Profit and loss account | 29,738 | 9,286 | 39,024 |
| Shareholder's funds | 41,348 | 9,286 | 50,634 |