Company Registration No. 07931918 (England and Wales)

Slater and Gordon UK Limited

Directors' Report and Financial Statements

For the year ended 31 December 2019

Slater and Gordon UK Limited

Contents

Slater and Gordon UK Limited

Company Information

Directors	A Alinia M P Jarvis D J L Whitmore A L Wilford
Company secretary	E L Humphrey
Company number	07931918
Registered office	58 Mosley Street Manchester M2 3HZ
Auditor	Deloitte LLP 2 Hardman Street Manchester M3 3HF

Slater and Gordon UK Limited

Strategic Report

For the year ended 31 December 2019

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

Principal activities

Slater and Gordon UK Limited (the "Company"), is an industry leading provider of legal services, focusing on claimant personal injury as well as other targeted areas of consumer legal services. The Company changed its name to Slater and Gordon UK Limited from Slater Gordon Solutions Legal Limited on 16 July 2018.

Financial review

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

Revenue was £121.6m for the year ended 31 December 2019 (18 months to 31 December 2018: £129.9m). The Company generated a net profit of £12.5m for the year ended 31 December 2019 (period ended 31 December 2018: net loss of £7.1m). The financial results reflect a full year of trading for the enlarged business following the transfer of the trade and assets of the Slater & Gordon (UK) 2 LLP to the Company in July 2018.

On 17 December 2019, the Company issued £100.5m of shares to its parent company, Slater & Gordon (UK) 1 Limited. Consideration was the £100.5m intercompany payable to its parent which arose following the trade and asset transfer of Slater and Gordon UK 2 LLP into Slater and Gordon UK Limited on 18 July 2018 (see note 19).

The Directors do not recommend the payment of a dividend (2018: £nil).

Key performance indicators

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

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Revenue	121,584	129,948
Operating profit / (loss)	16,828	(6,220)
Net profit / (loss)	12,476	(7,054)
Cash and cash equivalents	18,106	6,390
Total shareholders' deficit	(97,488)	(210,371)

Future developments

The introduction of the new Civil Liability Act ("CLA") in April 2021 marks a significant moment for the consumer legal services industry. The Company anticipates that this will trigger a period of considerable consolidation within the market. As such it will provide the Company with an opportunity for growth as new partnerships and relationships in the legal and insurance sectors are established.

The Company decided in 2019 that in order to take advantage of the opportunities presented by the reforms and other changes in the market the Company would make significant investment in technology. Innovative technological solutions will drive the customer service and scale that will be needed to ensure the Company is at the forefront of all areas of consumer legal services. It will also assist in consolidating key strategic partnerships that will see the Company continue to deliver fair compensation to all customers.

The new online platforms have been the focus of 18 months of development and investment. They will provide customers with fast, cost-effective solutions which are fully aligned with our insurance partners and other key relationships.

Principal risks and uncertainties

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

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

Regulatory and reputational risks

The Company is regulated by the law society. The proposed reforms in respect of Whiplash and Small Claims will impact the Company. The outcome remains uncertain and the earliest possible date for any changes to the recoverability of general damages in minor whiplash cases is April 2021.

Credit and liquidity management

The main exposure to credit risk in the Company is represented by the receivables (debtors and disbursements) owing to the Company. The majority of debtors are insurance companies. The Company has a funding facility in place whereby a third party will lend on expected agreed costs and paid disbursements at a given interest rate on personal injury (No Win - No Fee) cases.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period of recognised financial assets is the carrying amount of those assets, net of any provisions against those assets, as disclosed in the statement of financial position.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company borrows from within the UK Group to fund its working capital needs as required. The timing of receipts from the parties from whom the Company seeks to recover its charges is uncertain and can be protracted. The Company actively forecasts, manages and reports its working capital requirements to ensure that it has sufficient funds for its operations.

Brexit

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

Key personnel and resources

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

Subsequent events

Coronavirus

During the coronavirus pandemic and subsequent lockdown, the Company has focused on minimising the impact on our people, our customers and our business.

By the end of the first week of lockdown, most of our colleagues were able to work from home. The Company was able to do this thanks to the investment in Microsoft technologies which gave our colleagues both the hardware and software platforms as well as cloud-based security to be able to work anywhere. The Company has provided structured, informative and supportive communication to colleagues whenever possible, relying on the new innovative internal channels, including Microsoft Teams.

We will ensure the business continues to learn and evolve as a result of our experience, so we are in the best position to respond to any similar future events.

Going concern

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

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

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

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

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

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

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

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

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

Going concern (continued)

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

Summary

Whilst 2018 was about stabilising the Company, 2019 was about setting the foundations to propel forward. Consequently, the Company has entered 2020 with a renewed sense of confidence and has performed well despite the Covid-19 pandemic creating some uncertainties.

Covid-19 has created the opportunity to accelerate our plans around our future operating model and the Company has taken some decisive steps in organising the property portfolio alongside moving all people to a 'smart' agile and flexible working culture.

The investment in technology in 2018 and 2019 put the Company at a competitive advantage by mobilising our workforce remotely within days of lockdown starting. With strong momentum already in place, the Company will continue to work towards securing that market-leading position.

Approval

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

D J L Whitmore
Director

A L Wilford
Director

28 July 2020

58 Mosley Street, Manchester, M2 3HZ

Slater and Gordon UK Limited

Section 172 Statement

For the year ended 31 December 2019

Slater and Gordon UK Limited ("the Company") is an approved Alternative Business Structure authorised and regulated by the Solicitors Regulation Authority (SRA) and authorised and regulated by the Financial Conduct Authority for insurance mediation activity. The Company is a subsidiary in the Slater and Gordon Group ("the Group") whose ultimate parent entity is Slater and Gordon UK Holdings Limited, a private company incorporated on 22nd September 2017. The Company operates as an independent law firm with its own management and risk meetings and leadership team.

The Directors' approach

Companies now 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.

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; and
f) The need to act fairly as between members of the company.

The Directors of a company 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 the discussions and decision-making of the Directors.

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 2019, the Company's leadership team 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 restructuring of activities, strategic technology investments, consideration of key regulatory changes faced by the business (in particular the implementation of the Civil Liabilities Act 2018).

In assessing the long-term strategy of the business, the Company's leadership team 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, and the Company has no plans to pay dividends in respect of 2019 or for the foreseeable future.

Employee interests

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

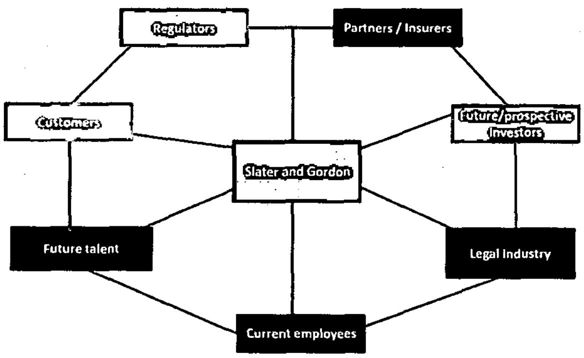
Communication with colleagues also takes place through a variety of channels including S+G Colleague roadshows, videos, blogs, emails, team talks, the Intranet and internal social channels.

In addition to this, over the course of 2019 we have provided a number of staff training programmes including our solicitor traineeship programme, 15 apprenticeship programmes, a new 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 updated SRA codes of conduct.

Fostering business relationships

Maintaining healthy relationships with suppliers, stakeholders and regulators is key to the long-term success of the business, as illustrated in Figure 1.

Figure 1. Slater and Gordon UK Limited Stakeholders



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

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 by digitalisation and mobilisation of the workforce.

Our work in this area is fundamental to a responsible business strategy and is monitored by our responsible business committee as a key priority for our Directors in 2020.

Maintaining a reputation for high standards of business conduct

For the Company, maintaining a reputation for excellent business conduct and standards is a priority. It underpins everything we do. The Group has introduced an ambitious programme designed to revitalise our culture and introduced our new values system: the Slater and Gordon Way, also known as "the S+G Way". The S+G Way defines the very specific behaviours and actions that our people and our customers care about most.

These are:

- We do what we say we will
- We own it, we sort it
- We don't wait, we create
- We respect and encourage each other
- We make time to live

Since its introduction, the S+G Way has had a significant impact across the business: delivering greater engagement, transparency and collaboration. The S+G Way has been pivotal in setting the framework for the culture of the Group and by extension, the Company; 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 Directors and their responsibilities are detailed in the Directors' Report.

Acting fairly between Members of the Company

The Company exercises its relevant powers in accordance with the Company's Articles of Association and in accordance with relevant internal policies and procedures. There is only one shareholder of the Company, Slater and Gordon (UK) 1 Limited.

The leadership team comprises the managing directors of the three business activities within the Company being Personal Injury, Consumer Legal Services and Group Litigation.

To ensure probity and transparency, the leadership team meets regularly to assess the performance of the Company as part of its responsibility to ensure long-term success.

Slater and Gordon UK Limited

Directors' Report

For the year ended 31 December 2019

The Directors present their report on the affairs of Slater and Gordon UK Limited (the "Company"), together with the Financial Statements and Auditor's Report, for the year ended 31 December 2019.

Principal activities

Slater and Gordon UK Limited's principal activities are disclosed on page 3 in the Strategic Report.

Results, dividends and key performance indicators

The results for the year are set out on page 13. During the year, no dividend could be proposed or paid by the Company (2018: £nil). The relevant key performance indicators are disclosed in the Strategic Report.

Directors

The following Directors have held office during the year and to date of this report:

- A Alinia (appointed 15 January 2020)
- K J Fowlie (resigned 30 January 2019)
- M P Jarvis
- D J L Whitmore
- A L Wilford (appointed 17 June 2019)

Employee involvement

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

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

Disabled persons

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

Modern slavery

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

Anti-bribery and corruption

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

Financial risk management objectives and policies

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

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

Market risk

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

Financial risk management objectives and policies (continued)

Credit risk

The Company's principal financial assets are cash, other receivables, and intercompany receivables. The Company's credit risk is primarily attributable to its trade receivables, intercompany and other receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Further details of the adoption of IFRS 9 are disclosed in note 17. The Company banks only with financial institutions with high quality standing or rating. The Company has no significant concentration of credit risk.

Liquidity risk

The Company maintains sufficient liquidity levels to ensure that funds are available for ongoing operations and future developments. See further details within the Strategic Report on page 4.

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP was appointed as Auditor on 1 November 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. Deloitte LLP has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

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

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

D J L Whitmore
Director
28 July 2020
58 Mosley Street, Manchester, M2 3HZ

A L Wilford
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER AND GORDON UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Slater and Gordon UK Limited (the "Company"):

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

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 20.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Heather J Crosby BSc ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
28 July 2020

Slater and Gordon UK Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Revenue	2	121,584	129,948
Cost of sales		(74,469)	(103,490)
Gross profit		**47,115**	**26,458**
Administrative expenses		(31,108)	(33,985)
Other operating income	6	821	1,307
Operating profit / (loss)	3	**16,828**	**(6,220)**
Net finance costs	7	(4,352)	(834)
Profit / (loss) before tax		**12,476**	**(7,054)**
Tax on profit on ordinary activities	8	-	-
Total comprehensive income / (loss)		**12,476**	**(7,054)**

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

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

The notes on pages 16 to 36 are an integral part of these financial statements.

Slater and Gordon UK Limited

Statement of Financial Position

At 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018* £'000
Non-current assets			
Investments	**9**	100	220
Intangible assets	**10**	185	2,709
Property, plant and equipment	**11**	4,276	5,002
Right-of-use assets	**17**	14,160	-
Trade and other receivables	**12**	49,775	28,546
Work in progress	**13**	48,650	46,503
Total non-current assets		**117,146**	**82,980**
Current assets			
Trade and other receivables	**12**	111,252	158,147
Work in progress	**13**	76,215	81,451
Cash and cash equivalents		18,106	6,390
Total current assets		**205,573**	**245,988**
Total assets		**322,719**	**328,968**
Current liabilities			
Trade and other payables	**14**	381,407	418,906
Lease liabilities	**17**	3,941	-
Provisions	**15**	394	968
Total current liabilities		**385,742**	**419,874**
Non-current liabilities			
Trade and other payables	**14**	14,196	118,723
Lease liabilities	**17**	20,026	-
Provisions	**15**	243	742
Total non-current liabilities		**34,465**	**119,465**
Total liabilities		**420,207**	**539,339**
Net liabilities		**(97,488)**	**(210,371)**
Equity			
Called-up share capital	**16**	181,868	81,410
Share premium		12,778	12,778
Accumulated losses		(292,134)	(304,559)
Total shareholders' deficit		**(97,488)**	**(210,371)**

*Restated classification of trade and other receivables, WIP, provisions and trade and other payables for the prior period ended 31 December 2018.

The notes on pages 16 to 36 are an integral part of these Financial Statements.

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

They were signed on its behalf by

D J L Whitmore
Director

A L Wilford
Director

Company Registration Number: 07931918

Slater and Gordon UK Limited

Statement of Changes in Equity

For the year ended 31 December 2019

	Called-up share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000
Balance as at 1 July 2017	**81,410**	**12,778**	**(297,505)**	**(203,317)**
Total comprehensive loss for the period	-	-	(7,054)	**(7,054)**
Balance as at 31 December 2018	**81,410**	**12,778**	**(304,559)**	**(210,371)**
Change in accounting standards (see note 17)	-	-	(51)	**(51)**
Restated balance at 1 January 2019	**81,410**	**12,778**	**(304,610)**	**(210,422)**
Total comprehensive income for the year	-	-	12,476	**12,476**
Total comprehensive income for the year	**-**	**-**	**12,476**	**12,476**
Transactions with owners in their capacity as owners				
Proceeds of shares issued (note 19)	100,458	-	-	**100,458**
Total transactions with owners in their capacity as owners	**100,458**	**-**	**-**	**100,458**
Balance as at 31 December 2019	**181,868**	**12,778**	**(292,134)**	**(97,488)**

The notes on pages 16 to 36 are an integral part of these Financial Statements.

Slater and Gordon UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1. Accounting policies

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

a) Basis of preparation

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

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

These financial statements are separate financial statements. The consolidated financial statements of Slater and Gordon UK Holdings Limited (the ultimate parent) are available to the public and can be obtained as set out in note 20.

The Company's financial statements are prepared in Pounds Sterling (GBP), its functional currency. All values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. These financial statements have been prepared under the historical cost convention.

The statement of financial position at 31 December 2018 contains a restatement to decrease current trade and other receivables by £38.3m and decrease trade and other payables by the same amount. This reflects the receivable and payable position of amounts owed by and due from group companies at 31 December 2018. There is also a restatement to decrease trade and other payables by £1.7m and increase provisions by the same amount. This reflects the reclassification of onerous provisions on the face of the statement of financial position. There is also a restatement to decrease work in progress by £2.1m and to increase trade and other receivables by the same amount. This reflects the reclassification of accrued income.

b) Compliance with accounting standards

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

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

- A statement of cash flows has not been presented.
- Disclosures in respect of compensation of key management personnel.
- The categories of financial instrument and nature and extent of risks arising on these financial instruments have not been detailed.
- Comparative period reconciliations for property plant and equipment and intangible assets.
- IAS 24 "*Related party disclosures*", including related party transactions between two or more wholly owned members of the group have not been disclosed.

1. Accounting policies (continued)

b) Compliance with accounting standards (continued)

- IAS 36 *"Impairment of Assets"*, where the equivalent disclosures have been given the Group accounts of Slater and Gordon UK Holdings Limited, where the Company has been consolidated.
- The future impact of new and revised IFRS standards in issue but not yet effective, has not been given.

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

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

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

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

The adoption of IFRS 9, which replaces IAS 39 *"Financial Instruments: Recognition and Measurement"*, addresses the classification, measurement and recognition of financial assets and liabilities. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. The classification and measurement basis for the Company's financial assets and liabilities have not been materially changed by the adoption of IFRS 9. Further details of the impact are disclosed in note 17.

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

d) Significant accounting estimates and judgements

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

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

Critical judgements in applying the Company's accounting policies

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

Revenue Recognition – Identifying the Performance Obligation

In personal injury matters, contracts with customers generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some personal injury contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Company in delivering these services.

1. Accounting policies (continued)

d) Significant accounting estimates and judgements (continued)

Critical judgements in applying the Company's accounting policies (continued)

Recognising Revenue – Stage of Completion

Revenue is recognised when the significant risks and rewards of a service is transferred to the customer. The Company recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation. Where a contract has only been partially completed at the year-end date, revenue represents the fair value of the services provided to date based on the stage of completion of the performance obligation at the statement of financial date.

Legal disbursements

Amounts incurred by the Company with third parties in relation to legal disbursements on unbilled cases are recorded within trade payables (note 14). Where disbursements represent services provided by the Company, they are shown as revenue in the statement of comprehensive income. To the extent that these are recoverable from third parties, an asset is recognised within other receivables (note 12). Where there is a risk of recovery, a provision will be held against these assets e.g. full provision against disbursements recognised on failed cases where After the Event insurance cover is not in place.

Key sources of estimation uncertainty

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

Revenue recognition – estimating the transaction price: Variable consideration – No Win No Fee arrangements

The Company provides various services on the basis of No Win No Fee conditional fee arrangements. The uncertainty around the fees ultimately receivable under these types of contracts is generally only fully resolved when a matter is concluded.

Where the Company has sufficient historical experience in similar contacts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue is estimated using the expected value method. 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 a significant reversal when the matter is concluded.

To determine the probability of success of a case using the expected value method, a level of judgement is required to be applied based on past experience and historical performance of similar matters. The estimated amount of variable consideration is based on the expected fee for the nature of legal service provided with reference to internal historical fee levels and relative rates of successful and unsuccessful outcomes.

Provision for claims

Provision for claims relates to open claims and potential future claims as identified at the end of the reporting period. Estimates of the provision are determined based on historical data, taking into account the nature of the existing claim and expected reimbursement will be included. The provision determined includes the estimated maximum amount payable by the Company.

e) Going concern

Going concern is disclosed on page 5 in the Strategic Report.

1. Accounting policies (continued)

f) Investment in subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The Company assesses, at each reporting date, whether there is objective evidence that the investment in subsidiaries is impaired. Any impairment loss is charged to the profit or loss account during the reporting period in which the loss is incurred.

g) Intangibles

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

Class of intangibles	Amortisation rates
IP rights, software and licenses	**2-10 years**

h) Property, plant and equipment

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

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

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation method
Fixtures and fittings	**4 - 10 years**	Straight Line
Office and computer equipment	**3 - 5 years**	Straight Line

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

i) Cash and cash equivalents

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

Under the Solicitors Accounts Rules 2011, the Company is required to have a separate bank account to hold and receive client money. This must be held under the name of the relevant entity and the name of the account must also include the word 'client'. All client money must be held in a client account. Client monies do not appear in the financial statements.

1. Accounting policies (continued)

j) Leases

Periods prior to 31 December 2018

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

Reporting from 1 January 2019

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

All existing operating lease commitments are now recognised as right-of-use assets, with corresponding lease liabilities being presented in the statement of financial position, with the exception for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with a value of less than £4k). The right-of-use assets and lease liabilities are initially measured at the present value of the future lease payments. Full details and the impact of the new policy are described in note 17.

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

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

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

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

k) Trade other receivables

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

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

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit and market risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and 1 January 2019 and the corresponding historical credit losses experienced within this period. Further details of the credit loss provision are disclosed in note 17.

Accrued income represents the revenue recognised in accordance with the Company's revenue recognition policy to the extent it has not been invoiced.

1. Accounting policies (continued)

l) Legal disbursements

Amounts incurred by the Company with third parties in relation to legal disbursements on unbilled cases are recorded within trade and other payables as legal creditors. Where disbursements represent services provided by the Company, they are shown as revenue in the Statement of Comprehensive Income.

Disbursements are only recognised when it is assessed that a reimbursement will be received from the customer or on his or her behalf. The disbursements are treated as a separate asset. The amount recognised for the expected reimbursement does not exceed the relevant costs incurred.

Provisions are recorded against these assets where there is a risk of recovery e.g. on failed cases where amounts are not recoverable. These are disclosed as the net recoverable amount.

m) Work in progress

Work in progress represents customer cases which have not yet reached a conclusion and comprises personal injury cases, services performed ancillary to personal injury cases, non-personal injury cases and group litigation cases.

Contracts for legal services are billed based on time incurred. The transaction price allocated to the unsatisfied or partially unsatisfied performance obligations under these contracts has not been disclosed. The Company allocates work in progress between current and non-current classifications based on a historical analysis of the Company's work in progress balances and velocity rates to determine expected timing of settlements.

n) Trade and other payables

Trade payables and legal creditors are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are non-interest bearing and are stated at their nominal value. Trade payables and legal creditors are classified as current liabilities if payment is due within one year or less. The Company has a funding facility in place whereby a third party will lend on expected agreed costs and paid disbursements at a given interest rate on personal injury (No Win - No Fee) cases. This facility is disclosed in other payables.

o) Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Defined contribution pension plan

The Company makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period as the employee services are received.

p) Borrowing costs

Borrowing costs includes interest expense, finance charges in respect of leases, amortisation of discounts or premiums and ancillary costs relating to borrowings. Borrowing costs are expensed in the period in which they are incurred.

1. Accounting policies (continued)

q) Business combinations

The acquisition of another entity's trade and assets is accounted for using the purchase method. On acquisition, the assets and liabilities and contingent liabilities are measured at their respective fair values at the date of acquisition. Any excess of the consideration made over fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit or loss in the period of acquisition. Where consideration is locked in for future periods, due to performance conditions, the value of this consideration is discounted by the Company's cost of equity for the time value of money.

r) Provisions

Provisions for liabilities are recognised in respect of obligations resulting from past events for which it is probable that the Company will be required to transfer economic benefits in settlement where the amount and/or timing of the settlement is uncertain. The provisions are stated at the best estimate of the amount required to settle the obligation at the statement of financial position date.

The onerous provision covers the remaining expenditure of rent, rates and utilities from properties that no longer derive economic benefit in the future. The onerous provisions are stated at the net present value of the amounts payable under the contracts.

A provision for claims is made for the potential future cost of claims brought against the Company by former customers. The provision is determined by including the estimated maximum amount payable by the Company under its Professional Indemnity Insurance Policy on all claims notified to its insurer.

s) Revenue

Provision of legal services

The personal injury law practice operates on the basis of No Win – No Fee conditional fee arrangements, whereby fees are earned only in the event of a successful outcome of a customer's claim. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

In personal injury matters, contracts with customers generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as legal services in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation. This is considered by management as an accurate method of the transfer of services.

Revenue is recognised when the significant risks and rewards of a service is transferred to the customer. The Company recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). Where a contract has only been partially completed at the year-end date, revenue represents the fair value of the services provided to date based on the stage of completion of the performance obligation at the statement of financial date.

A receivable in relation to these services is recognised on settlement of the customer matter and when a bill has been invoiced; as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1. Accounting policies (continued)

s) Revenue (continued)

Provision of legal services (continued)

The Company arranges for the disbursement activities on behalf of the customer; however, it does not control the output from those activities. The Company cannot influence the content of the medical reports or court filings; therefore, no profit margin is recognised on the activities and the customers are charged the direct cost incurred by the Company. As such, the Company 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 his or her behalf. The 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.

Consumer Legal Services

Revenue from the provision of general legal services, including group litigation, is recognised over time in the accounting period when services are rendered. This includes fixed fee arrangements, where revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. In fee for service contracts, revenue is recognised up to the amount of fees that the Company is entitled to invoice for services performed to date based on contracted rates.

Certain group litigation matters are undertaken on a partially funded basis. The Company has arrangements with third party funders to provide a portion of the fee's receivable on a matter over time as services are performed. In such arrangements, the funded portion of fees is billed regularly over time and is not contingent on the successful outcome of the litigation.

A receivable in relation to these services is recognised when a bill has been invoiced as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Other Legal Services

Revenue from Road Traffic Accidents ("RTA") and Employer Liability/Public Liability ("EL/PL") files is recognised over the life of the case based on prescribed milestones in a matter. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

Revenue has been recognised for Noise Induced Hearing Loss ("NIHL") files that have settled during the year ended 31 December 2019. Any files that are in progress as at 31 December 2019 have no revenue recognised due to the inherent uncertainty over the consideration to be achieved in each successful matter.

The Company has determined that no significant financing component exists in respect of the provision of legal services revenue streams. This is because a substantial amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Company.

1. Accounting policies (continued)

t) Financial instruments

Classification

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

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in subsidiaries, trade and other receivables, cash and cash equivalents, loans and borrowings, lease liabilities and trade and other payables.

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

Loans and receivables

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

Impairment of financial assets

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

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

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Financial liabilities

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

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

The Company has a funding facility in place whereby a third party will lend on expected agreed costs and paid disbursements at a given interest rate on Personal Injury (No Win- No Fees) cases. This is treated as a loan.

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

1. Accounting policies (continued)

u) Taxation including deferred tax

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

Income tax

Income tax expense comprises current and deferred tax.

Current tax

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

Deferred tax

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

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

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

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

Value Added Tax ("VAT")

Revenue, expenses and assets are recognised net of the amount of VAT, except where the VAT incurred is not recoverable from Her Majesty's Revenue and Customs ("HMRC") and is therefore recognised as part of the asset's cost or as part of the expense item. Receivables and payables are stated inclusive of VAT.

The net amount of VAT recoverable from, or payable to, HMRC is included as part of current receivables or payables in the consolidated statement of financial position.

2. Revenue

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Provision of legal services	121,584	129,948

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

3. Operating profit / (loss) from continuing activities

The following items have been charged / (credited) to the statement of comprehensive income to arrive at the operating profit / (loss):

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Amortisation of intangible assets (note 10)	2,513	979
Loss on disposal of intangible assets	62	-
Depreciation of property, plant and equipment (note 11)	970	815
Depreciation of right-of-use assets (note 17)	3,407	-
Loss on disposal of property, plant and equipment	24	39
Impairment in investments	120	-
Allowance for non-recovery	(811)	4,842
Operating lease rentals	-	2,814
Auditors' remuneration for the audit of the Company's financial statements	50	450

4. Employee information

4.1 Employee benefits

The aggregate employee expense, including Directors, comprised:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018* £'000
Wages and salaries	45,973	58,631
Social security costs	4,234	5,381
Pension costs	2,095	1,412
	52,302	**65,424**

*restated to include all cost of sales and administrative staff costs.

Staff costs have been included in either cost of sales or administrative expenses depending on their nature.

4.2 Employee numbers

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

	Year ended 31 December 2019 Number	Period ended 31 December 2018 Number
Average headcount	737	885

5. Directors' emoluments

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Directors' emoluments	85	162
Contributions to defined contribution pension	1	9
	86	**171**

The remuneration of one Director is borne by the Company. The remuneration of the remaining Directors was borne by other Group companies.

Retirement benefits are accrued for one Director for the year ended 31 December 2019 (18 months to 31 December 2018: one).

6. Other operating income

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Related marketing fee income	821	1,307

7. Net finance costs

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Interest receivable	157	34
Interest payable		
Working capital	(1,674)	(868)
Lease liabilities (note 17)	(2,835)	-
	(4,509)	**(868)**
Net finance costs	**(4,352)**	**(834)**

8. Taxation

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

	Year ended 31 December 2019	Period ended 31 December 2018
	£'000	£'000
Profit / (loss) on ordinary activities before taxation	**12,476**	**(7,054)**
At the statutory income tax rate of 19%	2,370	(1,340)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Other timing differences	(68)	298
Group relief (claimed) / surrendered	(2,378)	786
Disallowed expenses	76	256
Total tax for the year / period	**-**	**-**

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

9. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	31 December 2019	31 December 2018
	£'000	£'000
Balance at start of year / period	220	220
Impairment for the year / period	(120)	-
	100	**220**

Name	Principal Activity	Country of incorporation	Class of shares	Ownership 31 December 2019 and 2018
Slater & Gordon Trust Corporation Limited	Holding company	England and Wales[1]	Ordinary	**100%**

[1] – Registered office: 58 Mosley Street, Manchester, M2 3HZ

10. Intangible assets

	Goodwill	IP rights, software and licenses	Total
	£'000	£'000	£'000
Cost			
At 31 December 2018	40,923	8,659	**49,582**
Additions	-	51	**51**
Disposals	-	(152)	**(152)**
At 31 December 2019	**40,923**	**8,558**	**49,481**
Amortisation			
At 31 December 2018	40,923	5,950	**46,873**
Charge for the year	-	2,513	**2,513**
Disposals	-	(90)	**(90)**
At 31 December 2019	**40,923**	**8,373**	**49,296**
Net book value			
At 31 December 2019	-	**185**	**185**
At 31 December 2018	-	2,709	2,709

11. Property, plant and equipment

	Office and computer equipment	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 31 December 2018	2,601	7,465	10,066
Additions	5	263	268
Disposals	(32)	(199)	(231)
At 31 December 2019	**2,574**	**7,529**	**10,103**
Depreciation			
At 31 December 2018	2,048	3,016	5,064
Charge for the year	230	740	970
Disposals	(32)	(175)	(207)
At 31 December 2019	**2,246**	**3,581**	**5,827**
Net book value			
At 31 December 2019	**328**	**3,948**	**4,276**
At 31 December 2018	553	4,449	5,002

12. Trade and other receivables

	31 December 2019 £'000	31 December 2018* £'000
Non-current assets		
Disbursements	67,111	35,571
Allowance for non-recovery	(17,336)	(7,025)
	49,775	**28,546**
Current assets		
Trade receivables	16,725	20,386
Disbursements	105,354	158,533
Allowance for non-recovery	(28,373)	(41,942)
Other receivables	6,463	2,621
Prepayments	5,718	4,706
Accrued income	2,304	2,057
Amounts owed by ultimate parent	748	-
Amounts owed by related parties	2,312	11,786
	111,252	**158,147**

* Restatement of amounts owed to group companies and accrued income from WIP at 31 December 2018 as disclosed in Note 1a.

Amounts owed by ultimate parent and related parties at 31 December 2019 and at 31 December 2018 do not attract interest and are repayable on demand.

Trade receivables are reported after charging a provision for non-recovery of £5.7m (2018: £6.8m).

13. Work in progress

	31 December 2019 £'000	31 December 2018* £'000
Non-current		
Work in progress	48,650	46,503
Current		
Work in progress	76,215	81,451
	124,865	**127,954**

* Restatement of WIP to accrued income at 31 December 2018 as disclosed in Note 1a.

14. Trade and other payables

	31 December 2019 £'000	31 December 2018* £'000
Non-current liabilities		
Legal creditors	12,078	12,963
Dilapidations provisions	2,118	1,616
Amounts owed to related parties	-	104,144
	14,196	**118,723**
Current liabilities		
Trade payables	4,936	9,288
Legal creditors	86,716	97,937
Accruals	7,298	12,783
Amounts owed to immediate parent	179,293	204,038
Amounts owed to related parties	81,651	79,018
Payroll and other taxes including social security	8	2,475
Dilapidations provisions	1,733	2,588
Other payables	19,772	10,779
	381,407	**418,906**

* Restatement of amounts owed from group companies and onerous provisions at 31 December 2018 as disclosed in Note 1a.

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

Included in other payables is an outstanding balance of £16.5m (2018: £9.1m) in relation to the Company's arrangements for financing on costs agreed and paid disbursements and attracts interest at a floating rate of between 8.48% and 9.48% + LIBOR per annum.

15. Provisions

	Onerous provision £'000
Balance as at 31 December 2018	1,710
Adoption of IFRS 16	(1,088)
Restated 1 January 2019	**622**
Additions	614
Utilisations	(526)
Releases	(73)
Balance as at 31 December 2019	**637**
Analysed as:	
Current	394
Non-current	243
	637

15. Provisions (continued)

	Onerous provision £'000
Balance as at 1 July 2017	106
Acquisitions	1,968
Additions	659
Utilisations	(1,023)
Balance as at 31 December 2018	**1,710**
Analysed as:	
Current	968
Non-current	742
	1,710

Onerous provision: The provision represents the remaining expenditure from 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. The restated position at 1 January 2019 reflects an adjustment required to the 31 December 2018 balance for the adoption of IFRS 16.

16. Capital and reserves

	31 December 2019 £'000	31 December 2018 £'000
Allotted, called up and fully paid		
81,410,000 Ordinary shares of £1	81,410	81,410
Proceeds of 100,457,651 shares issued of £1 (note 19)	100,458	-
	181,868	**81,410**

The Company has one class of Ordinary Shares of £1 each which carry no right to fixed income and has no authorised share capital limit.

Proceeds of shares issued: On 17 December 2019, the Company issued £100.5m of shares to its parent company, Slater & Gordon (UK) 1 Limited. Consideration was the £100.5m intercompany payable to its parent which arose following the trade and asset transfer of Slater and Gordon UK 2 LLP into Slater and Gordon UK Limited on 18 July 2018. See details in note 19.

17. Adoption of new accounting standards

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

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

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

Adoption of new standards	31 December 2019 £'000	1 January 2019 £'000
IFRS 9 *"Financial Instruments"*	11	41
IFRS 16 "Leases"		
Opening charge	-	10
Decrease in operating expenses	(5,174)	-
Depreciation on right-of-use assets	3,407	-
Finance costs for lease liabilities	2,835	-
Decrease in profit for the year	**1,079**	**51**

i) Adoption of IFRS 9

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

The impact of the expected credit loss to retained earnings at 1 January 2019 of £0.04m was reflected in retained earnings. During the year ended 31 December 2019, an additional charge of £0.01m has been reflected for the allowance of non-recovery for trade receivables (note 12).

ii) Adoption of IFRS 16

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

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

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

These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 11.0%. The Company has performed the following reconciliation for the measurement of lease liabilities as at 1 January 2019 in relation to the existing operating lease commitments reported in the period ended 31 December 2018:

17. Adoption of new accounting standards (continued)

ii) Adoption of IFRS 16 (continued)

	1 January 2019 £'000
Operating lease commitments disclosed as at 31 December 2018	41,828
Discounted using Group's incremental borrowing rate at the date of initial application	**20,624**
Of which are:	
Current lease liabilities	1,077
Non-current lease liabilities	19,547
Lease liability recognised as at 1 January 2019	**20,624**

The associated right-of-use assets for existing operating leases were measured on a retrospective basis as if the new rules had always been applied. The provision for onerous lease contracts of £1.1m required under IAS 17 has been derecognised at 1 January 2019. The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets.

The statement of financial position shows the following amounts:

	31 December 2019 £'000	1 January 2019 £'000
Right-of-use assets	**14,160**	**13,147**
Lease liabilities		
Current	3,941	1,077
Non-current	20,026	19,547
	23,967	**20,624**

Additions to the right-of-use assets during the year ended 31 December 2019 were £4.4m.

The statement of comprehensive income shows the following amounts:

	Year ended 31 December 2019 £'000	Period ended 31 December 2018 £'000
Depreciation charge of right-of-use assets	**3,407**	-
Interest on lease liabilities	**2,835**	-

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

The short-term lease payments during the year ended 31 December 2019 was £nil. For the year ended 31 December 2019, the cash paid for the principal portion was £3.9m. The adoption of IFRS 16 did not have an impact on net cash flows.

18. Contingent liabilities

The Company routinely enters into a range of contractual arrangements in the ordinary course of events which can give rise to claims or potential litigation against it. It is the Company's policy to make specific provisions at the Statement of Financial Position date for all liabilities which, in the opinion of the Directors, are expected to result in a significant loss. The Directors have reviewed the open claims and pending litigation against the Company at the period end and concluded that no material unprovided loss is likely to accrue to the Company from any such unprovided claims.

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

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

19. Business combination

On 18 July 2018, Slater and Gordon UK 2 LLP transferred its trade and assets to the Company at net asset value in exchange for a Consideration Loan Note with a value of £100.5m. The table below summarises the net assets acquired at that date:

Statement of Financial Position	£'000
Investments	100
Intangible assets	3,221
Tangible assets	4,269
Work in progress	90,774
Trade and other receivables	90,472
Cash	5,952
Trade and other payables	(85,605)
Dilapidations and onerous lease and other provisions	(8,725)
Net assets acquired	**100,458**

As this was a transaction between wholly owned entities of Slater and Gordon UK Holdings Limited, the ultimate parent company, this transaction is outside of the scope of IFRS 3 and the assets and liabilities were transferred at their net book value. The result for the period ended 31 December 2018 includes £34.9m of turnover and £3.2m of profit before tax arising from the trade and assets transferred.

As part of the transfer, £3m drawn down under the financing facility on costs agreed were novated from Slater and Gordon UK 2 LLP to the Company. This balance is included in trade and other payables. On 17 December 2019, the Consideration Loan Note of £100.5m due from Slater & Gordon (UK) 1 Limited was exchanged for shares in the Company of the same value.

20. Ultimate parent company

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

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

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