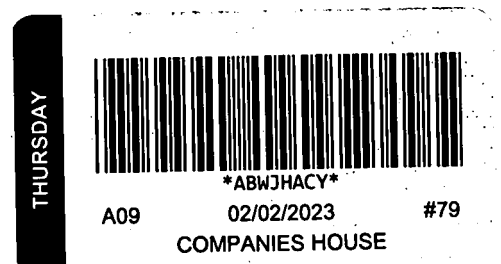


Company Registration No. 07931918 (England and Wales)

Slater and Gordon UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2021



Slater and Gordon UK Limited

Contents

	Page
Company information	2
Strategic report	3
Section 172 Statement	6
Directors' report	9
Independent auditor's report	11
Statement of comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Notes to the financial statements	17

Slater and Gordon UK Limited

Company Information

Directors	J S E Baldwin E S Comley N I Stoesser
Company secretary	E S Comley
Company number	07931918
Registered office	58 Mosley Street Manchester M2 3HZ United Kingdom
Statutory auditor	Deloitte LLP The Hanover Building Corporation Street Manchester M2 4AH United Kingdom

Slater and Gordon UK Limited

Strategic Report

For the year ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

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.

Financial review and key performance indicators

These financial statements are for the year ended 31 December 2021.

Revenue was £94.2m for the year ended 31 December 2021 (2020: £111.1m). The Company generated a net loss of £10.1m for the year ended 31 December 2021 (2020: net loss of £19.5m). There is no denying that 2021 was hugely challenging for the whole of the legal industry, particularly in the personal injury market. Indeed, with 50% of all court dates being cancelled due to the impact of pandemic-related restrictions, it was an incredibly difficult environment to push through cases. All this meant that total UK claim levels in 2021 were down another 18% on 2020 levels, with Road Traffic Accident (RTA) claims down 20%.

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 2021 £'000	Year ended 31 December 2020 £'000
Revenue	94,190	111,146
Operating loss	(4,640)	(14,766)
Loss before tax	(10,054)	(19,531)
Cash and cash equivalents	4,264	2,854
Total shareholders' deficit	(127,073)	(117,019)

Future developments

For firms in the UK legal sector, any hopes that the unprecedented challenges of 2020 could be put behind us during 2021 were sadly somewhat premature and we expect to see the long tail of these challenges persist into 2022.

Yet the Company's commitment to the personal injury market remains absolute, just as it is to other areas of consumer law (including Employment and Family) in which we have extremely talented teams and continue to grow market share.

At the Company, we have never shied away from change and evolution when we believe it's necessary. Consumer-focused businesses cannot afford to stand still. We know that our clients continue to expect more from us when it comes to service, expertise and user experience and we believe we are leading the way in many of these areas driven by our investment in technology, new products and improved operating processes.

During 2022, the biggest risk in the markets has been the rise in inflation and, as a result, central banks have started to raise interest rates. Since February 2022 the Company has been closely monitoring the geopolitical issues in Ukraine and the effect on global markets. Management do not expect these events to impact on the long term returns of the Company.

The Covid-19 pandemic

The Company continued to use the Coronavirus Job Retention Scheme in response to the Covid-19 pandemic, which resulted in the Company receiving a government grant to cover salaries of employees whose roles were impacted by the Covid-19 pandemic. The total receipt is shown as other income.

At the start of 2022, the UK announced the easing of social distancing restrictions from the Covid-19 pandemic. The Directors will continue to monitor the UK economy and markets and the effects this has on the Company's financial performance and cash position. The Directors of the Company have assessed the ability for the Company to continue as a going concern below.

Slater and Gordon UK Limited

Strategic Report (continued)

For the year ended 31 December 2021

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 (the "Group") whose ultimate parent entity is Slater and Gordon UK Holdings Limited. 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.

At 31 December 2021, the Group had net assets of £85.1m and cash of £11.5m. The Group has prepared cash flow forecasts for the period to 30 June 2024, based on key assumptions around the achievement of revenues, the costs and working capital required to generate these revenues. The Group Directors have considered the level of new instructions and the likely future value of this work together with the forecasts and projected cash flow patterns of the Group for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

The Group's projections for the period to 30 June 2024 including receipts and payments indicate that the Group expects to be able to discharge its obligations to all stakeholders. Business activity and cash flows are monitored on a weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the Group's funding requirements to demonstrate the Group's ability to meet its working capital requirements, to meet liabilities when they fall due and to comply with regulatory capital requirements.

The Group has considered the impact of the global economy on the cashflow forecasts, including the aftermath of the Covid-19 pandemic, the continuing rise of inflation and the geopolitical issues in Ukraine. The forecasts are based on a prudent level of intake growth, with road traffic volumes and court processes seeing a return to pre Covid-19 levels. The successful settlement of the VW case enabled the Group to increase cash during FY22.

As part of looking at the period of the projections the Group has also assessed its access to financing. Historically this has been provided through a shareholder loan facility and a working capital facility.

The shareholder loan facility, including accrued interest, was £43.5m as at 31 December 2021 and was fully drawn down (2020: £33.8m). On 10 June 2022, following the successful settlement of the Volkswagen class action, the Group repaid the shareholder loan of £46.8m (including interest), in accordance with the contractual terms of the loan facility.

The working capital facility had £31.4m drawn at 31 December 2021 (2020: £20.9m). In common with most asset based facilities this is an on demand facility, meaning that the lending counterpart has the ability to restrict or cease to allow drawdowns at short notice. This has been the case since the inception of the facility in 2019.

The current provider of the working capital facility has informed the Group that it is attempting to refinance its own business given repayment commitments under its own facilities. If these refinancing activities are not successful the current provider has indicated it will not be able to continue funding the Group's working capital facility. In these circumstances the Group will need to find alternative working capital financing. The Group Directors' assessment of going concern assumes that the Group will have access to at least £25m of working capital funding, on terms that are substantially similar to current terms. The Group is in ongoing discussions with the current lender, and other lenders, with the support of professional advisors, to secure this level of funding for the period of the projections.

The Group Directors have reasonable expectations that the Group will have access to the necessary working capital financing based on current discussions with its lenders and other potential lenders, in particular given the availability of unsecured net assets of approximately £130m at 30 November 2022 (unaudited management accounts). Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements.

If the Group were not able to access at least £25m of working capital funding during the period of the projections these events or conditions constitute a material uncertainty that may cast significant doubt over the Group's ability and consequently, the Company's ability to continue as a going concern.

Slater and Gordon UK Limited

Strategic Report (continued)

For the year ended 31 December 2021

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'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 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.

Market risk

During 2022, the biggest risk in the markets has been the rise in inflation and, as a result, central banks have started to raise interest rates. Since February 2022 the Company has been closely monitoring the geopolitical issues in Ukraine and the effect on global markets. Management do not expect these events to impact on the long term returns of the Company.

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.

Regulatory and reputational risks

The Company is regulated by the Solicitors Regulation Authority. The reforms in respect of Whiplash and Small Claims came into effect on 31st May 2021. This has led to considerable challenge in the market as the industry adapts and unforeseen delays and technical issues at the Official Injury Claims (OIC). Despite this, Slater and Gordon have built the MiCase Platform to effectively run the Small Claims cases, which we have currently put over 18,000 cases through this new process.

Credit and liquidity management

The main exposure to credit risk in the Company is represented by trade receivables and disbursements owing to the Company.

The majority of trade receivables are from insurance companies. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has a working capital 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 Slater and Gordon UK Holdings Limited group (the Group) to fund its working capital needs as required. The timing of receipts from the parties from whom the Company seeks to recover its charges is uncertain and can be protracted. The Company actively forecasts, manages and reports its working capital requirements to ensure that it has sufficient funds for its operations. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company maintains sufficient liquidity levels to ensure that funds are available for ongoing operations and future developments. See further details within the Directors' Report on page 9.

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.

Slater and Gordon UK Limited

Strategic Report (continued)

For the year ended 31 December 2021

Section 172 Statement

Slater and Gordon UK Limited ("the Company") is a subsidiary in the Slater and Gordon Group ("the Group") whose ultimate parent entity is Slater and Gordon UK Holdings Limited. The Company operates as an independent law firm with its own management and risk meetings and leadership team.

The Directors' approach

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

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

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

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

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

Consequences of long-term decisions

In 2021, the Slater and Gordon board made a series of strategic decisions for the business. These decisions were made with due consideration of the potential long-term consequences, and the long-term success of the business.

Actions included taking strategic decisions to respond to the Covid-19 pandemic and successfully pivoting the Company to a virtual working environment (whilst fully supporting the needs of both employees and customers), decisions on several property transactions, entry into a key strategic partnership with another group of companies, closure of rehabilitation services, assessment of corporate development opportunities, strategic technology investments, consideration of key regulatory changes faced by the business (in particular the implementation of the Civil Liabilities Act 2018), development of a new internal value proposition and consideration and approval of the group strategy and budget for 2022.

In assessing the long-term strategy of the business, the board completed a full assessment to identify the different consequences, including risk management considerations and scenarios that could arise from alternative decisions. Financial performance has also been monitored on a monthly basis. The Board has not paid and has no plans to pay dividends in respect of 2021 or for the foreseeable future; this will continue to be reviewed in line with the performance of the Company.

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 a key priority for our Directors in 2022.

Our workforce is encouraged to increase their use of email, electronic signature and bundling software packages and to use video conferencing to avoid holding meetings in person. Our facilities department also closely monitor, and report printer use across the business to the Executive Leadership team. One of the greatest drivers of our carbon footprint is the space we occupy. Strategically, we can downsize our estate by making our people agile and digitising their ways of working. In 2021 we continued to reduce our space by moving to smaller sites in Edinburgh and Cambridge. Our Manchester office now operates over just two floors instead of five, and London has decreased from 18,000sqft to 6,000sqft since 2020; thus in return also reducing our utilities usage

Slater and Gordon UK Limited

Strategic Report (continued)

For the year ended 31 December 2021

Community and the environment (continued)

In 2021, we implemented our incoming mail project which digitised all incoming hard copy documents and delivered them along intelligent workflows to the case management system. We off-sited to archive providers all of our on-site files by cataloguing (indexing) 40,000 files. These files can then be scanned off-site in the archive provider warehouses where they are stored efficiently and securely. By scanning the files this also removes transport energy use. Our technology team regularly power off our digital equipment to reduce our energy consumption.

We further rolled out our Mi-case RTA portal which provides a portal to our customers to interact with our legal teams digitally, rather than in hard copy documents.

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

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

The Company is exempt from disclosing the energy consumption and carbon emissions for the year ended 31 December 2021 as the Group financial accounts disclose such information

Employee interests

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

Communication with colleagues also takes place through a variety of channels including S+G Colleague live events, videos, blogs, emails, team talks, the Intranet and internal social channels. We also provide wellbeing resources such as mindfulness, yoga and exercise sessions. These were of paramount importance as the Covid-19 pandemic continued into 2021.

In addition to this, over the course of 2021 we have provided a number of staff training programmes including our solicitor traineeship programme, 12 apprenticeship programmes, a starter induction training system and our annual PDR training.

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

Proactive employee engagement has been of paramount importance during the Covid-19 pandemic period and the Company has developed a sophisticated process of cascading information, regular wellbeing one to one sessions, periodic employee surveys and monthly virtual live events hosted by the Executive team to ensure full engagement by the wider employee group. In addition, the Company has provided access to online wellbeing resources including mindfulness, yoga and exercise sessions.

Slater and Gordon UK Limited

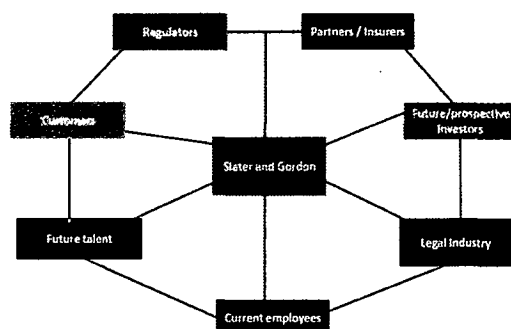
Strategic Report (continued)

For the year ended 31 December 2021

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 Stakeholders



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

Maintaining a reputation for high standards of business conduct

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

Acting fairly between Members of the Company

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

- Two executive Directors, one of whom is our CEO;
- Two non-executive Directors (NEDs), representing Slater and Gordon's majority shareholder; and
- One NED, representing Slater and Gordon's minority shareholders, one of whom is the chair

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

Approval

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

N I Stoesser
Director

30 January 2023

58 Mosley Street, Manchester, M2 3HZ

Slater and Gordon UK Limited

Directors' Report

For the year ended 31 December 2021

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 2021. The Company's business relationships are referred to in the Section 172 statement.

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 14. No final dividend has been proposed (2020: £nil). The relevant key performance indicators are disclosed in the Strategic Report.

Directors

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

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

- A Alinia (resigned 3 May 2022)
- J S E Baldwin (appointed 21 September 2022)
- E S Comley (appointed 3 May 2022)
- M P Jarvis (resigned 12 July 2022)
- N I Stoesser (appointed 12 July 2022)
- D J L Whitmore (resigned 7 September 2022)
- A L Wilford (resigned 31 January 2022)

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

- E L Humphrey (resigned 30 November 2021)
- E S Comley (appointed 30 November 2021)

Employee involvement

The Company's policy is to consult and discuss with employees matters likely to affect employees' interests. Information about matters of concern to employees is given through management meetings, information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Covid-19 pandemic dominated the year ended 31 December 2021 which meant that all employees continued working remotely. The Directors' approach has been to focus on the safety and welfare of all employees and communities, whilst protecting the financial continuity of the Company. The Company has continued to enable all employees to work from home and has maintained compliance with the Government's instructions and guidance, including avoiding travel and face to face meetings. The Company has invested in new technology to ensure home working is as effective as possible and have continued to build on that approach by accelerating smart working programmes to enable safe productive remote working.

The Company continues to communicate with all employees through regular online meetings to support the challenges or concerns remote working is having on all employees.

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).

Slater and Gordon UK Limited

Directors' Report (continued)

For the year ended 31 December 2021

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.

Financial risk management objectives and policies

The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Company does not use derivative financial instruments. See further details of the Company's principal risks and uncertainties 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 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 Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Report of the Directors was approved for issue on 30 January 2023 by the Board of Directors and signed on its behalf by:



N I Stoesser

Director

58 Mosley Street, Manchester, M2 3HZ

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

For the year ended 31 December 2021

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 2021 and of its loss 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 21.

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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the Company's going concern assessment assumes access to £25m of working capital funding by the Group, which provides financial support to the Company. The Group is in ongoing discussions with the current lender and other lenders to secure this for the period of the projections. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. 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 in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

For the year ended 31 December 2021

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

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

We discussed among the audit engagement team including relevant internal specialists (including Tax, WIP analytics and IT) regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

Overstatement of revenue – work in progress

Revenue booked close to year end through work in progress has been pinpointed as our significant risk in respect of revenue. This requires management's judgement and estimation in assessing the value assigned to work in progress and the corresponding revenue.

To address this risk, below procedures have been performed;

- Reviewed managements controls around valuation of work in progress;
- Used IT specialists to review the model and the valuation technique applied; and
- Assessed the accuracy and completeness of the valuation of the work in progress balance including the risk adjustment through testing the underlying historical data set.

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

For the year ended 31 December 2021

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic 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

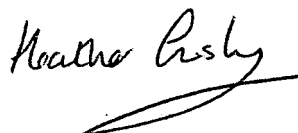
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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

United Kingdom

31 January 2023

Slater and Gordon UK Limited
Statement of Comprehensive Income
For the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020
	Notes	£'000	£'000
Revenue	2	94,190	111,146
Cost of sales		(64,491)	(71,721)
Gross profit		29,699	39,425
Administrative expenses		(34,389)	(54,261)
Other income	3	50	70
Operating loss	4	(4,640)	(14,766)
Net finance costs	7	(5,414)	(4,765)
Loss before tax		(10,054)	(19,531)
Tax on loss	8	-	-
Loss and total comprehensive loss the year		(10,054)	(19,531)

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

The notes on pages 17 to 33 are an integral part of these financial statements.

Slater and Gordon UK Limited

Statement of Financial Position

At 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Non-current assets			
Investments	9	100	100
Intangible assets	10	34	104
Property, plant and equipment	11	9,215	14,999
Work in progress	12	16,656	17,990
Trade and other receivables	13	17,749	16,954
Total non-current assets		43,754	50,147
Current assets			
Work in progress	12	122,140	120,391
Trade and other receivables	13	154,830	140,090
Cash and cash equivalents		4,264	2,854
Total current assets		281,234	263,335
Total assets		324,988	313,482
Current liabilities			
Trade and other payables	14	411,008	387,887
Lease liabilities	15	1,831	2,085
Provisions	16	6,173	6,401
Total current liabilities		419,012	396,373
Total assets less current liabilities		(94,024)	(82,891)
Non-current liabilities			
Trade and other payables	14	15,623	13,279
Lease liabilities	15	15,954	19,198
Provisions	16	1,472	1,651
Total non-current liabilities		33,049	34,128
Total liabilities		452,061	430,501
Net liabilities		(127,073)	(117,019)
Equity			
Called-up share capital	17	181,868	181,868
Share premium		12,778	12,778
Accumulated losses		(321,719)	(311,665)
Total shareholders' deficit		(127,073)	(117,019)

The notes on pages 17 to 33 are an integral part of these Financial Statements.

The financial statements were approved by the board of Directors and authorised for issue on 30 January 2023.

They were signed on its behalf by



N I Stoesser
Director

Company Registration Number: 07931918

Slater and Gordon UK Limited

Statement of Changes in Equity

For the year ended 31 December 2021

	Called-up share capital (note 17) £'000	Share premium £'000	Accumulated losses £'000	Total £'000
Balance as at 31 December 2019	181,868	12,778	(292,134)	(97,488)
Total comprehensive loss for the year	-	-	(19,531)	(19,531)
Balance as at 31 December 2020	181,868	12,778	(311,665)	(117,019)
Total comprehensive loss for the year	-	-	(10,054)	(10,054)
Balance as at 31 December 2021	181,868	12,778	(321,719)	(127,073)

The notes on pages 17 to 33 are an integral part of these Financial Statements.

Slater and Gordon UK Limited

Notes to the Financial Statements

For the year ended 31 December 2021

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.

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 (UK). 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 page 3. The financial statements have been prepared on a going concern basis and is assessed in the Strategic Report on page 4.

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

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

These financial statements are separate financial statements. The consolidated financial statements of Slater and Gordon UK Holdings Limited are available to the public and can be obtained as set out in note 20. As such, the Company has not prepared consolidated financial statements under paragraph 4 of IFRS 10.

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 (the "Group") whose ultimate parent entity is Slater and Gordon UK Holdings Limited. 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.

At 31 December 2021, the Group had net assets of £85.1m and cash of £11.5m.

The Group has prepared cash flow forecasts for the period to 30 June 2024, based on key assumptions around the achievement of revenues, the costs and working capital required to generate these revenues. The Directors have considered the level of new instructions and the likely future value of this work together with the forecasts and projected cash flow patterns of the Group for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

The Group's projections for the period to 30 June 2024 including receipts and payments indicate that the Group expects to be able to discharge its obligations to all stakeholders. Business activity and cash flows are monitored on a weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the Group's funding requirements to demonstrate the Group's ability to meet its working capital requirements, to meet liabilities when they fall due and to comply with regulatory capital requirements.

The Group has considered the impact of the global economy on the cashflow forecasts, including the aftermath of the Covid-19 pandemic, the continuing rise of inflation and the geopolitical issues in Ukraine. The forecasts are based on a prudent level of intake growth, with road traffic volumes and court processes seeing a return to pre Covid-19 levels. The successful settlement of the VW case enabled the Group to increase cash during FY22.

As part of looking at the period of the projections the Group has also assessed its access to financing. Historically this has been provided through a shareholder loan facility and a working capital facility.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The shareholder loan facility, including accrued interest, was £43.5m as at 31 December 2021 and was fully drawn down (2020: £33.8m). On 10 June 2022, following the successful settlement of the Volkswagen class action, the Group repaid the shareholder loan of £46.8m (including interest), in accordance with the contractual terms of the loan facility.

The working capital facility had £31.4m drawn at 31 December 2021 (2020: £20.9m). In common with most asset based facilities this is an on demand facility, meaning that the lending counterpart has the ability to restrict or cease to allow drawdowns at short notice. This has been the case since the inception of the facility in 2019.

The current provider of the working capital facility has informed the Group that it is attempting to refinance its own business given repayment commitments under its own facilities. If these refinancing activities are not successful the current provider has indicated it will not be able to continue funding the Group's working capital facility. In these circumstances the Group will need to find alternative working capital financing. The Directors' assessment of going concern assumes that the Group will have access to at least £25m of working capital funding, on terms that are substantially similar to current terms. The group is in ongoing discussions with the current lender, and other lenders, with the support of professional advisors, to secure this level of funding for the period of the projections.

The Directors have reasonable expectations that the Group will have access to the necessary working capital financing based on current discussions with its lenders and other potential lenders, in particular given the availability of unsecured net assets of approximately £130m at 30 November 2022 (unaudited management accounts). Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements.

If the Group were not able to access at least £25m of working capital funding during the period of the projections these events or conditions constitute a material uncertainty that may cast significant doubt over the Group's ability and consequently, the Company's ability to continue as a going concern.

b) Compliance with accounting standards

FRS 101 sets out amendments to UK-adopted IFRS's that are necessary to achieve compliance with the Companies Act 2006 and related Regulations. The Company adopted the following amendments to IFRS's from 1 January 2021:

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

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

The following disclosure exemptions from the requirements of IFRS's have been adopted in the preparation of these financial statements, in accordance with FRS 101:

- Information relating to the Company's objectives, policies and processes for managing capital has not been given.
- IAS 1 "*Presentation of financial statements*", a statement of cash flows has not been presented.
- The categories of financial instrument and nature and extent of risks arising on these financial instruments have not been detailed.
- The valuation techniques applied to assets and liabilities held at fair value have not been disclosed.
- IAS 24 "*Related party disclosures*", including related party transactions between two or more wholly owned members of the group have not been disclosed.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

b) Compliance with accounting standards (continued)

- IAS 36 "*Impairment of assets*", where the equivalent disclosures have been given in the Group financial statements of Slater and Gordon UK Holdings Limited, where the Company has been consolidated.
- Comparative period reconciliations for property, plant and equipment and intangible assets.

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

c) Amendments to IFRS's in issue but not yet effective

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

IFRS 17	<i>Insurance Contracts (effective from 1 January 2023)</i>
Amendments to IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets (effective from 1 January 2022)</i>
Amendments to IAS 1	<i>Presentation of financial statements (effective from 1 January 2023)</i>
Annual improvements to IFRS 2018-2020	<i>Effective from 1 January 2022</i>

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

d) Significant accounting estimates and judgements

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

Non-recurring items for the Company are not disclosed as the Group's non-recurring items are disclosed in the Group financial statements that are available to the public and can be obtained as per note 20.

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 that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition – Performance obligation and stage of completion

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

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

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

d) Significant accounting estimates and judgements (continued)

Key sources of estimation uncertainty

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

Revenue recognition – Estimating the transaction price

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

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

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

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

Provision for claims against the Company

The liability represents the cost of open and potential future claims in process at the year end brought against the Company by former customers. In estimating the fair value of the liability, management uses market-observable data, to the extent it is available, which is based on past experience and historical performance of similar matters and expected reimbursed expense on a case by case basis. The provision estimate reflects the potential amount payable by the Company under its Professional Indemnity Insurance Policy based on historical information and facts pertinent to the individual claim if material. The carrying value of the provision for claims is detailed in note 16.

e) Revenue

Personal Injury Law Claims

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

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

Consumer Legal Services

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

Collective Actions

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

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

e) Revenue (continued)

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.

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

f) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale. Borrowing costs includes finance charges in respect of leases and interest accrued on the working capital facility in place.

g) Taxation

Income tax

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

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

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are determined using the current income tax charge defined above and is shown net in the statement of financial position. Deferred tax assets are recognised to the extent that it is highly probable that future taxable profits will be available against which the temporary differences can be utilised and is shown net in the statement of financial position. The deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Value Added Tax ("VAT")

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

The net amount of VAT payable to HMRC is included as part of current payables in the statement of financial position.

h) Investment in subsidiaries

Investments in subsidiaries are stated at cost. Impairment reviews are carried out if there is an indication that the carrying value of the investments may have been impaired. Any impairment loss is charged to the statement of comprehensive income during the reporting period in which the loss is incurred.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

i) Intangible assets

Software and licenses

Software licenses and expenditure on developing software and other computer systems, providing they meet the criteria for recognition under IAS 38 "*Intangible assets*", are capitalised and held at historic cost less accumulated amortisation and any accumulated impairment losses. Each asset is amortised from the date the asset is available for use on a straight-line basis over its finite useful economic life of 5-10 years.

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

Amortisation of intangible assets is reported in administrative expenses in the statement of comprehensive income.

j) Property, plant and equipment

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

Depreciation is charged to 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 ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation method
Right-of-use assets	2-10 years	Straight Line
Fixtures and fittings	5 years	Straight Line
Computer equipment	3 years	Straight Line

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

k) Impairment of assets

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

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

l) Work in progress ("WIP")

Work in progress represents revenue from the provision of legal services which are highly probable of a successful outcome, which have not yet reached a conclusion and are not yet invoiced at the year end. The revenue is recognised in accordance with the accounting policy noted in 1e. The Company allocates work in progress between current and non-current classifications based on a historical analysis of the rates of completion for the Company's work in progress balances to determine expected future timing of settlements.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

m) Trade and other receivables

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

Collectability of trade receivables is reviewed at each reporting date. Management considers, on a forward-looking basis, the expected credit losses associated with the classes of similar trade receivables and provided for the appropriate impairment. Debts that are known to be uncollectable are written off when identified.

Collectability of intercompany and related party balances is reviewed at each reporting period. Management considers whether an impairment is required based upon recoverability. Debts that are known to be uncollectable are written off when identified.

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.

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

n) Cash and cash equivalents

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

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.

o) Trade and other payables

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

The Company has a working capital facility in place whereby a third party will lend on expected agreed costs and paid disbursements and liability admitted WIP on personal injury (No Win – No Fee) cases, at a given interest rate. This facility is disclosed in other payables.

p) Financial guarantees

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

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

q) Employee benefits

Short-term employee benefit obligations

Liabilities for wages and salaries, annual leave and any other employee benefits that are expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accruals.

Defined contribution pension plan

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

r) Leases

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

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

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

The Company has elected to use the recognition exemptions for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with a value of less than £4,000) which are expensed to administrative expenses on a straight-line basis over the term of the lease.

s) Provisions

Provisions for liabilities are recognised when the Company has a present, legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

t) Financial instruments

Classification

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

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

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity, trade and other receivables, cash and cash equivalents, lease liabilities and trade and other payables. Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss. After initial recognition, non-derivative financial instruments are measured as described below.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

t) Financial instruments (continued)

Financial assets

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

Impairment of financial assets

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

Financial liabilities

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

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

The Company has a working capital 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.

u) Business combinations

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

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

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

2. Revenue

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Total revenue	94,190	111,146

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

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Other operating income

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Related marketing fee income	50	70

4. Operating loss

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Amortisation of intangible assets (note 10)	70	72
Loss on disposal of intangible assets	-	9
Depreciation of property, plant and equipment (note 11)	2,208	4,548
Loss on disposal of property, plant and equipment	-	3
Loss on exited right-of-use assets	554	247
IFRS 16 lease modification loss / (gain)	162	(560)
Allowance for non-recovery of trade receivables	(281)	(2,165)
Auditor's remuneration for the audit of the Company's financial statements	65	65
Other audit services (Solicitor Regulation Authority)	48	48

The Company incurred £nil non-audit fees for the year ended 31 December 2021 (2020: £nil). The IFRS 16 lease modifications gain has arisen from changes to payment terms of the lease obligations and as a result of property exits during both periods.

5. Employee information

5.1 Employee benefits

The aggregate employee expense, including Directors, comprised:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Wages and salaries	49,497	53,006
Social security costs	5,102	5,092
Pension costs	3,400	1,695
	57,999	59,793

Staff costs have been included in either cost of sales or administrative expenses depending on their nature. The employee numbers below are only those directly employed by the Company.

5.2 Employee numbers

The monthly average number of people, including Directors, employed by the Company during the year are shown below.

	Year ended 31 December 2021	Year ended 31 December 2020
	Number	Number
Legal support	423	485

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. Directors' emoluments

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Directors' emoluments	386	485
Contributions to defined contribution pension	19	19
	405	504

The remuneration of two Directors is borne in full by the Company (2020: two Directors). The highest paid Director received remuneration of £193,000 (2020: £245,000). The pension contributions for the highest paid Director was £10,000 (2020: £9,000). The remuneration of the remaining Directors was borne by other Group companies. Retirement benefits are accrued for two Directors for the year ended 31 December 2021 (2020: two).

7. Net finance costs

		Year ended 31 December 2021	Year ended 31 December 2020
	Notes	£'000	£'000
Interest receivable		4	48
Interest payable			
Working capital	14	(3,393)	(2,465)
Lease liabilities	15	(2,025)	(2,348)
Total interest payable		(5,418)	(4,813)
Net finance costs		(5,414)	(4,765)

Working capital interest incurred relates to the Company's arrangements for working capital financing on costs agreed and paid disbursements and attracts interest at a floating rate of between 8.40% and 9.25% + LIBOR until commercial terms were renewed and agreed that the floating rate is between 8.40% and 9.25% + SONIA.

8. Taxation

Factors affecting the tax charge for the year:

The tax charge assessed on the loss for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Loss before taxation	(10,054)	(19,531)
At the statutory income tax rate of 19%	(1,910)	(3,711)
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>		
Expenses not deductible for tax purposes	244	19
Deferred tax assets not recognised	1,666	2,325
Group relief surrendered	-	1,367
Total current and deferred tax for the year	-	-

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, the 2020 Budget announced that this reduction in rate would be reversed with 19% being maintained from 1 April 2020. An increase to the UK corporation tax rate from 19% to 25% was announced in the 2021 Budget and was substantively enacted on 24 May 2021. The changes in tax rates do not have a current impact on the recognition of deferred tax at 31 December 2021. Any future recognition of deferred tax assets will be assessed on an annual basis as appropriate.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

9. Investments

The Company has one investment in a subsidiary:

		31 December 2021	31 December 2020
		£'000	£'000
Cost and net book value at start and end of year		100	100

Name	Principal activity	Country of incorporation	Class of shares	Ownership 31 December 2021 and 2020
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 £'000	IP Rights, software and licenses £'000	Total £'000
Cost			
At 31 December 2020 & 2021	40,923	8,549	49,472
Amortisation			
At 31 December 2020	40,923	8,445	49,368
Charge for the year	-	70	70
At 31 December 2021	40,923	8,515	49,438
Net book value			
At 31 December 2021	-	34	34
At 31 December 2020	-	104	104

11. Property, plant and equipment

	Computer equipment £'000	Right-of-use Assets £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 31 December 2020	823	14,840	5,436	21,099
Additions	20	848	-	868
Disposals	-	(5,488)	(264)	(5,752)
At 31 December 2021	843	10,200	5,172	16,215
Depreciation				
At 31 December 2020	603	3,397	2,100	6,100
Charge for the year	26	1,568	614	2,208
Disposals	-	(1,044)	(264)	(1,308)
At 31 December 2021	629	3,921	2,450	7,000
Net book value				
At 31 December 2021	214	6,279	2,722	9,215
At 31 December 2020	220	11,443	3,336	14,999

Right of use assets consists of properties within the scope of IFRS 16.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. Work in progress

	31 December 2021	31 December 2020
	£'000	£'000
Non-current	16,656	17,990
Current	122,140	120,391
	138,796	138,381

13. Trade and other receivables

	31 December 2021	31 December 2020
	£'000	£'000
Non-current assets		
Disbursements	22,251	22,129
Allowance for non-recovery	(4,502)	(5,175)
	17,749	16,954
Current assets		
Disbursements	148,908	148,093
Allowance for non-recovery	(30,123)	(34,630)
Net disbursements	118,785	113,463
Trade receivables	11,395	11,775
Other receivables	4,869	4,475
Prepayments	4,389	5,503
VAT receivable	10,367	-
Accrued income	30	819
Amounts owed by ultimate parent	438	760
Amounts owed by group companies	4,557	3,295
	154,830	140,090

Trade receivables are reported after charging a provision for non-recovery of £2.9m (2020: £3.2m). Included in the provision for non-recovery is £0.1m (2020: £0.1m) relating to the expected credit loss provision. The fair value of the trade receivables, accrued income, disbursements, prepayments and other receivables is considered to be equal to their carrying amount.

Amounts owed by ultimate parent and related parties do not attract interest and are repayable on demand.

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

14. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Non-current liabilities		
Legal creditors	15,623	13,279
Current liabilities		
Trade payables	2,472	6,150
Legal creditors	104,555	88,868
Accruals	8,250	6,430
Amounts owed to immediate parent	195,785	180,471
Amounts owed to group companies	63,562	77,910
Social security & pension payable	3	18
VAT payable	-	2,363
Other payables	36,381	25,677
	411,008	387,887

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

Included in other payables is an outstanding balance of £31.4m (2020: £20.9m) in relation to the Company's arrangements for working capital financing on costs agreed and paid disbursements. The Company has a working capital facility in place whereby a third party lends on expected agreed costs and paid disbursements and liability admitted WIP on personal injury (No Win – No Fee) cases. The total facility available at 31 December 2021 is £33.0m and is currently available for new drawings until 31 March 2023. We are in active discussions with the lender to extend the terms of this facility and the Directors' assessment of going concern assumes this facility will be renewed under substantially similar terms, consistent with discussions with the lender.

Included in other payables is deferred consideration of £nil (2020: £2.0m) relating to the acquisition of Jigsaw Law Limited, detailed in note 18.

15. Lease liabilities

Lease liabilities consist of properties under leases within the scope of IFRS 16. The lease liabilities reported in the statement of financial position comprise:

	31 December 2021 £'000	31 December 2020 £'000
Amounts payable under finance leases:		
Within one year	3,595	4,251
In the second to fifth years inclusive	13,491	15,564
After five years	8,318	11,454
Total gross payments	25,404	31,269
Less: future finance charges	(7,619)	(9,986)
Carrying value of liability	17,785	21,283
Maturity analysis:		
Current (< 12 months)	1,831	2,085
Non-current (2-5 years)	8,725	11,969
Non-current (5+ years)	7,229	7,229
	17,785	21,283

For the year ended 31 December 2021, the total cash paid for lease liabilities was £3.9m (2020: £5.8m).

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

16. Provisions

	Onerous provision £'000	Claims £'000	Dilapidations £'000	Total £'000
Balance as at 31 December 2020	970	4,563	2,519	8,052
Additions	748	2,655	214	3,617
Utilisations	(1,091)	(1,328)	(156)	(2,575)
Releases	-	(485)	(964)	(1,449)
Balance as at 31 December 2021	627	5,405	1,613	7,645

Analysed as:

Current	568	5,405	200	6,173
Non-current	59	-	1,413	1,472
	627	5,405	1,613	7,645

	Onerous provision £'000	Claims £'000	Dilapidations £'000	Total £'000
Balance as at 31 December 2019	637	3,366	3,851	7,854
Additions	1,106	2,629	349	4,084
Utilisations	(773)	(1,202)	(96)	(2,071)
Releases	-	(230)	(1,585)	(1,815)
Balance as at 31 December 2020	970	4,563	2,519	8,052

Analysed as:

Current	853	4,563	985	6,401
Non-current	117	-	1,534	1,651
	970	4,563	2,519	8,052

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

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

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

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

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

17. Share capital

	31 December 2021 £'000	31 December 2020 £'000
Allotted, called up and fully paid		
81,410,000 Ordinary shares of £1	81,410	81,410
100,457,651 shares of £1	100,458	100,458
	181,868	181,868

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.

18. Jigsaw acquisition

On 9 October 2020, the Company completed an asset acquisition of the WIP and associated client files of Jigsaw Law Limited for deferred consideration totalling £2.5m, which is fully paid at 31 December 2021. The Company assessed the acquisition under IFRS 3 "Business Combinations" and following completion of the concentration test, has concluded that this meets the definition of an asset acquisition due to the nature of the assets acquired.

The cost of the assets and liabilities acquired have been allocated on the basis of their relative fair value at the date of purchase as set out below:

	Fair values £'000
Work in progress	2,500
Disbursements	1,034
Cash and cash equivalents	304
Trade payables	(304)
Legal creditors	(1,034)
Net assets	2,500
Satisfied by:	
Deferred consideration	2,500

Slater and Gordon UK Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

19. 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.

Until 18 October 2022 when a release agreement was signed, the Company was a guarantor to a GBP currency Super Senior Facility Agreement ("SSFA") dated 22 December 2017, amended 14 December 2021, pursuant to which the Company's direct parent company, Slater & Gordon (UK) 1 Limited, was a borrower having fully drawn the facility. The principal and accrued interest under the facility at 31 December 2021 were £43.5m (2020: £33.8m). Pursuant to the terms of the SSFA, the Company had 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 was also party to a debenture dated 22 December 2017 (the "Debenture"), amended 14 December 2021, 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 would on demand pay all liabilities outstanding under the SSFA (and associated finance documents) when they were due and payable and granted security over all of its assets in favour of GLAS Trust Corporation Limited (acting as Security Trustee for itself and the Secured Parties).

20. Ultimate parent company

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

The ultimate parent undertaking and controlling party is Slater and Gordon UK Holdings Limited, a company incorporated in England and Wales and is both the smallest and largest parent company preparing group financial statements. Copies of the consolidated financial statements of Slater and Gordon UK Holdings Limited can be obtained from 58 Mosley Street, Manchester, England, M2 3HZ.

21. Subsequent events

Macroeconomics

During 2022, the biggest risk in the markets has been the rise in inflation and, as a result, central banks have started to raise interest rates. Since February 2022, the Company has been closely monitoring the geopolitical issues in Ukraine and the effect on global markets. Management do not expect these events to impact on the long term returns of the Company.