

Company Registration No. 06836625 (England and Wales)

Recover Healthcare Limited

Directors' Report and Unaudited Financial Statements

For the year ended 31 December 2020

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Recover Healthcare Limited

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Recover Healthcare Limited

Company Information

| | |
|--------------------------|--|
| Directors | D J L Whitmore A L Wilford |
| Company number | 06836625 |
| Registered office | 58 Mosley Street Manchester M2 3HZ United Kingdom |

Recover Healthcare Limited

Directors' Report

For the year ended 31 December 2020

The Directors present their report, together with the unaudited financial statements for the year ended 31 December 2020.

Principal activities

The principal activities of Recover Healthcare Limited ("the Company") are the provision of rehabilitation services to the insurance industry and legal fraternity, together with the provision of occupational health services to industry in general. The Company is incorporated and domiciled in England and Wales.

Results, dividends and key performance indicators

The results for the year are set out on page 5. The Directors do not recommend the payment of a dividend in respect of the current year (2019: £nil).

Directors

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

- D J L Whitmore
- A L Wilford

The Covid-19 pandemic

Since March 2020, the UK has been impacted by the Covid-19 pandemic with continued social distancing restrictions in place. The Directors of the Company have assessed the ability for the ultimate parent undertaking, Slater and Gordon UK Holdings Limited ("the Group") to support the Company to continue on a going concern basis.

Going concern

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

The Company is a member of the Slater and Gordon Consolidated Group whose ultimate parent entity is Slater and Gordon UK Holdings Limited. 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 2020, the Group had net assets of £107.9 million and cash of £13.8m million. The Group has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group. Management 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 12 months from the date of approval of these financial statements.

The Group manages its financing via a shareholder loan facility which, including accrued interest, is £33.8m as at 31 December 2020 and is fully drawn down (2019: £30.0m). The shareholders' loans due to expire on 22 December 2021 have been extended to 31 May 2024 under their existing terms. The Group also takes advantage of a working capital facility to ensure that the short-term liquidity of the business is also managed, and the Group can fulfil its obligations when they fall due. The working capital facility has £20.9m drawn at 31 December 2020 (2019: £16.5m).

On 14 December 2021, the Group agreed a new Super Senior Incremental Facility with its shareholders. The Group has committed to additional funding of £5.0m (Tranche A) and a further £5.0m is available but not yet committed (Tranche B). This facility is due to expire on 31 May 2024 and accrues interest at 10% PIK interest per annum.

The Group has considered the impacts the Covid-19 pandemic has had on the cashflow forecasts. The Group has based the FY21 and FY22 forecasts on a prudent level of intake growth as the economy continues to recover, with road traffic volumes returning to pre Covid-19 levels, the lifting of social restrictions and the reopening of court facilities, which could have a positive impact on revenue and cash received into the business.

Recover Healthcare Limited

Directors' Report (continued)

For the year ended 31 December 2020

Going concern (continued)

Under the cashflow forecast, the Group would have significant headroom over its shareholder covenants at the lowest point at any given month end in FY21 and FY22. The 2022 cash receipts would need to fall by over 5% each month in 2022, for the cash balance to fall below the shareholder covenant at any given month end.

The Company's projections for the period to December 2022 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 regular weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the Group's funding requirements through retained profits and borrowing facilities, and projected compliance with shareholders covenants.

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

Statement of Directors' responsibilities

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

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

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

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

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board



A L Wilford
Director

21 December 2021
58 Mosley Street, Manchester, M2 3HZ

Recover Healthcare Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

| | | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--------------------------------------|-------|--------------------------------|--------------------------------|
| | Notes | £ | £ |
| Administrative expenses | | (33,528) | (1,839) |
| Other non-operating income | | 37,492 | 283,375 |
| Profit before tax | | 3,964 | 281,536 |
| Tax on profit on ordinary activities | 2 | - | - |
| Total comprehensive income | | 3,964 | 281,536 |

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

The notes on pages 8 to 12 are an integral part of these financial statements.

Recover Healthcare Limited

Statement of Financial Position

At 31 December 2020

| | Notes | 31 December 2020 £ | 31 December 2019 £ |
|----------------------------------|-------|-----------------------|-----------------------|
| Current assets | | | |
| Trade and other receivables | 4 | 2,347,156 | 2,236,307 |
| Cash and cash equivalents | | 250,406 | 66,352 |
| Total assets | | 2,597,562 | 2,302,659 |
| Current liabilities | | | |
| Trade and other payables | 5 | (2,109,920) | (1,818,982) |
| Total liabilities | | (2,109,920) | (1,818,982) |
| Net assets | | 487,641 | 483,677 |
| Equity | | | |
| Called-up share capital | 6 | 100 | 100 |
| Retained earnings | | 487,541 | 483,577 |
| Total shareholders' funds | | 487,641 | 483,677 |

The notes on pages 8 to 12 are an integral part of these financial statements.

For the year ended 31 December 2020, the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2020 in accordance with Section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for:

- (i) ensuring that the Company keeps adequate accounting records which comply with Sections 386 and 387 of the Companies Act 2006, and
- (ii) preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Sections 393, 394 and 395, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements were approved by the board of Directors and authorised for issue on 21 December 2021.



A L Wilford
Director

Company Registration No. 06836625

Recover Healthcare Limited

Statement of Changes in Equity

For the year ended 31 December 2020

| | Called-up share capital £ | Retained earnings £ | Total £ |
|---|---------------------------------|---------------------------|----------------|
| Balance as at 31 December 2018 | 100 | 202,041 | 202,141 |
| Total comprehensive income for the year | - | 281,536 | 281,536 |
| Balance as at 31 December 2019 | 100 | 483,577 | 483,677 |
| Total comprehensive income for the year | - | 3,964 | 3,964 |
| Balance as at 31 December 2020 | 100 | 487,541 | 487,641 |

The notes on pages 8 to 12 are an integral part of these financial statements.

Recover Healthcare Limited

Notes to the Financial Statements

For the year ended 31 December 2020

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

Recover Healthcare Limited (the "Company") is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. The address of the Company is shown on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 3. The financial statements have been prepared on a going concern basis and is assessed on page 3 in the Directors' Report.

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 issued by the IASB.

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 8.

The Company's financial statements are prepared in Pounds Sterling (GBP), its functional currency. The financial statements have been prepared under the historical cost convention.

b) Compliance with accounting standards

FRS 101 sets out amendments to IASB-adopted IFRS's that are necessary to achieve compliance with the Act and related Regulations. The Company adopted the following amendments to IFRS's from 1 January 2020:

| | |
|-------------------------------|---|
| Amendments to IFRS 3 | <i>Definition of a 'business'</i> |
| Amendments to IAS 1 and IAS 8 | <i>Definition of 'material'</i> |
| Conceptual Framework | <i>Amendments to References to the Conceptual Framework in IFRS's</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.

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

Recover Healthcare Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued)

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> |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | <i>Interest rate benchmark reform (effective from 1 January 2021)</i> |

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

d) Significant accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. During the current and prior year there were no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received and represents amounts receivable for services provided in the ordinary course of business, net of discounts and sales taxes. The Company provides medical services where revenue is recognised on delivery of service. Revenue can be reliably estimated based on agreed charges with customers or instructing parties.

f) 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 United Kingdom 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.

Recover Healthcare Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

1. Accounting policies (continued).

f) Taxation (continued)

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.

g) Trade and other receivables

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

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.

h) 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.

i) Trade and other payables

Trade and other payables 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 and other payables are classified as current liabilities if payment is due within one year or less.

2. Taxation

Factors affecting the tax charge for the year:

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--------------------------------|--------------------------------|
| | £ | £ |
| Profit on ordinary activities before taxation | 3,964 | 281,536 |
| At the statutory income tax rate of 19% | 753 | 53,492 |
| <i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i> | | |
| Group relief claimed | (753) | (53,492) |
| Total 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.

Recover Healthcare Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

3. Employee information

The Company had no employees in the current or prior year. Directors' emoluments for both the current and prior year were settled on behalf of the Company by a group company, Slater and Gordon (UK) 1 Limited.

4. Trade and other receivables

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|------------------|------------------|
| | £ | £ |
| Trade receivables | 7,865 | 17,501 |
| Amounts owed by immediate parent | 11,086 | 11,086 |
| Amounts owed by related parties | 2,207,675 | 2,207,680 |
| Other receivables | 120,530 | 40 |
| | 2,347,156 | 2,236,307 |

The fair value of the trade receivables and other receivables is considered to be equal to their carrying value. Amounts owed by immediate parent and related parties do not attract interest and are repayable on demand.

5. Trade and other payables

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|------------------|------------------|
| | £ | £ |
| Trade payables | 546,164 | 255,045 |
| Amounts owed to related parties | 1,012,407 | 1,012,407 |
| Accruals | 551,350 | 551,530 |
| | 2,109,920 | 1,818,982 |

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

6. Share capital

| | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| | £ | £ |
| Allotted, called up and fully paid | | |
| 100 ordinary shares of £1 each | 100 | 100 |

Recover Healthcare Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2020

7. Contingent liabilities

The Company is party 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, is a borrower having fully drawn the facility. The principal and accrued interest under the facility at 31 December 2020 were £33.8m (2019: £30.0m). Pursuant to the terms of the SSFA, the Company has given a cross-guarantee (along with other UK Group companies) in relation to all liabilities outstanding under the SSFA in favour of the Finance Parties (as defined under the SSFA), which are all shareholders of Slater and Gordon UK Holdings Limited, the ultimate parent company.

The Company is also party to a debenture dated 22 December 2017 (the "Debenture"), 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 will on demand pay all liabilities outstanding under the SSFA (and associated finance documents) when they are due and payable and grants security over all of its assets in favour of GLAS Trust Corporation Limited (acting as Security Trustee for itself and the Secured Parties).

8. Ultimate parent company

The immediate parent company is React & Recover Medical Group 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 accounts of Slater and Gordon UK Holdings Limited can be obtained from 58 Mosley Street, Manchester, England, M2 3HZ.