

# Grindeys Legal Limited

Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 07287676

WEDNESDAY



\*AC50MITU\*

A13

14/06/2023

#171

COMPANIES HOUSE

# Grindeys Legal Limited

## Company Information

---

<b>Directors</b>	J A Argyle N A Hale
<b>Company secretary</b>	P S Churchill
<b>Registered number</b>	07287676
<b>Registered office</b>	24 - 28 Glebe Court Stoke-On-Trent Staffordshire England ST4 1ET
<b>Independent auditor</b>	BDO LLP 3 Hardman Street Manchester M3 3AT

# Grindeys Legal Limited

## Contents

---

	Page
Strategic Report	1 - 4
Directors' Report	5 - 6
Directors' Responsibilities Statement	7
Independent Auditor's Report	8 - 11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 - 24

# Grindeys Legal Limited

## Strategic Report For the Year Ended 31 December 2022

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2022.

### Results

The Company's turnover for the year ended 31 December 2022 is £Nil (2021 - £Nil). The operating loss is £8,004 (2021 - £8,010) and the profit after tax is £538,256 (2021 - loss of £558,527).

### Review of the business

The principal activity of the Company is an intermediate holding company.

Grindeys Legal Limited acts as a direct holding company for Grindeys LLP and as such its performance is dependent upon the profitability of that entity. The Company also owns O'Neill Patient Solicitors Limited which acts as a holding company for O'Neill Patient Solicitors LLP.

The result before tax in the current year largely comprises interest receivable on amounts owed from fellow group entities.

In April 2021 the employees of Grindeys LLP were transferred to O'Neill Patient Solicitors LLP, a fellow group entity, under a TUPE agreement.

Results from fixed assets investments are significantly reduced in the current year due to the transfer of activities from Grindeys LLP to other fellow group entities in the prior year.

### Key performance indicators

The Directors consider the key performance indicators during the period to be as follows:

	2022 £	2021 £
Profit/(loss) before tax	538,256	(629,163)

### Principal risks and uncertainties

The principal risks and uncertainties facing the Company are limited to the performance of its subsidiary entity, Grindeys LLP. As a result of the restructuring and gradual transfer of activities from Grindeys LLP to other fellow group entities, the Company has been exposed to reduced levels of risks and uncertainties.

### Going concern

The Directors have performed a comprehensive review of the Company's ability to continue as a going concern. This review involved the Directors running various scenarios to understand how the financial position of the Company may look and therefore put themselves in a position to be able to conclude on the going concern nature of the business.

The wider group to which the Company belongs is party to a Senior Facilities Agreement ("SFA") with funds managed by Bridgepoint Credit and The Royal Bank of Scotland plc. The earliest maturity date of any of the facilities under the SFA is November 2025 and therefore no facility needs to be refinanced until that date.

As at 31 December 2022, the wider group had immediately available cash reserves of £3,237,562. As at 30 May 2023 total cash reserves were over £11,400,000.

Under the terms of the SFA, the Company and its fellow group entities are subject to financial covenants, the principal covenant being a leverage test comparing the last 12 months' EBITDA to net debt.

# Grindeys Legal Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

---

### Going concern (continued)

Following strong trading and cash generation through 2021, a short period of intense activity presented operational challenges to the group which adversely impacted volumes in the first half of 2022. As volumes began to recover, there were further impacts from the uncertainty created in the financial markets after the 2022 autumn statement prepared by the Liz Truss government. In particular there was a significant reduction in market activity. Further, rising interest rates during 2022 meant that the group's debt servicing would significantly increase.

In light of these negative factors, the Directors undertook a thorough financial and operational review for the period 2023-2025. Whilst no breaches of financial covenants occurred, the Directors engaged with shareholders and lenders over the financing of the group which resulted in an injection of new funds which were used in part to prepay a portion of the senior facilities with the remainder providing additional working capital headroom. As a result of this refinancing, certain terms under the SFA were renegotiated including a reprofiling of financial covenants.

In assessing their view of the likely future financial performance of the group, in addition to current trading patterns and discussions with customers, the Directors considered external market commentary and indicators as to how the markets may react moving forwards. The Royal Institute of Chartered Surveyors published its Residential Survey in May 2023. The key findings from that report were used by the Directors in building their financial forecasts.

The 3 year financial projections were based on the Directors' best estimate of future trading conditions, taking into account the lower market activity levels, higher interest rates and the effects of the operational changes. This scenario showed full compliance with financial covenants and significant liquidity headroom.

The Directors also prepared a severe downside set of financial projections to illustrate the point at which there would be a breach of financial covenants. This scenario showed headroom at December 2023 but a breach at March 2024. The Directors consider the probability of this scenario to be remote and in addition, this scenario did not assume any remedial actions were taken by the Directors, although several options have been identified.

In conclusion, notwithstanding the net current liabilities at 31 December 2022, the combination of strong pipelines, current trading levels, known upsides and good headroom give the Directors confidence that it is appropriate for the Company to prepare the financial statements on a going concern basis.

The Directors have also received a letter of support from Project Ophelia Topco Limited confirming its ongoing support for at least 12 months from the date of approval of these financial statements.

### Future developments

The Directors of the Company expect the profitability of the wider group to improve in the forthcoming year. The business and its fellow group entities will continue to invest in people, systems and infrastructure in order to deliver the best conveyancing and remortgage services to customers.

# Grindeys Legal Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

---

### Directors' statement of compliance with duty to promote the success of the Company

In performing their duties under section 172 of the Companies Act 2016, the Directors of the Company have regard to a number of factors and stakeholder interests and remain conscious of the impact their decisions have on their stakeholders.

The Company and its fellow group entities' principal objectives are to maintain its position as the industry leader in the provision of legal conveyancing services in England and Wales and to increase the value of the group by generating strong, sustainable and growing cash flows across industry and economic cycles. To achieve these objectives, the group has the following key strategies:

- Build capacity, operational and technical excellence to facilitate and accelerate growth
- Align business development activity to growth plans
- Add capability via targeted acquisitions
- Maximise profitability using operational model advantage

The Directors believe these are critical long-term factors for the success of the group. The Directors' decision making has supported the implementation of the strategy which aims to operate and develop the business in a way that supports both the current and future needs. The Directors strongly believe that sustainable business management and practices will contribute to long term business success and will strengthen the wider group's leading position in the market. The Directors ensure that the group has sufficient resources to support its long term growth strategy and to fund its investments.

The group operates in an industry characterised by strong relationships between stakeholders and therefore engagement with stakeholders and maintaining a reputation for high standards of service and business conduct is vital. Engaging stakeholders and developing meaningful partnerships is essential for business success. The group engages in regular, open and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns and needs. In this way, the group is able to integrate stakeholders' considerations.

The Directors consider the stakeholders of the Group to include its employees, customers, suppliers, investors, communities and the environment.

The key decisions taken by Directors of the group during the year are as follows:

- To appoint a new Chief Executive officer and Chief Operating Officer, strengthening the leadership team further, which will enhance the quality of business decisions, enabling growth and improved returns for investors.
- To introduce strong organisational values which act as the foundation stones to the group's culture-building programme, guiding actions and focusing energies in the right direction. Creating alignment with colleagues will help to continuously improve every aspect of the business, delivering for the group's customers.
- To introduce a new training academy, providing multiple training channels that fit alongside the hybrid working model, bringing a more strategic perspective to learning across the group to the benefit of employee development and quality of service to customers.
- To open a new operating hub in Leeds, providing opportunities for employees whilst utilising local expertise which will contribute to the improvement of group's remortgage services.
- To work co-operatively with lenders and creditors such that working capital requirements are efficiently managed whilst maintaining compliance with banking covenants.
- To continue the review and optimisation of the group's operating sites, focusing on bringing employees together, contributing to a one-team culture and significantly improving the working environment. Following the relocation at the end of 2021 of the group's Stockport offices to the new premises at Stockport Exchange, the group sold its freehold property, Chester House in February 2022 for £790,000.

# Grindeys Legal Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

---

### Directors' statement of compliance with duty to promote the success of the Company (continued)

The Directors are committed to effective engagement with all of the group's stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of their engagement with stakeholders, the Directors seek to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in their decision making. However, the Directors acknowledge that not every decision they make will necessarily result in a positive outcome for all stakeholders.

The Directors regularly receive reports from management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors which they take into account in their discussions and in their decision making process under section 172.

This report was approved by the board on

8 JUNE 2023

and signed on its behalf.

  
J A Argyle  
Director

# Grindeys Legal Limited

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

---

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

### Principal activity

The principal activity of the Company is that it holds investments in entities whose principal activity is the provision of legal services. The Company also holds the rights to profits and losses made by those entities.

### Results and dividends

The profit for the year, after taxation, amounted to £538,256 (2021 - loss £558,527).

The Directors declared total dividends during the year of £Nil (2021 - £Nil) and recommended final dividends to be paid after date of £Nil (2021 - £Nil).

### Directors

The Directors who served during the year were:

J A Argyle  
N A Hale (appointed 4 April 2022)  
A K R Forshaw (appointed 13 January 2022, resigned 20 January 2023)  
A J Scaife (resigned 13 January 2022)

### Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross reference.

### Going concern

The financial statements have been prepared using the going concern basis of accounting. Further details can be found in the Strategic Report and in note 2.4 of the financial statements.

### Qualifying third party indemnity provisions

The Company maintained qualifying third party indemnity insurance for Directors throughout the reporting period and up to the date of signing of the financial statements.

### Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has taken the exemption available to subsidiary companies not to disclose information in respect of greenhouse gas emissions, energy consumption and energy efficiency action given this is disclosed in the consolidated financial statements of the ultimate parent company, Project Ophelia Topco Limited.

### Matters covered in the Strategic Report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report in accordance with S414C(11) as the Directors consider them to be of strategic importance to the Company.



# Grindeys Legal Limited

## Directors' Report (continued) For the Year Ended 31 December 2022

---

### Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

8 JUNE 2023

and signed on its behalf.

  
J A Argyle  
Director

# **Grindeys Legal Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2022**

---

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements 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.

# Grindeys Legal Limited

## Independent Auditor's Report to the Members of Grindeys Legal Limited

---

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Grindeys Legal Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

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

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

# Grindeys Legal Limited

## Independent Auditor's Report to the Members of Grindeys Legal Limited (continued)

---

### Other information

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

### Other Companies Act 2006 reporting

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

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

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

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

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

### Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, 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.

# Grindeys Legal Limited

## Independent Auditor's Report to the Members of Grindeys Legal Limited (continued)

---

### 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.

#### *Extent to which the audit was 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:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, UK accounting standards, the UK Companies Act 2006; those that relate to the payment of employees; and industry related such as regulations impacting solicitor operations including the SRA rules. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of financial instruments and impairment of investments;
- Identifying and testing journal entries, in particular review of journal entries posted over weekend, journals posted with specific keywords and journals posted by users beyond our expectations;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- Review of minutes of Board meetings throughout the year.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.


# Grindeys Legal Limited

## Independent Auditor's Report to the Members of Grindeys Legal Limited (continued)

---

### Use of our report

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

DocuSigned by:  
  
49BD0A55E7C14AD...  
**Steven Roberts** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Manchester, United Kingdom

08 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Grindeys Legal Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Administrative expenses		(8,004)	(8,010)
<b>Operating loss</b>		<b>(8,004)</b>	<b>(8,010)</b>
Result from fixed asset investments		(5,781)	(1,175,395)
Interest receivable and similar income	6	552,336	554,242
Interest payable and similar charges	7	(295)	-
<b>Profit/(loss) before tax</b>		<b>538,256</b>	<b>(629,163)</b>
Tax on profit/(loss)	8	-	70,636
<b>Profit/(loss) for the financial year</b>		<b>538,256</b>	<b>(558,527)</b>

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 15 to 24 form part of these financial statements.

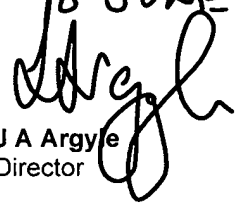
# Grindeys Legal Limited

Registered number: 07287676

## Statement of Financial Position As at 31 December 2022

	Note	2022 £	2022 £	2021 £	2021 £
<b>Fixed assets</b>					
Investments	9		2,794,632		2,794,632
<b>Current assets</b>					
Debtors: amounts falling due within one year	10	7,159,668		6,625,536	
Creditors: amounts falling due within one year	11	(8,171,653)		(8,175,777)	
<b>Net current liabilities</b>			(1,011,985)		(1,550,241)
<b>Net assets</b>			<u>1,782,647</u>		<u>1,244,391</u>
<b>Capital and reserves</b>					
Called up share capital	12		1,000		1,000
Share premium account	13		217,999		217,999
Capital redemption reserve	13		1		1
Profit and loss account	13		1,563,647		1,025,391
<b>Total equity</b>			<u>1,782,647</u>		<u>1,244,391</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

18 JUNE 2023  
  
J A Argyle  
Director

The notes on pages 15 to 24 form part of these financial statements.



# Grindeys Legal Limited

## Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	1,000	217,999	1	1,025,391	1,244,391
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	538,256	538,256
<b>Total comprehensive income for the year</b>	-	-	-	538,256	538,256
<b>At 31 December 2022</b>	<b>1,000</b>	<b>217,999</b>	<b>1</b>	<b>1,563,647</b>	<b>1,782,647</b>

## Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	1,000	217,999	1	1,583,918	1,802,918
<b>Comprehensive loss for the year</b>					
Loss for the year	-	-	-	(558,527)	(558,527)
<b>Total comprehensive loss for the year</b>	-	-	-	(558,527)	(558,527)
<b>At 31 December 2021</b>	<b>1,000</b>	<b>217,999</b>	<b>1</b>	<b>1,025,391</b>	<b>1,244,391</b>

The notes on pages 15 to 24 form part of these financial statements.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

---

### 1. General information

Grindeys Legal Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the Company Information page. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company's functional and presentational currency is GBP. All amounts in these financial statements have been rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

#### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Project Ophelia Topco Limited as at 31 December 2022 and these financial statements may be obtained from Floors 2 And 3, 2 Stockport Exchange, Railway Road, Stockport, Cheshire, United Kingdom, SK1 3GG.

#### 2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

#### 2.4 Going concern

The Directors have performed a comprehensive review of the Company's ability to continue as a going concern. This review involved the Directors running various scenarios to understand how the financial position of the Company may look and therefore put themselves in a position to be able to conclude on the going concern nature of the business.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

---

### 2. Accounting policies (continued)

#### 2.4 Going concern (continued)

The wider group to which the Company belongs is party to a Senior Facilities Agreement ("SFA") with funds managed by Bridgepoint Credit and The Royal Bank of Scotland plc. The earliest maturity date of any of the facilities under the SFA is November 2025 and therefore no facility needs to be refinanced until that date.

As at 31 December 2022, the wider group had immediately available cash reserves of £3,237,562. As at 30 May 2023 total cash reserves were over £11,400,000.

Under the terms of the SFA, the Company and its fellow group entities are subject to financial covenants, the principal covenant being a leverage test comparing the last 12 months' EBITDA to net debt.

Following strong trading and cash generation through 2021, a short period of intense activity presented operational challenges to the group which adversely impacted volumes in the first half of 2022. As volumes began to recover, there were further impacts from the uncertainty created in the financial markets after the 2022 autumn statement prepared by the Liz Truss government. In particular there was a significant reduction in market activity. Further, rising interest rates during 2022 meant that the group's debt servicing would significantly increase.

In light of these negative factors, the Directors undertook a thorough financial and operational review for the period 2023-2025. Whilst no breaches of financial covenants occurred, the Directors engaged with shareholders and lenders over the financing of the group which resulted in an injection of new funds which were used in part to prepay a portion of the senior facilities with the remainder providing additional working capital headroom. As a result of this refinancing, certain terms under the SFA were renegotiated including a reprofiling of financial covenants.

In assessing their view of the likely future financial performance of the group, in addition to current trading patterns and discussions with customers, the Directors considered external market commentary and indicators as to how the markets may react moving forwards. The Royal Institute of Chartered Surveyors published its Residential Survey in May 2023. The key findings from that report were used by the Directors in building their financial forecasts.

The 3 year financial projections were based on the Directors' best estimate of future trading conditions, taking into account the lower market activity levels, higher interest rates and the effects of the operational changes. This scenario showed full compliance with financial covenants and significant liquidity headroom.

The Directors also prepared a severe downside set of financial projections to illustrate the point at which there would be a breach of financial covenants. This scenario showed headroom at December 2023 but a breach at March 2024. The Directors consider the probability of this scenario to be remote and in addition, this scenario did not assume any remedial actions were taken by the Directors, although several options have been identified.

In conclusion, notwithstanding the net current liabilities at 31 December 2022, the combination of strong pipelines, current trading levels, known upsides and good headroom give the Directors confidence that it is appropriate for the Company to prepare the financial statements on a going concern basis.

The Directors have also received a letter of support from Project Ophelia Topco Limited confirming its ongoing support for at least 12 months from the date of approval of these financial statements.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

---

### 2. Accounting policies (continued)

#### 2.5 Result from fixed asset investments

Income from group undertakings represents members' profits from investments held in limited liability partnerships and are recognised in the accounts as accrued income to match the accounting period of the Company and the limited liability partnerships. The limited liability partnerships ratify the profit distributions to its members at the annual members' meeting; all profit generated by the limited liability partnerships are fully distributable each period. Losses are only recognised to the extent that there is a commitment to support the limited liability partnership in respect of any losses incurred.

#### 2.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

#### 2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method, less any impairment.

#### 2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

#### 2.11 Financial instruments

The Company has elected to apply the provision of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### ***Financial assets***

##### ***Group debtors***

Group debtors which are receivable within one year are initially measured at the transaction price. Group debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

---

### 2. Accounting policies (continued)

#### 2.11 Financial instruments (continued)

##### *Financial liabilities and equity*

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

##### *Other creditors*

Other creditors payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amount settled.

##### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### 2.12 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### *Investments*

The Company carries out reviews of its investments on an annual basis to determine whether events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists the carrying value will be written down to its recoverable amount.

### 4. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	2,100	1,700

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

### 5. Employees

The Company has no employees.

The Company's Directors are employed by, and were remunerated through other group companies. In the opinion of the Directors, it is not possible to quantify the remuneration in relation to this Company.

### 6. Interest receivable and similar income

	2022 £	2021 £
Interest receivable from group companies	552,336	554,242

### 7. Interest payable and similar charges

	2022 £	2021 £
Other interest payable	295	-

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 8. Taxation

	2022 £	2021 £
<b>Corporation tax</b>		
Adjustment in respect of previous periods	-	(70,636)
<b>Total current tax</b>	-	(70,636)

#### Factors affecting tax credit for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit/(loss) before tax	538,256	(629,163)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	102,269	(119,541)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,154	197,377
Effects of group relief/other reliefs	(103,423)	(105,306)
Adjustment in respect of previous periods	-	(70,636)
Deferred tax not recognised	-	27,470
<b>Total tax credit for the year</b>	-	(70,636)

#### Factors that may affect future tax charges

Increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) has been substantively enacted. This will impact the Company's future tax charge accordingly.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 9. Fixed asset investments

	Investments in subsidiary companies £	Investments in associates £	Total £
<b>Cost</b>			
At 1 January 2022	3,974,632	59,912	4,034,544
Disposals	-	(59,912)	(59,912)
At 31 December 2022	3,974,632	-	3,974,632
<b>Impairment</b>			
At 1 January 2022	1,180,000	59,912	1,239,912
Impairment on disposals	-	(59,912)	(59,912)
At 31 December 2022	1,180,000	-	1,180,000
<b>Net book value</b>			
At 31 December 2022	2,794,632	-	2,794,632
At 31 December 2021	2,794,632	-	2,794,632



# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 9. Fixed asset investments (continued)

#### Direct subsidiary undertakings

On 26 April 2022, the Company's associate AutoCarm Limited was dissolved.

The following were direct subsidiary undertakings of the Company:

Name	Registered office	Holding 2022 and 2021
Grindeys LLP	Glebe Court, Stoke-On-Trent, Staffordshire, ST4 1ET	100%
O'Neill Patient Limited	Floors 2 And 3, 2 Stockport Exchange, Railway Road, Stockport, Cheshire, United Kingdom, SK1 3GG	

#### Indirect subsidiary undertakings

The following was an indirect subsidiary undertaking of the Company:

Name	Registered office	Holding 2022 and 2021
O'Neill Patient Solicitors LLP	Floors 2 And 3, 2 Stockport Exchange, Railway Road, Stockport, Cheshire, United Kingdom, SK1 3GG	

### 10. Debtors: amounts falling due within one year

	2022 £	2021 £
Amounts owed by group undertakings	<u>7,159,668</u>	<u>6,625,536</u>

Amounts owed by group undertakings accrue interest at 10% not compounded and are repayable on demand.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 11. Creditors: amounts falling due within one year

	2022 £	2021 £
Amounts owed to group undertakings	8,163,649	8,153,365
Corporation tax	-	14,432
Accruals and deferred income	8,004	7,980
	<u>8,171,653</u>	<u>8,175,777</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

### 12. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
995 (2021 - 995) Ordinary shares of £1 each	995	995
1 (2021 - 1) A Ordinary share of £1	1	1
1 (2021 - 1) B Ordinary share of £1	1	1
1 (2021 - 1) C Ordinary share of £1	1	1
1 (2021 - 1) D Ordinary share of £1	1	1
1 (2021 - 1) E Ordinary share of £1	1	1
	<u>1,000</u>	<u>1,000</u>

The shares rank parri passu except the A, B, C and D shares which are entitled to a special dividend based on any distribution received by the Company from its subsidiary O'Neill Patient Limited. This dividend is payable 3 months after the financial year end and in accordance with the following ratios: A 32.27%, B 36.71%, C 15.51% and D 15.51%. This dividend can be cancelled if the A and B shareholders agree otherwise in accordance with the Articles of Association.

The E Ordinary share holds capital rights only on the liquidation or sale of O'Neill Patient Ltd between the hurdle amount and the equivalence point as detailed in the parent company's Articles of Association. The A to B shares share the capital rights of O'Neill Patient Ltd above the equivalence point.

# Grindeys Legal Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

---

### 13. Reserves

The Company's capital and reserves are as follows:

#### **Called up share capital**

Called up share capital represents the nominal value of the shares issued.

#### **Share premium account**

The share premium account includes the premium on issue of equity shares, net of any issue costs.

#### **Capital redemption reserve**

The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.

#### **Profit and loss account**

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 14. Related party transactions

The Company has taken advantage of the available exemption conferred by Section 33.1A of FRS102 not to disclose transactions with wholly owned members of the Group.

### 15. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Project Ophelia Bidco Limited, a company incorporated in England and Wales and registered at Floors 2 and 3, 2 Stockport Exchange, Railway Road, Stockport, Cheshire, United Kingdom, SK1 3GG.

The smallest group for which consolidated accounts are prepared is Project Ophelia Midco 2 Limited incorporated in England and Wales. Consolidated accounts are available from their registered office at Floors 2 And 3, 2 Stockport Exchange, Railway Road, Stockport, Cheshire, United Kingdom, SK1 3GG.

The largest group for which consolidated accounts are prepared is Project Ophelia Topco Limited incorporated in England and Wales. Consolidated accounts are available from their registered office at Floors 2 And 3, 2 Stockport Exchange, Railway Road, Stockport, Cheshire, United Kingdom, SK1 3GG.

The ultimate controlling party is deemed to be Inflexion Buyout V Investments LP, a company incorporated in Guernsey, by way of its majority shareholding in the ultimate parent company.