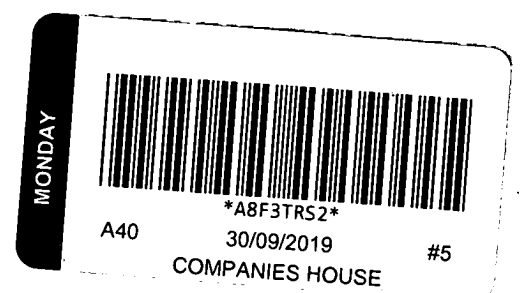


Slater and Gordon UK Limited

(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report & Financial Statements

For the 18 month period ended
31 December 2018



Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

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Slater and Gordon UK Limited(formerly known as Slater Gordon
Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Officers and Professional Advisors

Directors

Mr M Jarvis
Mr D Whitmore
Ms A Wilford

Auditor

Ernst and Young LLP
20 Chapel Street
Liverpool
L3 9AG

Registered Office

58 Mosley Street
Manchester
M2 3HZ

Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Strategic Report

2018 Accounts

Financial review

These financial statements are for the 18 month period ended 31 December 2018. The comparative period is for the year ended 30 June 2017.

Revenue for the 18 month period was £129.9 million (year ended 30 June 2017: £78.1 million). Loss before tax for the period was £7.1 million (year ended 30 June 2017: loss of £19.8 million) as we continue to restructure and stabilise the business. Net liabilities were £210.4 million at 31 December 2018 (£203.3 million at 30 June 2017) .

Key performance indicators

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

	18 month period ended 31 December 2018 £'000	Year ended 30 June 2017 £'000
Turnover	129,948	78,071
Operating loss	(6,220)	(19,643)

Restructuring initiatives have reduced the operating loss in the 18 month period through cost savings, primarily from a number of office closures.

Principal activities

Slater and Gordon UK Limited (formerly known as Slater Gordon Solutions Legal Limited) (the 'Company'), is an industry leading provider of legal services, focusing on claimant personal injury as well as other targeted areas of consumer legal services. The Company changed its name to Slater and Gordon UK Limited on 17 July 2018 and changed its accounting reference date to 31 December 2018.

Our strategy

Slater and Gordon UK Limited (formerly Slater Gordon Solutions Legal Limited) was part of the Slater Gordon Solutions division of Slater and Gordon Limited, the Australian parent company. On 15 December 2017, all UK operations, including the Company separated from Slater and Gordon Limited and transferred to Slater and Gordon UK Holdings Limited (the "Group") under a Scheme of Arrangement with the senior lenders. Since that date, Slater and Gordon UK Holdings Limited and the UK Slater and Gordon entities including the Company have operated independently.

On 17 July 2018, the parent company (Slater & Gordon (UK) 1 Limited) transferred the assets and liabilities of Slater & Gordon (UK) 2 LLP (formerly Slater & Gordon (UK) LLP ("the "Partnership")) to the Company. The consideration for the transfer was the value of the net assets transferred. Slater & Gordon (UK) 2 LLP also surrendered its regulatory licence from the date of transfer and has ceased to trade. For an interim period, leases and some contracts will remain in the name of the Partnership but responsibility for the performance of those leases and contracts (payment and performance) was transferred to Slater and Gordon UK Limited.

Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Strategic Report

Our strategy *(continued)*

Strategy and Vision

Our mission is to provide high quality, technology driven legal services to all UK customers. The Executive Team has been tasked with digitising and broadening legal services as part of a multi-million pound investment drive in the Group. Our focus is on developing new seamless service solutions that anticipate our customers' needs and deliver a flexible and aspirational working environment that attracts, excites and engages our people.

For us to continue to grow, we must test, learn and challenge both ourselves and the sector. We are working on solving challenges, big and small, for colleagues and customers. This will require us to exploit and continue investment in leading technology.

We have a wide-ranging three year technology programme. This has seen a close partnership with Microsoft which enabled the Group to become the first business in the world to deploy their Microsoft Managed Desktop. Our staff now use the latest Surface Pro devices, with Microsoft automatically managing, updating and securing these devices. Surface Pros make use of facial recognition as one layer of access security, therefore reducing the risk of security breaches. This relationship has enabled the business to provide a more consistent, flexible and modern approach to working. It has also permitted us to further enhance our data security through Azure which is a critical priority for our business when dealing with sensitive customer events.

In this period, the business has collaborated with a team of data scientists to harness the benefits of analytic software to make more sense of the significant amounts of information that is captured on a daily basis in the course of routine consumer legal work. This has given the Group the insight to better resource our client work and plan more accurately for case outcomes, based on probability as well as experience.

Our ongoing investment in digitising legal services and automation ensures the Group is delivering market-leading customer experience, anticipating the expectations of customers and colleagues, and enhancing the offer the Group gives to its partners now and in the future.

Opportunities

2019 offers the business an opportunity to be at the forefront of driving innovative solutions within our personal injury business as we await further Civil Claims reforms. These reforms are due to be implemented in England and Wales in April 2020, subject to the passing of the necessary Statutory Instruments and the creation of a new online portal for litigants in person. In response to this we are taking the lead in building our Road Traffic Accident strategy, investing in new technology and re-engineering our claims processes. This strategy will mean we are well positioned to take advantage of the commercial opportunities that will result from the changes while ensuring our customers continue to be able to access fair compensation.

We believe the UK consumer legal services sector will continue to grow and intend to continue using technological solutions to ensure Slater and Gordon is well positioned to capture more of this growing market.

Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Strategic Report *(continued)*

Principal risks and uncertainties

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

Regulatory change

The proposed reforms in respect of Whiplash and Small Claims will impact the Company. The outcome remains uncertain and the earliest possible date for any changes to the recoverability of general damages in minor whiplash cases is April 2020.

Brexit

It is not clear what the impact of the UK's decision to withdraw from the European Union will be on the UK economy. The Company is keeping the developments under review and has assessed the risk to the performance of its business to be low.

Credit and Liquidity Management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main exposure to credit risk in the Company is represented by the receivables (debtors and disbursements) owing to the Company. The majority of debtors are insurance companies.

The 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 aims to mitigate liquidity risk by maximising cash generation by its operations, through applying cash collection targets and prioritising cash management activities. Given the current loss making and net liability position, the Group also manages liquidity risk by ensuring that adequate borrowing facilities are maintained and making those available to the Company.

Summary

2018 saw us reach the first crucial milestones in the development of Slater and Gordon in the UK. The business separated from its Australian parent company, recruited a highly skilled and transformation focussed leadership team, committed to significant technological investment and laid the foundations for 2019 and beyond. All of this was achieved whilst delivering good outcomes for our customers.

We will continue this focus over the coming years to ensure we maintain our position as the leader in the UK consumer legal market.



A Wilford
Director

30 September 2019

Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Directors' Report

The Directors present their report on the affairs of Slater and Gordon UK Limited, formerly known as Slater Gordon Solutions Legal Limited (the "Company" or "Slater and Gordon UK Limited"), together with the financial statements and auditor's report, for the 18 month period ended 31 December 2018. The financial statements have been prepared in accordance with FRS 101 *Reduced Disclosure Framework*. The Company changed its name to Slater and Gordon UK Limited on 17 July 2018 and changed its accounting reference date to 31 December 2018.

Dividends

The Directors do not recommend a dividend be paid for the period under review (year ended 30 June 2017: £nil).

Directors

The Directors who held office during the period were as follows:

Ms S Bence	Resigned 17 July 2017
Mr K Fowlie	Resigned 30 January 2019
Mr M Jarvis	Appointed 16 November 2017
Mr S Prew	Appointed 17 July 2017. Resigned 28 June 2018
Ms D Rowe	Appointed 30 October 2017. Resigned 16 March 2018
Mr D Whitmore	Appointed 20 February 2018
Ms A Wilford	Appointed 17 June 2019

Principal Activities

The principal activities are to provide legal services focussing on claimant personal injury as well as other areas of consumer legal services. These financial statements are for the 18 month period ended 31 December 2018. The comparative period is for the year ended 30 June 2017.

Employees

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate retraining is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

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

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

Modern slavery

Slater and Gordon UK Limited 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.

Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Directors' Report *(continued)*

Anti-bribery and corruption

The 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.

Political contributions

The Company made no political donations during the 18 month period ended 31 December 2018 (year ended 30 June 2017: £Nil).

Disclosure of information to auditors

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

Auditor

Ernst & Young LLP are deemed to be auditors under Section 487(2) of the Companies Act 2006.

Directors' liabilities

The Group has maintained liability insurance for directors and officers of UK Group companies, including the Company, during the financial period. The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Slater and Gordon UK Limited(formerly known as Slater Gordon Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with 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 judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with FRS 101; 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.

Slater and Gordon UK Limited (formerly known as Slater Gordon Solutions Legal Limited) is a licensed body regulated by the Solicitors Regulation Authority (SRA). As such we are required to comply with the SRA Handbook. To oversee the arrangements for compliance we have appointed a Compliance Officer for Legal Practice (COLP) and a Compliance Officer for Finance and Administration (COFA). The COLP is responsible for taking all reasonable steps to ensure that Slater and Gordon UK Limited's compliance arrangements are effective, to record any failures and make them available to the SRA for inspection, and to report material failures. The COFA is responsible for taking all reasonable steps to ensure that the firm, its employees and managers, comply with obligations imposed under the SRA Accounts Rules 2011, to record any failure to comply with the SRA Accounts Rules 2011, to make this record available to the SRA for inspection, and to report material breaches to the SRA.

Going concern

The financial statements have been prepared on a going concern basis and accordingly do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern. Further details of the going concern assessment are set out in note 3.

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, a company incorporated on 22 September 2017.

At 31 December 2018, whilst the Company had net liabilities of £210.4 million, the Group had net assets of £135 million and cash of £11 million. The Group has provided a letter of support confirming they will assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. Management will undertake a transaction to issue share capital of £100.5 million by 31 December 2019 which will extinguish the Consideration Loan Note created on the transfer of the trade and assets of the Partnership on 17 July 2018. This will reduce net liabilities by £100.5 million. The Group has prepared cashflow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group within available funding levels.

Slater and Gordon UK Limited(formerly known as Slater Gordon
Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements (*continued*)

Going Concern (*continued*)

Management has considered the level of new instructions and the likely future value of this work together with the forecast and projected cash flow patterns of the Company for the foreseeable future being a period of 12 months from the date of approval of these financial statements.

The Group and the Company's projections for the period of 12 months from the date of approval of these financial statements, including receipts and payments as well as the utilisation of agreed funding facilities in place indicate that the Group and the Company expects to be able to discharge their 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 funding requirements through retained profits and borrowing facilities, and projected compliance with shareholder covenants.

Accordingly, the Directors have adopted the going concern basis of accounting for preparing these financial statements.

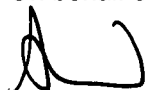
Subsequent events

In September 2019, it was announced that consultation had commenced to close the Leeds and Watford offices.

Statement of disclosure to the auditor

The Directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these Directors confirms that: to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and each director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



Alison Wilford
Director

30 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER & GORDON UK LIMITED (formerly known as Slater Gordon Solutions Legal Limited)

Opinion

We have audited the financial statements of Slater and Gordon UK Limited for the period ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 27 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the period 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER & GORDON UK LIMITED (formerly known as Slater Gordon Solutions Legal Limited) *(continued)*

Other information *(continued)*

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 Statement of Directors' responsibilities set out on page 8, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SLATER & GORDON
UK LIMITED (formerly known as Slater Gordon Solutions Legal Limited) (*continued*)

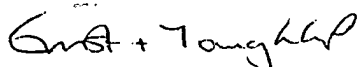
Auditor's responsibilities for the audit of the financial statements

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.

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

Use of our report

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



Jennifer Hazlehurst (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool

30 September 2019

Slater and Gordon UK Limited(formerly known as Slater Gordon
Solutions Legal Limited)
Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Statement of Comprehensive Income

		2018	2017
	Note	£'000	£'000
Turnover	5	129,948	78,071
Cost of sales	6	(103,490)	(80,452)
Gross profit/(loss)		26,458	(2,381)
Administrative expenses		(33,985)	(20,807)
Other operating income	7	1,307	3,545
Operating loss	8	(6,220)	(19,643)
Interest receivable and similar income	11	34	4
Interest payable and similar cost	12	(868)	(139)
Loss before taxation		(7,054)	(19,778)
Taxation	13	-	2
Loss after taxation and total comprehensive loss for the year		(7,054)	(19,776)

The notes on pages 15 to 33 form part of these financial statements.

Statement of Changes in Equity

for the 18 month period ended 31 December 2018

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
At 30 June 2017	81,410	12,778	(297,505)	(203,317)
Total comprehensive loss	-	-	(7,054)	(7,054)
At 31 December 2018	81,410	12,778	(304,559)	(210,371)
At 30 June 2016	81,410	12,778	(277,729)	(183,541)
Total comprehensive loss for the year	-	-	(19,776)	(19,776)
At 30 June 2017	81,410	12,778	(297,505)	(203,317)

The notes on pages 15 to 33 form part of these financial statements.

Slater and Gordon UK Limited(formerly known as Slater Gordon
Solutions Legal Limited)

Annual Report and Financial Statements
for the 18 month period ended 31 December 2018

Statement of Financial Position

at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments		220	-
Intangible assets	14	2,709	408
Tangible assets	15	5,002	828
Accrued income	17	46,503	8,541
Trade and other receivables	16	28,546	14,517
		82,980	24,294
Current assets			
Trade and other receivables	16	194,412	92,433
Accrued income	17	83,508	40,251
Cash at bank and in hand	18	6,390	3,472
		284,310	136,156
Creditors: amounts falling due within one year			
Trade and other payables	19	(458,196)	(348,812)
Provisions	20	-	(47)
		(458,196)	(348,859)
Net current liabilities		(173,886)	(212,703)
Total assets less current liabilities		(90,906)	(188,409)
Creditors: amounts falling due after one year			
Borrowings		(104,144)	-
Trade and other payables		(15,321)	(14,908)
	19	(119,465)	(14,908)
Total liabilities		(577,661)	(363,767)
Net liabilities		(210,371)	(203,317)
Capital and Reserves			
Share capital	22	81,410	81,410
Share premium		12,778	12,778
Retained earnings		(304,559)	(297,505)
Total equity		(210,371)	(203,317)

The notes on pages 15 to 33 form part of these financial statements.

The financial statements of Slater and Gordon UK Limited (formerly known as Slater Gordon Solutions Legal Limited), registered number 07931918, on pages 13 to 33 were approved and authorised for issue by the Board of Directors on 30 September 2019 and signed on its behalf by:



A Wilford
Director

Notes to the Financial Statements

1. General information

Slater and Gordon UK Limited (formerly known as Slater Gordon Solutions Legal Limited) ("the Company") is a company incorporated and domiciled in the United Kingdom. These financial statements are for the period ended 31 December 2018. The comparative period is for the year ended 30 June 2017.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed later in this note.

Slater and Gordon UK Limited (formerly known as Slater Gordon Solutions Legal Limited) have taken advantage of the following disclosure exemptions under FRS 101:-

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
- (b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- (c) the requirement in paragraph 38 of IAS 1 '*Presentation of Financial Statements*' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 *Capital management policies*;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
- (d) the requirements of IAS 7 *Statement of Cash Flows*;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (f) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*

Notes to the Financial Statements (continued)**2. Adoption of new and revised Standards**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018 bringing together all three aspects of accounting for financial instruments; classification and measurement, impairment, and hedge accounting. There are no hedges.

The Group is performing an assessment to understand the requirements of IFRS 9 and how these differ from IAS 39 and are yet to conclude on the impact on the financial statements from the date of adoption.

IFRS 16 Leases

IFRS 16 addresses the recognition of operating leases that convey a right of use asset for a period of time in exchange for consideration are deemed to be of a long-term nature.

IFRS 16 will supersede the current accounting treatment and disclosure requirements for IAS 17 "Leases". The standard recognises a right of use asset at the present value of the lease liability plus any additional payments at or prior to the conclusion of the lease.

Management have performed a preliminary impact assessment in relation to adopting IFRS 16 and is still evaluating the impact on the total assets,

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Business combinations

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

Cash and cash equivalents

Cash in the Statement of Financial Position comprise cash at banks and in hand.

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.

Notes to the Financial Statements *(continued)***3. Significant accounting policies** *(continued)***Going Concern**

The financial statements have been prepared on a going concern basis and accordingly do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The Company is a member of the Slater and Gordon Consolidated Group whose ultimate parent entity is Slater and Gordon UK Holdings Limited, a company incorporated on 22 September 2017.

At 31 December 2018, whilst the Company had net liabilities of £210.4 million, the Group had net assets of £135 million and cash of £11 million. The Group has provided a letter of support confirming they will assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities. Management will undertake a transaction to issue share capital of £100.5 million by 31 December 2019 which will extinguish the Consideration Loan Note created on the transfer of the trade and assets of the Partnership on 17 July 2018. This will reduce net liabilities by £100.5 million. The Group has prepared cashflow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group within available funding levels.

Management has considered the level of new instructions and the likely future value of this work together with the forecast and projected cash flow patterns of the Company for the foreseeable future being a period of 12 months from the date of approval of these financial statements.

The Group and the Company's projections for the period 12 months after the signing of these financial statements including receipts and payments as well as the utilisation of agreed funding facilities in place indicate that the Group and the Company expects to be able to discharge their obligations to all stakeholders. Business activity and cash flows are monitored on a regular weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the firms funding requirements through retained profits and borrowing facilities, and projected compliance with shareholder covenants.

Accordingly, the Directors have adopted the going concern basis of accounting for preparing these financial statements.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including loans from or other amounts due to related entities. Trade payables do not carry any interest and are stated at their historic cost. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Notes to the Financial Statements *(continued)***3. Significant accounting policies** *(continued)*

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Company's best estimate of the likely committed cash outflow. Onerous lease provisions are recorded where a property is not currently utilised.

Impairment of Property, Plant and Equipment and intangible assets excluding goodwill

At each Statement of Financial Position date the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell. Value in use is calculated using cash flow projections for the asset (or group of assets where cash flows are not identifiable for specific assets) discounted at the Company's cost of capital.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Legal disbursements

Amounts incurred by the Company with third parties in relation to legal disbursements on unbilled cases are recorded within trade payables. Where disbursements represent services provided by the Company, they are shown as revenue in the Statement of Comprehensive Income. To the extent that these are recoverable from third parties, an asset is recognised within other debtors. Provisions are recorded against these assets where there is a risk of recovery e.g. on failed cases where amounts are not recoverable. These are disclosed as the net recoverable amount.

Fixed Assets

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is not provided on freehold land. On other assets depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

Leasehold improvements (fixtures and fittings)	10%	per annum straight line
Fixtures and fittings (other)	20% - 25%	per annum straight line
Office equipment	20% - 33 ⅓ %	per annum straight line
Computer equipment	20% - 33 ⅓ %	per annum straight line

Notes to the Financial Statements *(continued)***3. Significant accounting policies** *(continued)*

Assets in the course of construction are capitalised as expenditure is incurred. Depreciation is not charged until the asset is brought into use. Residual value is calculated on prices prevailing at the date of acquisition.

Estimated residual values and useful lives are reviewed annually and adjusted where necessary.

Turnover**Provision of legal services**

The personal injury law practice operates on the basis of No Win – No Fee conditional fee arrangements, whereby fees are earned only in the event of a successful outcome of a customer's claim. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specific percentage of damages awarded under a claim. In addition, revenue is derived from the provision of consumer legal services including group litigation.

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provisions of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – such as initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant service of integration performed by the Company in delivering these services. Management considers the methods used provide a faithful depiction of the transfer of goods and services.

The uncertainty around the fees receivable under a contract is generally only resolved when a matter is concluded. In recognising revenue in the personal injury practice, where the Company has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue from the fees from contracts is estimated using the expected value method. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service with reference to historical fee levels and relative rates of successful and unsuccessful outcomes.

Expected 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.

Revenue is recognised when control of a service is transferred to the customer. The Company recognises revenue in respect of personal injury matters "over time" (as opposed to at a "point in time"). A stage of completion approach is used to measure progress towards completion of the performance obligation.

The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance

Estimates of revenues (including interim billing), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

A receivable in relation to these services is recognised on settlement of the client matter and when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the

Notes to the Financial Statements *(continued)***3. Significant accounting policies** *(continued)*

passage of time is required before the payment is due. Until this position, the asset is recognised in accrued income.

Turnover *(continued)*

The Company arranges for the disbursement activities on behalf of the client; however it does not control the output from those activities. The Company cannot influence the content of the medical reports or court filings, therefore no profit margin is recognised on the activities and the clients are charged the direct cost incurred by the Company. As such, the Company acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the client 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.

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 practice operates on the basis of No Win – No Fee conditional fee arrangements and applies the same accounting policies as personal injury claims described above. In some cases, fees may be fixed, depending on the stage at which a matter concludes. For some arrangements, fees are fixed as a specified percentage of damages awarded under a claim.

No revenue has been recognised for Noise Induced Hearing Loss ("NIHL") files that are in progress as at 30 June 2017 or 31 December 2018 due to the low number of NIHL cases that have settled within the Company during the period and the inherent uncertainty over the consideration to be achieved in each successful matter. Revenue is only recognised on NIHL files when they have been settled.

A small amount has been recognised in respect of a number of cases which were transferred from Slater & Gordon (UK) LLP in the period ended 31 December 2018 based on their prior valuation and historical evidence of collection. No balances remain as at 31 December 2018.

Accrued Income

Accrued income represents client cases which have not yet reached a conclusion and comprises personal injury cases, services performed ancillary to personal injury cases, non-personal injury cases and group litigation cases.

Contracts for legal services are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to the unsatisfied or partially unsatisfied performance obligations under these contracts has not been disclosed.

The Company allocates accrued income between current and non-current classifications based on a historical analysis of the Company's accrued income balances and velocity rates to determine expected timing of settlements.

Consumer Legal Services work in progress

Following the transfer of the assets and liabilities of Slater and Gordon UK 2 LLP, the Company now earns income from the provision of consumer legal services, incorporating group litigation. Revenue from consumer legal services is recognised over time in the accounting period when services are rendered.

Fee arrangements from general legal services include fixed fee arrangements, unconditional fee for service arrangements ("time and materials"), and variable or contingent fee arrangements (including No Win – No Fee arrangements for services including group litigation, and some consumer and commercial litigation).

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone based approach.

Notes to the Financial Statements *(continued)***3. Significant accounting policies** *(continued)***Turnover** *(continued)*

The Group estimates fees for variable or contingent fee arrangements using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success of each case. Variable consideration is included in revenue only to the extent that it can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Group litigation work in progress

Group litigation matters are defined as any matters where total professional fees and/or disbursements are likely to exceed £1.0 million over the course of the conduct of the matter(s).

Certain group litigation matters are undertaken on a partially funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable on a matter over time as services are performed. In such arrangements, the funded portion of fees is billed regularly over time and is not contingent on the successful outcome of the litigation. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is probable that the economic benefits associated with the transaction will flow to the Partnership.

Taxation including deferred tax

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Balance Sheet except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is provided using the Statement of Financial Position liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The deferred tax asset was fully impaired in the prior year.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Collectability of trade debtors is reviewed at each reporting period. Management considers whether an impairment of debtors is required based on the ageing profile and uses calculated historical rates of recovery to determine the required impairment. Debts that are known to be uncollectible are written off when identified. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Notes to the Financial Statements *(continued)***3. Significant accounting policies** *(continued)***Other intangible assets**

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

Customer contracts, data and relationships	2 – 10 years
Intellectual Property rights, software and licences	10 years

Investments

Investments in subsidiaries are accounted for at historical cost less any applicable impairment.

4. Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, management has made a number of judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition – identifying the performance obligation

In personal injury matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation.

The Company notes that it is not practicable to determine and track on a case-by-case basis.

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

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

Where the Company has sufficient historical experience in similar contacts in order to be able to estimate the expected outcome of a group of existing contracts reliably, revenue is estimated using the expected value method. Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to a significant reversal when the matter is concluded.

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

Notes to the Financial Statements *(continued)***4. Critical accounting judgements and key sources of estimation uncertainty** *(continued)*

Recognising revenue and PI WIP measurement: Measuring the stage of completion

Revenue is recognised when control of a service is transferred to the customer. The Company recognises revenue in respect of personal injury matters over time (as opposed to a point in time). A stage of completion approach is used to measure progress towards completion of the performance obligation. The stage of completion is determined using a milestones based approach using prescribed status codes for client matters as the relevant milestones. The percentage completion is determined either by calculating the average fee received for matters that resolve at a particular status code as a percentage of the average fee received for matters that resolve at that status and any later status, or by use of defined completion allocations based on historical performance.

ii) Proposals for changes to Whiplash and Small Claims

The proposed reforms in respect of Whiplash and Small Claims will impact the Company. The outcome remains uncertain and the earliest possible date for any changes to the recoverability of general damages in minor whiplash cases is April 2020. The Company has made its best effort to factor potential changes into its assessment of the future cash flows, even though the results are not yet certain.

Measurement of deferred tax assets

The Company reviews the carrying value of any deferred tax assets, particularly in respect of tax losses, on an annual basis (note 13). This requires an estimation of the future utilisation of any tax losses over the forecast year. This requires the Company to make an estimate of future utilisation based on expectations. A deferred tax asset is only recognised to the extent that losses are expected to be utilised over the 3 year forecast period.

Financial risk factors

As at the Statement of Financial Position date, the Company's primary financial risk factors are those associated with credit risk. The Company is not subject to significant concentration of credit risk with exposure spread across a number of companies within the UK, mainly insurance companies.

Legal disbursements

Amounts incurred by the Company with third parties in relation to legal disbursements on unbilled cases are recorded within trade payables (note 19). Where disbursements represent services provided by the Company, they are shown as revenue in the Statement of Comprehensive Income. To the extent that these are recoverable from third parties, an asset is recognised within other debtors (note 16). Where there is a risk of recovery, a provision will be held against these assets e.g. full provision against disbursements recognised on failed cases where After the Event insurance cover is not in place.

Provision for solicitors claims

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

Dilapidations

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflow.

Notes to the Financial Statements *(continued)***5. Turnover**

The analysis of the Company's revenue is as follows:

	2018 £'000	2017 £'000
Provision of legal services	129,948	78,071

6. Cost of sales

Cost of sales can be analysed as:

	2018 £'000	2017 £'000
Staff and related costs	55,907	32,585
Marketing fees	38,364	37,136
Write offs and provision movements	9,219	10,731
	103,490	80,452

7. Other Operating Income

	2018 £'000	2017 £'000
Related marketing fee income	1,307	3,545

8. Operating loss

The operating loss for the period is stated after charging:

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment - owned assets	815	335
Amortisation	979	17
Operating lease expenses	2,814	1,365
Staff costs (note 10)	64,984	40,241
Profit on disposal of fixed asset	39	54

9. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2018 £'000	2017 £'000
Audit of the financial statements	450	233

Notes to the Financial Statements *(continued)*

10. Employee and staff costs

Number of employees at the end of the year including Directors

	2018 Number	2017 Number
Solicitors	70	67
Fee Earners and other Direct Staff	650	971
Cost Lawyers	64	178
Non Fee Earners	101	82
	<u>885</u>	<u>1,298</u>

Staff costs including directors

	2018 £'000	2017 £'000
Wages and salaries	58,347	36,692
Social security costs	5,316	3,171
Pension Costs	1,321	378
	<u>64,984</u>	<u>40,241</u>

Directors' emoluments

	2018 £'000	2017 £'000
Directors' emoluments	162	29
Company contribution to money purchase pension plans	9	-
	<u>171</u>	<u>29</u>

The emoluments of the highest paid director, in the current period and prior year

	2018 £'000	2017 £'000
	<u>171</u>	<u>29</u>

The costs of a number of the current directors were borne by other Group companies.

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

	2018 Number	2017 Number
Money Purchase Schemes	<u>1</u>	<u>-</u>

Notes to the Financial Statements**11. Interest receivable**

	2018	2017
	£'000	£'000
Interest received	<u>34</u>	<u>4</u>

12. Interest payable

	2018	2017
	£'000	£'000
Interest expense	<u>(868)</u>	<u>(139)</u>

13. Taxation

	2018	2017
	£'000	£'000
The taxation credit comprises:		
UK Tax	-	-
Adjustments in respect of prior years	-	(2)
Current tax (credit)/ charge	<u>-</u>	<u>(2)</u>
<i>Deferred tax</i>		
<i>charge/(credit)</i>		
Origination and reversal of temporary differences	-	-
Derecognition of deferred tax asset	-	-
Total tax recognised in the Statement of Comprehensive Income	<u>-</u>	<u>(2)</u>

Income tax for the UK is calculated at the standard rate of UK Corporation tax of 19% (2017: 19.75%) on the estimated assessable profits for the period.

The total charge for the period can be reconciled to the accounting loss as follows:

	2018	2017
	£'000	£'000
Loss before taxation	<u>(7,054)</u>	<u>(19,778)</u>
Tax at 19% (2017: 19.75%) thereon	<u>(1,340)</u>	<u>(3,906)</u>
Effect of:		
Expenses not deductible for tax purposes	256	690
Non-taxable income	-	(342)
Losses not recognised	786	3,571
Other timing differences not recognised	298	(13)
Adjustments in respect to prior periods	-	(2)
Total tax credit for the period	<u>-</u>	<u>(2)</u>

Notes to the Financial Statements *(continued)***13. Taxation** *(continued)*

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company recognised deferred tax assets of £Nil in respect of losses in the period ended 31 December 2018 (2017: £Nil). No deferred tax asset has been recognised on a further £249.0 million of losses (30 June 2017: £245.9 million) as the current forecasts do not support the recoverability of this balance in the forecast period.

Future Developments

Reductions in the UK corporation tax rate from 19% (effective from 1 April 2017) to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate down to 17% was announced in the 2018 Budget and substantively enacted on 6 September 2018 (to be effective from 1 April 2020).

14. Intangible assets

	Goodwill	Intellectual Property rights, software and licences	Total
	£'000	£'000	£'000
Cost			
At 1 July 2017	40,923	816	41,739
Acquisitions/transferred in	-	7,843	7,843
At 31 December 2018	40,923	8,659	49,582
Amortisation and impairment			
At 1 July 2017	(40,923)	(408)	(41,331)
Acquisitions/transferred in	-	(4,563)	(4,563)
Charge for the period	-	(979)	(979)
At 31 December 2018	(40,923)	(5,950)	(46,873)
Net book value			
At 31 December 2018	-	2,709	2,709
At 30 June 2017	-	408	408

Included within other intangibles are software licences. Software licences are recognised at their fair value at the date of acquisition and they are subsequently amortised on a straight line basis, based on the timing of the projected cash flows on the contracts over their estimated useful economic lives.

Notes to the Financial Statements *(continued)*Intangible assets *(continued)***15. Tangible Fixed Assets**

	Office and computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 July 2017	356	1,167	1,523
Acquisitions	2,345	6,137	8,482
Additions	-	188	188
Disposals	(100)	(27)	(127)
At 31 December 2018	2,601	7,465	10,066
Depreciation			
At 1 July 2017	(255)	(440)	(695)
Acquisitions	(1,622)	(2,008)	(3,630)
Charge for the period	(242)	(573)	(815)
Impairment	-	(13)	(12)
Disposal	71	17	88
At 31 December 2018	(2,048)	(3,017)	(5,064)
Net book value			
At 31 December 2018	553	4,449	5,002
At 30 June 2017	101	726	828

Fixture and fittings additions include work in progress of £Nil (2017: £234k).

Notes to the Financial Statements *(continued)***16. Trade and other receivables**

	2018 £'000	2017 £'000
Current assets		
Trade receivables	20,386	14,632
Other receivables:		
- relating to legal disbursements due from insurance companies	158,533	101,563
- Allowance for non-recovery	(41,942)	(34,522)
- other	2,621	191
Amounts due from group undertakings	50,108	9,180
Prepayments	4,706	1,389
	<u>194,412</u>	<u>92,433</u>
Non-current assets		
Other receivables:		
- relating to legal disbursements due from insurance companies	35,571	21,993
- Allowance for non-recovery	(7,025)	(7,476)
	<u>28,546</u>	<u>14,517</u>

All trade receivables are expected to be received within 12 months.

Trade receivables is reported after charging a provision for non-recovery of £6,755k (2017: £2,177k).

17. Accrued Income

	2018 £'000	2017 £'000
Current Assets		
Accrued income	83,508	40,251
Non-current Assets		
Accrued income	46,503	8,541
	<u>130,011</u>	<u>48,792</u>

18. Cash at bank and in hand

	2018 £'000	2017 £'000
Cash at banks and in hand	<u>6,390</u>	<u>3,472</u>

Cash in the Statement of Financial Position comprises cash at banks and in hand.

Notes to the Financial Statements *(continued)***19. Trade Creditors**

	2018	2017
	£'000	£'000
Current liabilities		
Trade payables:		
- relating to legal disbursements due from insurance companies	97,937	62,738
- other	9,288	2,800
Amounts due to related parties	321,378	272,795
Payroll and other taxes including social security	2,475	1,533
Accruals	12,783	8,527
Onerous lease provisions	968	10
Dilapidation provisions	2,588	248
Other payables	10,779	161
	458,196	348,812
Non-current liabilities		
Trade payables:		
- relating to legal disbursements due from insurance companies	12,963	13,586
Onerous lease provisions	742	96
Dilapidation provisions	1,616	1,226
Amounts due to related parties	104,144	-
	119,465	14,908

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

Amounts due to related parties include the £100.5 million Consideration Loan Note arising on the transfer of the trade and assets of Slater and Gordon UK 2 LLP on 18 July 2018 (see Note 24).

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

20. Provisions

Provisions, which comprise potential liabilities to regulatory authorities, are as follows:

	2018	2017
	£'000	£'000
Current Provision	-	47
Non-Current Provision	-	-

Notes to the Financial Statements *(continued)***21. Operating lease commitments**

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	£'000	£'000
Less than one year	805	1,154
Between one and five years	1,529	2,518
More than five years	200	560
At the end of the period	2,534	4,232

Operating lease payments represent rentals payable by the Company for certain of its office properties.

22. Capital and reserves

	31 December 2018		30 June 2017	
	Number	Nominal	Number	Nominal
	'000	Value	'000	Value
		£'000		£'000
Shares allotted, called up and fully paid:				
At the beginning of the period	81,410	81,410	81,410	81,410
At the end of the period	81,410	81,410	81,410	81,410

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

23. Contingent liabilities

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

The Company is party to a GBP currency Super Senior Facility Agreement ("SSFA") dated 22 December 2017 pursuant to which the Company's direct parent company, Slater and Gordon (UK) 1 Limited, is a borrower having fully drawn the facility (£14.8m) on that date. 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.

Notes to the Financial Statements *(continued)***23. Contingent liabilities** *(continued)*

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

24. Acquisition Note

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

Balance	£'000
Investments	100
Intangible assets	3,221
Tangible assets	4,269
Accrued income	90,774
Trade and other receivables	90,472
Cash	5,952
Trade and other payables	(85,605)
Dilapidations and onerous lease and other provisions	(8,725)
Net assets acquired	100,458

As this was a transaction between wholly owned entities of Slater and Gordon UK Holdings Limited, this transaction is outside of the scope of IFRS 3 and the assets and liabilities were transferred at their net book value. The result for the period includes £34.9 million of turnover and £3.2 million of profit before tax arising from the trade and assets transferred. If the transaction had occurred on 1 July 2017, turnover for the period would have been £78.2 million higher with additional loss before tax of £3.8 million.

As part of the transfer, £3m drawn down under the financing facility on costs agreed were novated from Slater and Gordon UK 2 LLP to Slater and Gordon UK Limited. This balance is included in trade and other payables in the above acquisition note.

Notes to the Financial Statements *(continued)***25. Investments**

	Unlisted investments
	£'000
Cost and carrying value	
At 1 July 2017	-
Transferred in the period	100
At 31 December 2018	100

The above investment relates to Slater & Gordon Trust Corporation Limited.

The Company holds 100% of the share capital of the following businesses:

Business name	Country of incorporation	Class	Shareholding	Principal activity
Slater & Gordon Trust Corporation Limited	England and Wales	Ordinary	100%	Court appointed deputy and trustee of various trusts

26. Post balance sheet events

In September 2019, the Company commenced consultation with employees at the Watford and Leeds offices for closure of those sites. The Directors do not consider the impact to be significant.

27. Ultimate parent company

The parent of the Company is Slater and Gordon (UK) 1 Limited, a company incorporated in England and Wales.

The ultimate parent and the largest group in which the results of the Company are consolidated is that headed by Slater and Gordon UK Holdings Limited, a company incorporated in England and Wales. Copies of the company's accounts are available on application or from the company's website.