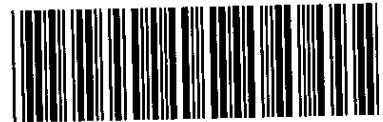




# Annual report

WEDNESDAY



A16

12/01/2022

#346

COMPANIES HOUSE



Lawyers

# Company information

J P Connolly  
M Glengarry  
D S Neave  
N I Stoesser  
D J L Whitmore  
A L Wilford

E S Comley

10977311

58 Mosley Street  
Manchester  
M2 3HZ  
United Kingdom

Deloitte LLP  
The Hanover Building  
Corporation Street  
Manchester  
M4 4AH  
United Kingdom

# Contents

|           |                                                                      |
|-----------|----------------------------------------------------------------------|
| <b>1</b>  | Company information                                                  |
| <b>3</b>  | Strategic report                                                     |
| <b>3</b>  | Chief Executive overview – David Whitmore                            |
| <b>5</b>  | Financial overview – Alison Wilford                                  |
| <b>9</b>  | Personal injury review                                               |
| <b>13</b> | Consumer legal services review                                       |
| <b>15</b> | Collective actions review                                            |
| <b>17</b> | Transforming customer service with technology                        |
| <b>19</b> | Work Anywhere, Automate Everything, Create:<br>Our technology vision |
| <b>21</b> | Inspiring our people                                                 |
| <b>25</b> | Section 172 statement                                                |
| <b>28</b> | Directors' report                                                    |
| <b>36</b> | Independent auditor's report                                         |
| <b>40</b> | Consolidated financial statements                                    |
| <b>78</b> | Company financial statements                                         |

# Strategic report

## Resilience in a year like no other



Chief Executive Officer (CEO)

While Covid-19 posed challenges never before experienced, I am delighted with the way our business responded. In the main this is testimony to the investment and hard work in recent years to make our business more competitive, more efficient and more resilient.

We are now focused on delivering growth while exiting non-core business lines. Our mission continues to be to provide high-quality, technology-driven legal services to all UK consumers. This allows us to offer easy, low touch-point access to justice for all.

This was a year in which we continued to transform and strengthen our business. It included a key new partnership with ExamWorks and the acquisition of Jigsaw Law to benefit our personal injury business. Our personal injury business also saw 17,792 successful case closures in 2020. Our collective actions business continued to develop the largest class action in the UK relating to the Volkswagen emissions case and in consumer legal services we supported those people most affected by Covid-19, with 4,800 new customers.

These successes are symptomatic of a growing, robust and resilient business, one which ended 2020 with a caseload 12% higher than the previous year, despite the Covid-19 reductions in market activity.

“

**thank  
all our employees for  
their incredible hard  
work and commitment**

”

Our growth will continue and accelerate over the coming years. It will be both organic and inorganic and we will always consider targeted acquisitions as and when appropriate.

**12%**

**46,000**

**97%**



I think it is important to highlight our response to the pandemic. Our investment in technology in the past three years allowed 97% of our 1,700 people to seamlessly pivot to remote working in the week after the announcement of the first national lockdown in March 2020. In fact, Covid-19 accelerated the switch to remote working, enabled by existing Work Anywhere initiatives.

We created new processes to help support our people's wellbeing and offered flexibility to those with commitments, such as parents and carers. Technology is the cornerstone of Slater and Gordon, touching each part of the Group and forming the foundation of our strategy to revolutionise how customers are served.

I want to take this opportunity to thank all our employees for their incredible hard work and commitment throughout the toughest of years.

Of course, many of our key markets were severely affected by the pandemic, as much of the country ground to a halt. But our business performed robustly, continuing to provide vital services, including road traffic accident claims management, employment law services, family law services and clinical negligence support. This underlined the importance of our role in offering access to justice in the most difficult of circumstances and at some of the most important times in our customers' lives.

Like thousands of other UK companies, Covid-19 affected our financial performance but, as our Chief Financial Officer Alison Wilford explains, the impact was contained by our proactive management of the business in the face of the pandemic.

And, at a time when businesses are rightly the subject of scrutiny for how they behave, we have sought to act responsibly. This included accessing the Government furlough scheme to protect jobs.

Thanks to decisive action and tireless work by all our employees, Slater and Gordon is well placed to emerge from the Covid-19 period in good shape. Our business strategy has proven to be resilient, particularly our focus on the fast-growth areas of our business, accelerating the use of technology in delivering legal services.

Finally, and most importantly, we remain totally committed to our customers, providing excellent, technology-driven services, and to our people. We work tirelessly to make Slater and Gordon an outstanding place to work, including investing to improve how our employees perform their roles and listening to ensure our business responds to their needs and aspirations.

We therefore entered 2021 confident in our strong market position and well placed to take advantage of the many opportunities we believe will arise from the recent regulatory changes and continued consolidation in the consumer legal sector.

This strong market position, together with our sector-leading technology platforms, means we look ahead with optimism.

# Financial overview



**Alison Wilford**  
Chief Financial Officer

Covid-19 affected most UK businesses and Slater and Gordon was not immune, with several areas of our key markets adversely affected.

Group revenue for the year was £158.1m, compared to £192.9m in 2019. The reduction reflected in part the effect of Covid-19 together with strategic decisions to exit less profitable and non-core areas. This included exiting our medical reporting and rehabilitation services business which accounted for c. £20m of the fall in 2020 revenue.

In 2020, adjusted EBITDA<sup>®</sup> – our primary measure of profit used to measure performance – was £10.1m (2019: £16.3m). This reflected our decisive actions to adapt quickly to the impact of Covid-19, reducing overhead costs where possible and minimising the impact on margins. This, coupled with careful cash management, will enable us to emerge from the pandemic in a robust financial position.

Our statutory operating loss for 2020 was £8.7m (2019: £1.1m) reflective of the continued investment in our strategy resulting in non-recurring costs of £11.3m in the year (2019: £6.0m).

2021 continued to be impacted by Covid-19 but we expect to see an upturn in 2022 performance as the UK begins to return to normality following the mass vaccine rollout.

Looking more closely, our business performed resiliently across our four core divisions: personal injury services, which includes our road traffic accident, clinical negligence and employer's liability and public liability practices; consumer legal services, which includes employment, residential conveyancing and family law services; collective actions, which focuses on group litigation claims; and Adroit, our financial planning business.

**“Our business performed resiliently across our four core divisions”**

In personal injury services, revenue decreased by 2.5%, with, in lockdown months, approximately a third of the number of cars on Britain's roads compared with pre-pandemic times and fewer operations as the NHS focused its efforts on Covid-19. At year-end, our caseload – the number of unsettled cases on our books – stood at 44,858 cases, a 12% increase on 2019. As Matt Jarvis explains below, we

**£10.1m**

adjusted EBITDA

**£107.9m**

net assets

**11%**

reduction in cost base

are well-placed as a market leader in personal injury to capitalise on regulatory changes in the market.

Meanwhile, our 2020 case intake – the number of new cases acquired – was almost 46,000, up 6.8% year-on-year, with almost 200,000 direct-to-consumer enquiries during the year. Combined across the Group, our partnerships accounted for almost 40,000 customer referrals during the year. The uplift in enquiries and referrals was in part supported by our partnership with ExamWorks, which has delivered over 5,600 new cases in 2020.

Our consumer legal services revenue decreased by 12.9% as the impact of Covid-19 affected most practice areas. As Alicia Alinia, Managing Director of consumer legal services, outlines, our residential conveyancing business was boosted by the chancellor's stamp duty holiday, with 46% more transactions in the July to December period, and we were able to help more companies and employees in our Employment practice (3,978).

Revenue in collective actions decreased by 74.4% but this reflects the phasing of work on the Volkswagen emissions case, where Slater and Gordon are one of the lead lawyers. In addition to progressing this case, during 2020 we have focused on building further cases in the emissions areas, focussing initially on Mercedes, alongside cases in financial mis-selling, and data breaches. During 2020 we received over 50,000 enquiries from customers to join actions in these areas. Nils Stoesser, Managing Director of collective actions, provides more detail later in this report.

Though our sector was negatively affected by Covid-19, we headed into 2021 confident in our strong position in a fragmented but resilient market which has grown by about 4% per year since 2016 and offers us opportunities to further increase our market share.

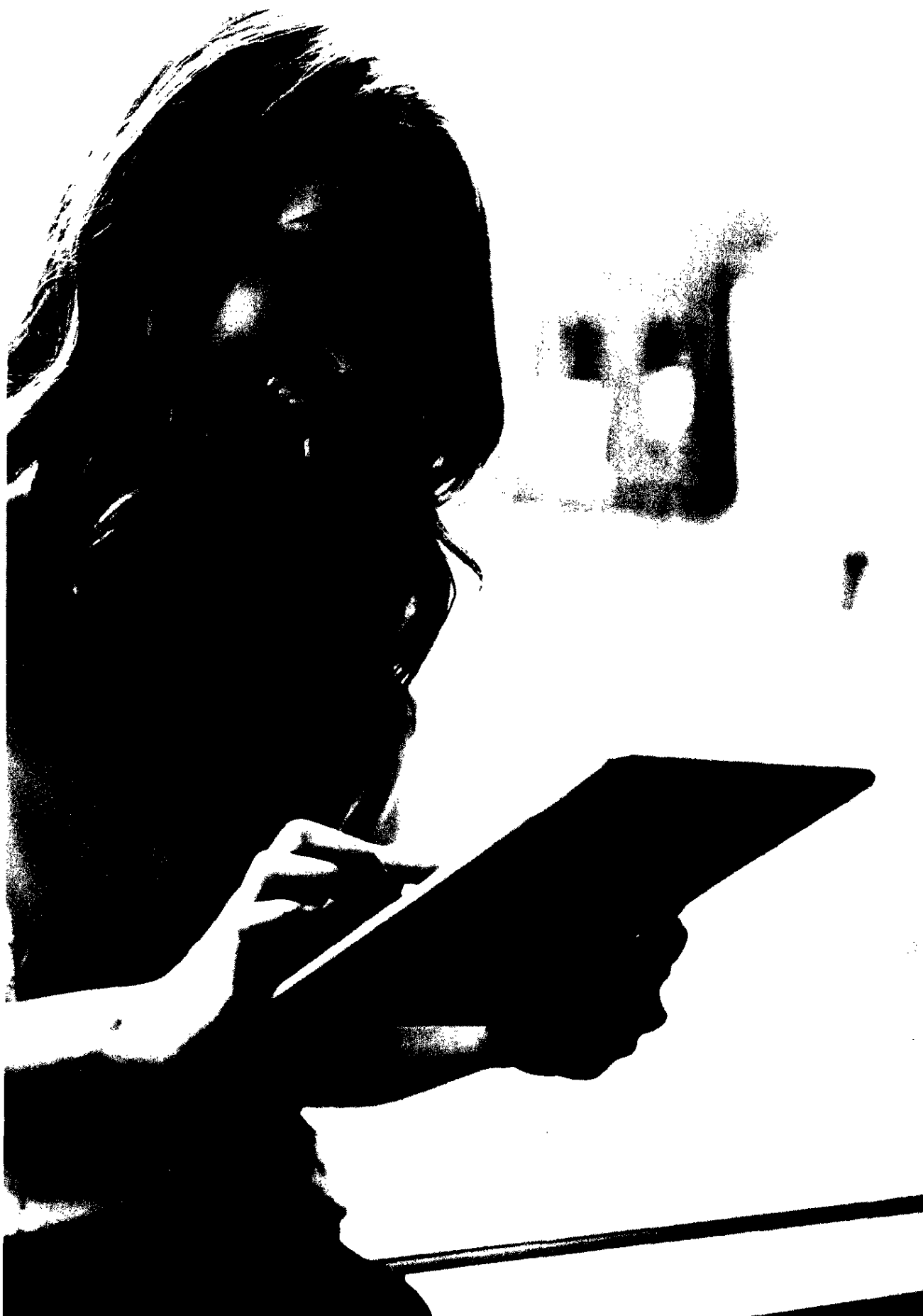
One constant theme of recent years is our commitment to investing in technology which underpins our growth strategy. We have invested £22m in our technology over the past three years, including £7m in 2020.

While we have increased our spend and investment in technology, our other overhead costs reduced by 11.2% year-on-year. We have reduced our property footprint from 30 offices in 2015 to just six locations in 2020 and saw a reduction in spend in many areas including facilities, recruitment and travel.

**We continue to manage costs carefully to ensure investment in the right areas to support our growth ambitions. We have access to funding, a strong balance sheet with net assets of £107.9m and cash of £13.8m.**

As we return to a more normal working world, Slater and Gordon is in a strong financial position to withstand future headwinds and take advantage of new market opportunities.





# Key facts and figures



Group revenue



Fee-earners



Investment in technology



Adjusted EBITDA <sup>(1)</sup>



Statutory operating loss



Increase in personal  
injury caseload (at year-end)



Case intake

# Personal injury review



Managing Director of personal injury services

**"**  
**the**  
**steps we have taken to**  
**ensure customers and**  
**their cases continued**  
**limited**  
**the impact on the**  
**business"**

The pandemic placed pressure on the court system and took medical experts away from legal work, while the NHS was put under immense strain and many insurers struggled to move to home-working. This caused delays in the legal process across all parts of the UK personal injury market.

Meanwhile, the national lockdowns led to far fewer cars on the UK's roads and fewer non-Covid-19 related medical procedures. In the aftermath of the first lockdown, announced in March 2020, road traffic dropped to about a third of pre-pandemic levels.

Nevertheless, the changes we made to our business, and particularly the steps we have taken to ensure customers and their cases continued with as little delay as possible, limited the impact on the business. Our team moved quickly, ensuring regular contact with insurers to look at ways we can continually improve our process and have a positive impact for our customers.

Collaboration is key, especially as we move into the new small claims space, where costs-to-serve, customer experience and technology are vital. We also continue to work closely with partners to tackle the crucial issue of insurance fraud. Meanwhile, we liaised with industry groups like the Association of Consumer Support Organisations to promote changes such as remote rehabilitation and remote medical appointments, which enabled more cases to continue at pace.



To mitigate the impact of Covid-19, we acted quickly and made other changes to our business. This included working with the Association of British Insurers to enable remote medical examinations and rehabilitation, doing all we could to help customers whose medical care was delayed. We also liaised closely with courts to relax rules on court deadlines and, where possible, encourage alternative dispute resolution.

Even before Covid-19, a key priority for our business was to work with the industry to remove unnecessary costs in the legal process for insurers. We fully believe that working closely with insurers and other industry players ensures the customer journey is more efficient and enjoyable. In 2020 we established close links with several insurers, agreed defined protocols and adopted Alternative Dispute Resolution approaches. We continue to build on this work.

A key milestone in 2020 was entering a long-term relationship in July with ExamWorks, a leading provider of medical and rehabilitation services. This relationship has helped to significantly increase the volume of cases we service. In September we acquired the assets and associated cases of Jigsaw Law, a firm that specialises in personal injury. I'm pleased to report that Jigsaw Law is now fully and successfully integrated into Slater and Gordon.

We remain committed to working across the industry to create partnerships and we will make targeted acquisitions as and when we feel that they will strengthen our business – and our service to customers.

In this area, we continue to make good progress. Our MiCase RTA platform, which is supported by industry-leading artificial intelligence technology, was developed during 2020 and launched on 31 May 2021, allowing our customers to contact us easily and at any time of the day. This is a hugely beneficial move for customers, particularly for those pursuing less complex, lower-value claims where people want cases settled quickly and at their convenience.

This approach is central to our response to the Civil Liability Act, which also came into force on 31 May 2021. The Act is designed to make the current personal injury process quicker and cheaper for consumers. We fully support this progressive development in legislation and all moves to help consumers access justice cheaply, quickly and easily.

As pressure eases on the NHS, we expect to see the volume of complex cases handled by our Clinical Negligence team increase. We will be on hand to support clients through difficult and often traumatic times.

# Personal injury case study

## Road traffic accident

+ Julie Spinks

I was in a liability dispute after a road traffic accident in 2019, where another car drove into the back of mine at a roundabout.

I was left with a minor whiplash injury and about £5,000-worth of damage to my car. The other driver initially apologised and admitted responsibility, so I wasn't worried at the time.

It was only later that they changed their mind and alleged that I had slammed on my brakes for no good reason, which they said had caused the accident.

I was contacted by Slater and Gordon, who were acting on behalf of my insurer, telling me that I would have to go to court and that they would be defending me. Before the case they were in regular contact to keep me updated and brief me on what to expect.

There were a few delays and when the case finally happened, it was nearly two years after the accident, so they shared all the case notes with me so I could refresh my memory.

I'd never been to court before and it could have been very nerve-wracking. But because of the support I'd had from Slater and Gordon, I felt totally prepared and the whole experience was as stress-free as it could have been.

The court found in our favour and I was awarded £7,700. The main thing was that I was cleared and there were no implications for things like my future insurance.

I couldn't fault the service I received. Working with Slater and Gordon gave me confidence. They fought my corner and got the right result.



**"I couldn't  
fault**

II

# Personal injury case study

## Clinical negligence

+ Darren Swain



“

**civil action  
against her  
doctors**

**expertly  
and sensitively”**

She'd been suffering from pain and irregular bleeding, but she was told she was too young for the routine screening available to women aged 25 to 64.

She did exactly the right thing by raising concerns with her GP at an early stage, but it took ten appointments before she was finally offered the smear test which led to her diagnosis.

Despite intensive chemotherapy and radiotherapy, she died less than a year later, aged just 23.

Her doctors apologised for the delay in Emma's diagnosis and treatment, and admitted that, if the care and treatment she received had been of a reasonable standard, on the balance of probabilities she would have survived.

We trusted the professionals to know what they were doing. To have watched one of your children go through that and to now know that it could have been prevented is incredibly hard to accept. I don't think I ever will.

The symptoms she described should have been a clear indicator that something was wrong. A routine test would have identified the cause and allowed time for treatment.

Emma launched a civil action against her doctors shortly before her death, which Slater and Gordon advised us on, expertly and sensitively. The case settled out of court for an undisclosed sum.

Her dying wish was that no one else should have to go through what she did. I hope that sharing her story will help to do that.

# Consumer legal services review



Managing Director of consumer legal services

While consumer law has been a fragmented market, we have been able to leverage the strength of our brand in our digital marketing capability. We spent last year focusing on moving the business to a model where the customer had full control of the type of service they were seeking. This enabled us to develop legal products, which are transparent in pricing and affordability.

Our customers are seeking quick access to services and in the way that suits them. Often that means online at any time of the day and without the need to book an appointment with a lawyer.

As we have responded to changing consumer demands, this has meant seeking to remodel our offering to provide bespoke, niche services via a digital-based service. As well as providing quick and convenient services to customers of these products, it means that our specialist lawyers can spend more time on the most complex and sensitive cases.

The year saw us growing our residential conveyancing business to help meet the increased demand following the chancellor's stamp duty holiday. This enabled us to refine our services and imbed digital solutions for our customers to be able to scale our practice in 2021 and beyond.

As part of the evolution of the business during 2020, we helped companies and employees via our employment services, providing support to them at some very sensitive times. This included acting on

behalf of businesses and colleagues on redundancy programmes prompted by the impact of Covid-19 on the UK economy. As government support measures such as furlough are wound down, we expect to see strong demand for our employment services during 2021 and beyond.

Elsewhere, we continued to make changes to our business to offer customers ways of accessing our services quickly and easily. With some of our family, wills, trusts and probate services we developed fixed cost offerings, supported by our cutting-edge technology.

As with other steps we took in 2020, this move puts us in the best possible position to continue to enhance the customer experience.

Looking ahead, we are encouraged by forecasts that family law and employment – two areas central to our proposition – will continue to grow. Expected growth in our family law services will continue to be driven in part by demand for wills as UK demographics evolve, along with legislation that grants domestic violence victims more and easier access to legal aid.

With the consumer legal services market having enjoyed 4% per annum growth in the past four years, and with opportunities to increase our market share offered by a fragmented market, we look ahead with confidence.

# Consumer legal services case study

Retail was one of the sectors of the UK economy most affected by Covid-19. Thousands of 'non-essential' shops were forced to close during 2020, with sales dwindling to just a fraction of pre-pandemic levels.

We supported one of these affected retailers during the year. The business – a well-known retail brand – was forced to implement a redundancy programme.

Crucially, it was keen that employees were treated with respect throughout the process. We provided advice to ensure the programme was as flexible as possible, reducing the number of compulsory redundancies.

Our client said:

"Slater and Gordon supported us during a very difficult internal period. They were asked, with virtually no notice, to be available to provide legal advice to a very large number of employees who were accepting voluntary redundancy. Within less than a day they had set up a dedicated email address and webpage for our employees to register for their legal support. They also acted efficiently, with a great amount of sensitivity to people going through an emotionally difficult time and with complete integrity throughout."

We are proud that our service provided a platform for our client to minimise the impact of the programme on its employees and helped to secure the future of the business.



**"We are proud**

**minimise the impact  
on**

**its employees"**

# Collective actions review



Managing Director of collective actions

This involved the hiring of additional experienced lawyers, investment in technology to improve our ability to serve our customers and the development of a new pipeline of cases.

Our goal is to be a leading practice in this area. Collective actions serve a crucial purpose in society – they help consumers hold large organisations to account and offer access to justice for those wronged, at relatively low cost.

We believe passionately in ensuring collective actions are brought when the circumstances are right. We see significant growth potential, driven in part by recent changes in the legal framework and the increasing availability of litigation funding across mainland Britain.

In 2020, on those cases that we are leading on behalf of our customers, we continued to make progress in the collective action against Volkswagen, in relation to the diesel emissions case.

We are also representing motorists in a similar claim against Mercedes-Benz, which remains open for new claimants and has the potential to be another landmark case for UK consumers.

Alongside these active cases, we are assessing additional equivalent actions against other manufacturers which will enable tens of thousands of motorists to participate in future claims.

Outside automotive, we are assessing a number of consumer credit and mass data breach claims. These are part of our strategy to grow our presence in areas where legal issues allow us to run a larger number of separate cases around a common issue that has affected consumers, a process known as volume litigation.

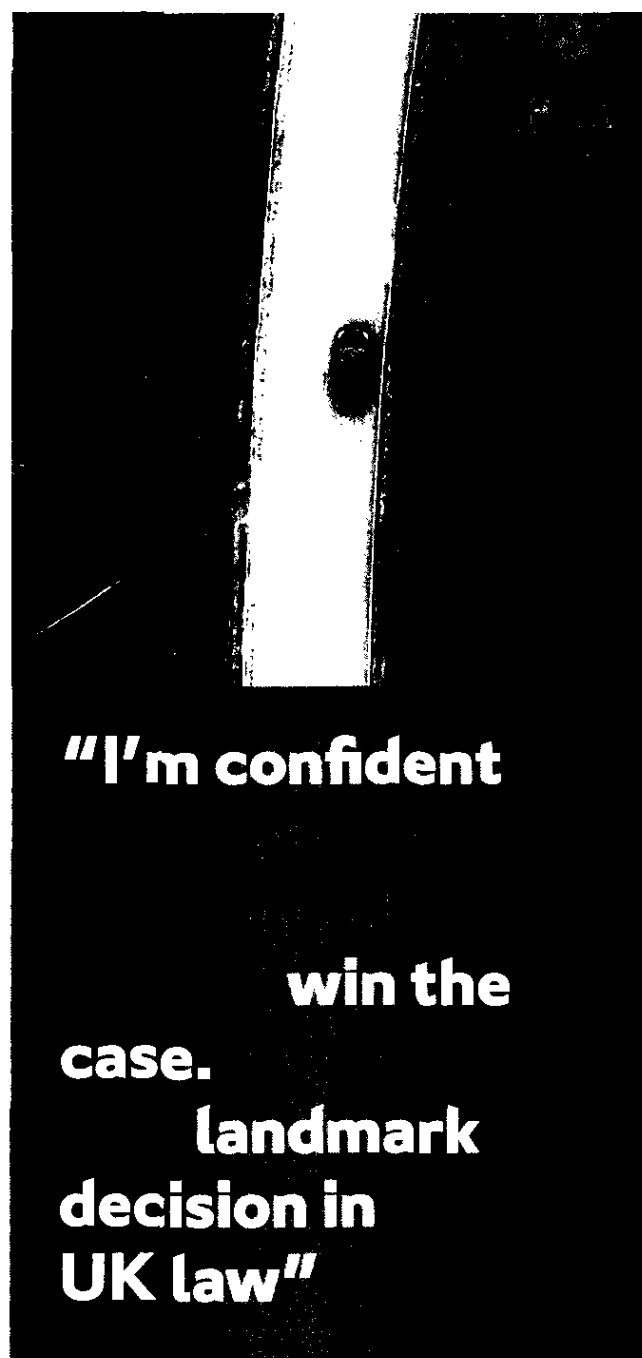
As part of all these initiatives we will continue to ensure we are the firm best prepared to manage large-scale group litigation cases, using our technology-based platforms to offer our customers high-quality legal services and excellent customer service.

**"Our goal  
leading practice**

**crucial  
purpose in society"**

# Case study Volkswagen

+ **Brian Levine** – Volkswagen Claimant Committee



So, when the emissions scandal broke just weeks later, I felt cheated and I wanted to hold VW to account. Volkswagen effectively stonewalled me, so when I found out a joint action was being brought, I signed up straight away.

I am now on the Claimant Committee, which represents the tens of thousands of British drivers being represented by Slater and Gordon who have applied to seek compensation from Volkswagen.

We have regular monthly meetings with Slater and Gordon. They are very easy to get along with and extremely good at explaining what everything means. If they need approval for a certain course of action, the Claimant Committee is able to give it on behalf of all claimants, which helps to speed up the process.

The case is being funded through a conditional fee arrangement, so there is no cost to join in the litigation. A third party is paying the fees and they will be able to recoup that money from the compensation awarded if and when we win.

VW has been very obstructive through the whole process, continuing to deny things that it has already admitted in other territories.

Despite this, Slater and Gordon won a major victory in 2019 when the High Court decided that VW did indeed install a 'defeat device', which reduces the vehicle's emissions during official testing in some of its vehicles.

We're on the home straight now, preparing for a second court case in 2023 which will decide other issues of liability and the amount of compensation the claimants will receive.

I'm confident that Slater and Gordon will help us win the case. It would be a landmark decision in UK law.

# Transforming customer service with technology



Chief Marketing Officer



Throughout 2020 we continued to transform our core technology. We invested £7m in our platforms, in part to help further enhance customer experience. We improved our capability by launching a number of new services, such as webchat and cloud-based telephony via 8x8 – which are now key to how we onboard and service our customers across the business.

Through our partnership with 8x8 we can provide customers with a greater range of contact options. These include real-time net-promoter score feedback, speech analytics, two-way customer SMS and a new QA system. All these enhancements reflect our core objective of delivering simplicity, accessibility, choice and value, whether our customer comes to us directly or through one of our industry or corporate partners.

We pride ourselves on our customer experience and are proud to lead the way among our peers. In 2020 we received twice as many 'Excellent' reviews on Trustpilot as our biggest competitor and our Trustpilot rating is 4.2 (as at November 2021), demonstrating our commitment to providing the best possible experience.

Our digital marketing expertise is critical to ensuring that we reach our customers when they need us and we set out clearly how our services can support them in addressing their legal needs and issues. Last year we became the third most visited consumer legal website in the UK, behind only Gov.uk and Citizens Advice, with 11.6m unique users (Adthema Market Share Data), and became the first website to retain the number 1 rank in the Digital 100 Awards, reflecting its continued outstanding performance.

Our reach, aligned with our plans to launch new digital customer services, provides an opportunity for us to build on our market position during 2021.

We launched the first phase of MiCase digital legal Platform, delivering our legal expertise how and when our customers need us. This was a critical step

in our commitment to become a digital consumer legal services business providing relevant and leading products to our customers and partners.

This was instrumental in helping secure several major new B2B partner contracts in 2020, and was rewarded with 100% renewal of all our key strategic partner relationships across every sector, providing us with solid foundations for future growth.

“

**transform  
our core  
technology.  
We invested  
£7m in our  
platforms”**



# Work Anywhere, Automate Everything, Create:

## Our technology vision



**Jon Grainger**

Chief Technology Officer



In 2020 we established our technology strategy of 'Work Anywhere, Automate Everything, Create'.

First, Work Anywhere. In a year when large swathes of the UK population were forced out of the office, our pre-Covid-19 investment in technology, such as becoming Microsoft's first customer to use the innovative Microsoft Managed Desktop device service, along with our belief in the benefits of remote working, minimised disruption.

It meant our people could work seamlessly from home and we could continue to provide uninterrupted legal services regardless of geographical location. Our success here enabled our technology agenda to continue uninterrupted.

Next, Automate Everything. Our core technology mission is to use automation to create great customer journeys and transform our internal operations. To achieve this we have created foundational capabilities covering security and data, as well as creating our own Azure SaaS-based platform called MiPlatform. MiPlatform, which supports our work with our Business to Business ('B2B') partners, is our complete collection of customer facing technology that creates the MiCase digital legal services suite of products such as MiCase Road Traffic Accident ('RTA') and MiCase Mercedes.

“  
the  
key to our future  
success point  
of differentiation  
”



These platforms support one of our primary goals – enabling customers to access our services conveniently, at any time of day or night, 24 hours a day, 365 days a year.

MiPlatform is designed to handle enormous amounts of data which, combined with our case-intake and management systems, unlocks the potential of us using machine learning – a process that studies algorithms to improve automation – to further enhance our service and efficiency. It uses SaaS architecture and runs on the world’s largest computer – Microsoft’s Azure Cloud platform.

Our first customer release, in January 2021, gave us insights into legal service consumer behaviour showing that customers appreciate the convenience that self-service offers. MiCase RTA is our technology-enabled response to the new Civil Liability Act that came into force in the UK in May 2021.

Our mission is to provide high-quality and technology-driven legal services to all UK consumers. Investment in our data and cyber security strategies continues to be central to this mission, helping us transition to a fully data-enabled business with the right data, in the right place, used by the right people, at the right time.

Our technology progress has been externally recognised at the British Legal Technology Awards in October 2020 and with a CIO 100 award in May 2021 in recognition of outstanding technology, innovation and technology leadership. We have also taken part in research conducted at the University of Oxford, commissioned by the Solicitors Regulation Authority, with Slater and Gordon recognised as a leading technology law business alongside Eversheds and Forsters among others.

Our business remains steadfastly committed to consumer legal service technology investment. It is, we believe, the key to our future success and a point of differentiation with our peers and competitors.

# Inspiring our people



HR Director

Our business was no different. Within a week of the lockdown announcement, some 97% of our people were working from home. As the way people lived their lives changed almost overnight, we delivered over 2,000 items of technology to ensure our employees could do their jobs as comfortably and effectively as possible.

And yet in many ways, Covid-19 has merely accelerated changes in our business that were already in train.

Long before Covid-19 hit the UK, we were putting in place the measures to create an agile 'Work Anywhere' business to inspire our colleagues. In 2019 we devised a set of principles, called the S+G Way, that help to shape the type of business we want to be.

These principles promote engagement, transparency and collaboration, with one of our values – 'We make time to live' – an important part of building our 'Work Anywhere' approach. Now, nine in ten of our employees say they want a hybrid working model that combines home working with time in the office.

The changes we made before the pandemic were not easy and required a constant dialogue with colleagues. But they stood us in good stead for managing the business through Covid-19.

Communication has been crucial in the past year as, like all businesses, we have needed to speak regularly to our people about what we're doing in the face of the pandemic, and why. Two months into the first lockdown our engagement levels had risen to a Happiness Index measure of 8.1 (May 2020) – likely a response to the speed and effectiveness of our shift to home working.

What have we learned from the past year? The first lesson is that, as we thought, technology that allows people to work wherever suits them is crucial. Second, working remotely is no barrier to engagement and feeling part of a team, while maintaining high levels of productivity. And third, the way people use shared workspace will change forever. Our future will be about enabling people to work smartly and productively from wherever suits them.

As well as being crucial to keeping employees happy and engaged, this puts us in a strong position to hire the best people, wherever they live. We do, though, remain committed to maintaining physical office space, which will be key to our future face-to-face engagement and important to our collaboration and innovation.

The past year has changed views on what work is and how it should be done. We will ensure that we always respond quickly and appropriately to motivate our people, live the S+G Way and make our business an outstanding place to work.

8.1

2,000

87,916



# 97%

**working from home**

# Inspiring our people

## Stories from two of our colleagues

+ Priyesh Mistry – Solicitor

When I was offered the Industrial Disease solicitor role, I accepted straight away.

Slater and Gordon has an excellent reputation in the market and I was excited to be part of an amazing team. I work with some of the UK's best lawyers, who are always willing to help and share their knowledge.

I advise clients on complex occupational stress matters and have a varied caseload of claims including dermatitis, repetitive strain injury and occupational deafness, running cases from inception to conclusion.

The most satisfying and rewarding part of my role is achieving the best possible outcome for my clients. I have concluded a few complex occupational deafness claims for people who were too weak to attend trial. However, I was able to negotiate and overcome the issues to reach the best result for my clients, who were thrilled.

I've been with the practice for four years in total, but I started my current role during the pandemic, which could have been a challenge. However, everyone at Slater and Gordon has been amazing. We all stay in touch with regular online meetings and managers get back to you quickly on any queries.

We've got the best technology and an IT team who offer fast, knowledgeable support. It has been great.

Given my experience over the past few years, I want to continue to progress my career with Slater and Gordon. My aim is to become an associate and be an ambassador for the business because I really support the values and culture that the firm advocates.

I truly believe that the business will help me achieve my career ambitions and reach my full potential.

“  
help me  
achieve my career  
ambitions  
full  
potential”



## + Nadia Saber – Associate

I joined Slater and Gordon in 2021 as an associate in the clinical negligence department handling high value claims.

I chose the firm because of its reputation as being digitally intelligent, with a clinical negligence team that is rated in the Legal 500. Working with top lawyers in a highly specialised field will enable my own growth as a lawyer.

Both head of department Emma Doughty and my supervisor, Madeline Seibert, are highly recommended in the Legal 500 and have been brilliant at making me feel settled into the department and with my caseload.

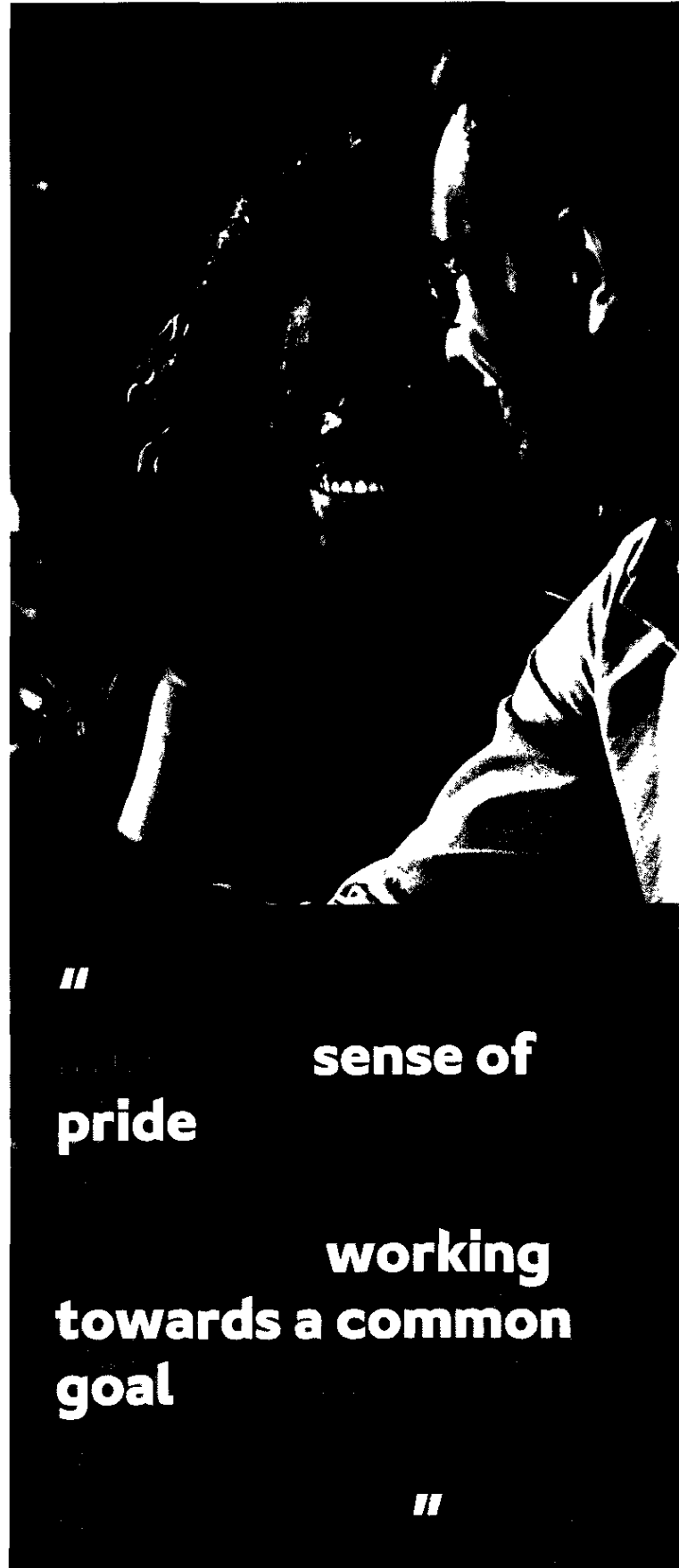
I'm a working parent, with two small children, and they have shown real support and understanding during the pandemic. I feel like they really care for my wellbeing.

And the fact that the firm is fully digital means I can work flexibly while maintaining an excellent service for my clients.

The entire team are collaborative in their approach. People openly share their ideas and thoughts which makes for a great and supportive working environment.

My ambition is to grow as an associate and work on interesting files. Working at a national firm, you are exposed to a wide variety of cases and this is exactly what I am looking for to grow as a lawyer. There is also lots of virtual training on offer every single day and I feel I have learnt so much already.

I already feel an immense sense of pride to work for such a fantastic firm. We're all working towards a common goal – to provide the best possible service to our clients.



# Section 172 statement

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

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

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

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

The Board should also understand the views of the Company's other key stakeholders and describe in the Annual Report how their interests and the matters set out in Section 172 of the Companies Act 2006 have been considered in board discussions and decision-making.

In discharging our Section 172 duty, the Directors of the Company, have given full regard to the factors set out above.

In 2020, the Slater and Gordon Board made a series of strategic decisions for the business. These decisions were made with due consideration of the potential long-term consequences, and the long-term success of the business.

Actions included taking strategic decisions to respond to the Covid-19 pandemic and successfully pivoting the Group to a virtual working environment (whilst fully supporting the needs of both employees and customers), decisions on several property transactions, entry into a key strategic partnership with another group of companies, closure of rehabilitation services, assessment of corporate development opportunities, strategic technology investments, consideration of key regulatory changes faced by the business (in particular the implementation of the Civil Liabilities Act 2018), development of a new internal value proposition and consideration and approval of the Group strategy and budget for 2021.

In assessing the long-term strategy of the business, the Board completed a full assessment to identify the different consequences, including risk management considerations and scenarios that could arise from alternative decisions. Significant financial risks are routinely considered and disclosed in note 25.

Financial performance has also been monitored on a monthly basis. The Board has no plans to pay dividends in respect of 2020 or for the foreseeable future; this will continue to be reviewed in line with the performance of the Group.

With technology at the heart of everything we do, it is essential for us to move towards reducing our carbon footprint in order to remain a sustainable and responsible business. We are doing this by working with our internal colleagues, strategic suppliers and partners to create a culture that will achieve this by digitalisation and mobilisation of the workforce. Our work in this area is fundamental to a responsible business strategy and is a key priority for our Directors in 2021.

A document management project was launched in 2020 to eliminate our use of paper as much as possible by taking advantage of the digital tools available to use. Our workforce are encouraged to increase their use of email, electronic signature and bundling software packages and to use video conferencing to avoid holding meetings in person. Our Facilities department also closely monitor and report printer use across the business to the Executive Leadership team. Such measures saw a 60% reduction in our outgoing mail and an 85% reduction in our paper use from 2019. The Government's lockdown restrictions during the Covid-19 pandemic period and our strategy to pivot the workforce to a virtual environment meant that there was a reduction in our utilities use across all offices.

2020 saw the reduction in our carbon footprint due to office closures, minimisation of utilities use and the introduction of a Document Services programme. The Covid-19 pandemic meant that our property strategy was able to be delivered more expeditiously as our stakeholders could see the urgent need for its implementation. Our Birmingham office was closed and both our London and Cambridge offices were moved to smaller sites that meant we reduced our total site square footage from 250,008 sqft to 220,060 sqft. The utilities use in our Manchester, Cardiff and Blackpool offices were minimised. In addition our Document Services programme saw a reduction in the space needed for the physical storage of our files as they were stored centrally in an off-site location. We have also implemented a scan on demand service of the off-site physical files which has eliminated the need for the transportation of these files to the workforce.

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

The Group is committed to year-on-year improvements in its operational energy efficiency. Our total energy consumption for 2019 was 4,921,450.08 kWh. Our property strategy and Document Services Programme has enabled us to significantly reduce our property estate, and in turn

our total energy consumption by 50.1%. The figures below represent the energy consumption and carbon emissions for the report period 1 January 2020 to 31 December 2020.

| Utility and Scope         | Consumption (kWh) | Consumption (tCO <sub>2</sub> e) |
|---------------------------|-------------------|----------------------------------|
| Grid-Supplied Electricity | 1,153,518         | 269                              |
| Gaseous and other fuels   | 875,484           | 161                              |
| Transportation            | 429,192           | 102                              |
| <b>Total</b>              | <b>2,458,194</b>  | <b>532</b>                       |

In 2020, the annual CO<sub>2</sub> consumption per employee was 0.27.

### Employee interests

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

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

In addition to this, over the course of 2020 we have provided a number of staff training programmes including our solicitor traineeship programme, 12 apprenticeship programmes, a starter induction training system and our annual PDR training.

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

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

### Fostering business relationships

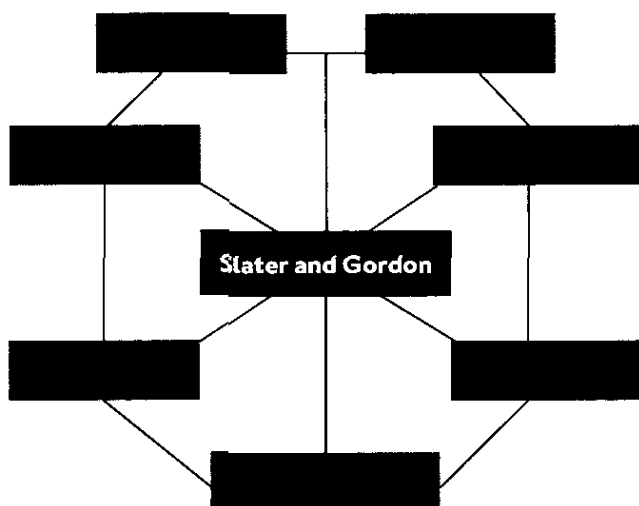
Maintaining healthy relationships with suppliers, stakeholders and regulators is key to the long-term success of the business, as illustrated in Figure I.

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

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

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

Figure I. Slater and Gordon Stakeholders



### Maintaining a reputation for high standards of business conduct

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

### Acting fairly between members of the Company

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

# Directors' report

Slater and Gordon UK Holdings Limited is the ultimate holding company of the Slater and Gordon Group of companies in the UK and Malta. The principal activities of the Group are to provide consumer and complementary legal services.

The consolidated results for the year ended 31 December 2020 are set out on page 41. No dividend has been proposed by the Company during the year ended 31 December 2020 (2019: nil).

## Overland Health Limited closure

In July 2020 the Group concluded a strategic review of the Overland entities (Overland Health Limited, Overland Malta (Trading) Limited, Overland Limited) channels to market. As a result of this review all contracts were terminated. The Overland entities ceased trading on 21 January 2021. The financial performance of the Overland entities does not meet the criteria to be disclosed as discontinued operations under IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended 31 December 2020.

## Mobile Doctors Limited sale

On 8 March 2021, the Group sold Mobile Doctors Limited for £3.6m. A profit on disposal of £2.0m was generated. The disposal did not meet the criteria under IFRS 5 "Non-current assets held for sale and discontinued operations" to be disclosed as held for sale at 31 December 2020 or discontinued operations for year ended 31 December 2020.

## Refinancing of Shareholders' Loan

The shareholders' loans due to expire on 22 December 2021 have been extended to 31 May 2024 under their existing terms.

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

## SGS Business Process Service Limited

On 17 November 2021 the Group announced a plan to enter into third party partnerships for the provision of the hire and repair business of SGS Business Process Service Limited ("Motor"). The scope of services being provided by the Motor business would be reduced and the team re-organised. The closure does not meet the criteria to be disclosed as discontinued operations under IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended 31 December 2020.

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

- M Beauchamp (resigned 7 September 2020)
- J Connolly (appointed 17 March 2020)
- M Glengarry
- D Neave
- N Stoesser
- G White (resigned 21 April 2021)
- D Whitmore
- A Wilford

The Company maintains Directors' and officers' liability insurance for its Directors and officers.

The Company Secretary in office during the year and up to the date of this report are:

- E L Humphrey (resigned 30 November 2021)
- E S Comley (appointed 2 December 2021)

The Company's policy is to continuously consult and discuss matters likely to affect employees' interests and engagement. The Company has a dedicated Internal Communications function which supports our drive to engage with our colleagues regularly, which has been of paramount importance during 2020 and the move to a more virtual environment.

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

### **Disabled persons**

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

### **Modern slavery**

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

### **Anti-bribery and corruption**

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

### **Political donations**

During the year the Company made no political donations (2019: none).

### **Purpose and leadership**

The mission of Slater and Gordon is to provide high quality, technology-driven legal services to all UK consumers. This purpose is underpinned by our culture and commitment to be a people business that is powered by technology.

As detailed in the Section 172 statement within the strategic report above, processes are in place to ensure that the Board has a clear understanding

of all shareholder views, including its minority shareholders. The People Committee - a sub-committee of the Board - is tasked not only with setting a consistent HR strategy across the Group, but also in reporting on key employee initiatives to the Board at each board meeting. Unfiltered feedback is also shared with the Board after each regular round of 'Live Events' and 'Strategy Updates'. This process ensures the Board is aware of the views of employees and uses these insights to inform its views on the impact of wider business decisions on employees.

The Board introduced the One in 21 Strategy in 2018.

The objectives of this strategy are:

1. To become one fully integrated company
2. To have one culture and way of working
3. To be number one in our chosen markets and the first choice for consumers and colleagues

The strategy is referred to in all Executive Leadership Team colleague communications and the ambitious outcomes are targets that every member of the workforce is involved in achieving.

Our people are updated on progress throughout the year, via communication tools that range from monthly communications from our CEO, to monthly 'talking points' shared with all people managers.

2020 saw an increase in our customer intake numbers from 2019. This helped with our financial stability whilst impacted by Covid-19. We aim to accelerate these intake numbers further and return to our original financial plan that existed before the interruption of Covid-19 in 2022.

Other factors that helped to increase our personal injury legal services market share was our partnership with ExamWorks (a leading provider of independent medical examinations services), putting in place profitable marketing partnerships and the acquisition of Jigsaw Law (a personal injury law firm).

Our people agenda focused on the future growth opportunities of our workforce, strengthening of our culture, the acquisition and retaining of quality talent and the transition to agile working.

Covid-19 helped to accelerate the internal digital transformation of the workforce and increase our investment in our technology. This more effective use of technology also led to a reduction in the use of paper across the Group which fed into our responsible business strategy. The S+G Way is the foundation of our competency framework and a values system for the Group as a whole. It sets out a shared expectation of how the workforce should collaborate and interact,

both with customers and with each other. During 2020 we introduced a recognition program to celebrate people demonstrating its values and one of the outcomes of the S+G Way was better engagement, which was reflected in the improvement in our customer and employee feedback scores.

In addition to HR's standard monitoring and reporting on staff data and issues, the Board are committed to conducting regular employee engagement surveys through an external supplier in order to track engagement throughout the business and measure cultural change.

### **Board composition and directors' responsibilities**

As befits a business such as ours, the Board is comprised of individuals with a range and balance of skills, backgrounds, experience and knowledge.

John Connolly was newly appointed as the Chairman of the Company in March 2020 and brings a wealth of experience as both a Chairman and Director to the Board. Leveraging this experience, the Chairman consistently encourages open and constructive debate amongst his fellow Directors. Directors have sufficient capacity and opportunity to make a *valuable contribution*

The roles of Chairman and CEO are held by separate individuals. In 2020, there were three non-executive Directors (excluding the Chairman), and three executive Directors on the Board (excluding the CEO). Therefore 50% of the Board were non-executive Directors (NEDs).

Currently, there are two NEDs (excluding the Chair), and two executive Directors (excluding the CEO) on the Board. Therefore, 50% of the Board remain NEDs.

During 2020, the Board met fourteen times. Typically, unless a meeting is held in short order, the Directors are given four weeks to prepare their items for the next meeting. Board packs contain an action list that keeps track of the status of every assigned task given to the Directors, including associated delivery dates. Directors are given a minimum of two days to read the board pack before each board meeting, and each item is allocated sufficient time for full discussion at the meeting. The Chairman ensures that a full range of critical matters from across the business are scheduled for discussion at the board level. In particular, the Board will always hear feedback from the People Committee and Audit and Risk Committee about key matters arising from their meetings. In addition to this, the Board annually undertakes an immersive strategy session *over a number of days, to ensure that all aspects of the business and its strategy have received*

due consideration.

The Board has delegated its risk function to the Audit and Risk Committee, and their remuneration function to the People Committee. The terms of reference for each committee set out the authorities delegated to them, and the chair of each committee (each an NED) reports to the Board at each meeting.

Importantly, board members come from a diverse range of backgrounds including financial investment and accountancy, insurance, law, investment management and management consultancy. This ensures that a broad range of knowledge, skill sets and approaches inform every board decision. Further, the Board actively seeks to align the business with strategic commercial partners who embrace the same vision.

The Chair and Company Secretary periodically review the Company's governance processes to ensure they support effective decision-making. The General Counsel and Company Secretary attends all board meetings and is responsible for advising the Board on all governance matters, ensuring that all Directors have direct access to this advice.

While all of our Directors are experienced in their roles, on-going work is currently underway within the General Counsel's office to ensure that all Directors receive clear written guidance on their statutory and shareholder responsibilities and professional development opportunities pertinent to their role.

With this in mind, the General Counsel's office is continuing an ongoing, thorough review of corporate governance across the Group to ensure that the Group continues to subscribe to a responsible level of decision making, catering for the interests of all key stakeholders.

The Group has Delegations of Authority Guidelines (the "DoA") in place. The DoA sets out to whom the Board may delegate decision-making authority to run the business on a day-to-day basis. However, decisions around external commitments which are business-critical in nature, or which represent a high financial commitment, remain reserved to the Board of Directors.

Conflicts of interest are managed by a register of interests for board members and the Articles of Association of the Board sets out how conflicts of interest should be decided. The Board is currently provided with:

- An annual report from an independent auditor who audits the financial statements of the Group.
- Financial reports and key performance indicators

from the Chief Financial Officer

- Workforce data from the Chief People Officer
- Feedback from employees via employment engagement surveys and colleague roadshows
- Regular 'deep dive' reports from each area of the Group
- Consumer data from research conducted by the Chief Commercial Officer (Marketing)

All material provided to the Board for consideration must go through a rigorous internal review process, to include approval by the executive leadership team where appropriate, and by the CEO, to ensure the reliability of business information being provided to the Board for consideration.

Where it is appropriate for the Board to appoint external advisors (in particular to provide clear guidance on their statutory responsibilities as Directors) this is commissioned by the General Counsel. Where ongoing monitoring of a particular business matter is required, the Board will appoint a dedicated sub-committee of the Board - with a clear terms of reference - to monitor progress of that matter and report back to the Board at regular intervals.

The Company will also provide periodic presentations of operational performance to the minority shareholders and their appointed representative on the Board: a Non-Executive Director who specifically represents the interests of the minority shareholders. Effective and efficient communication of information with all Shareholders is ensured through the appointment of an experienced managing agent: Global Loan Agency Services.

The Board works to promote the long-term, sustainable success of the Company by identifying opportunities to create and preserve value and by establishing oversight for the identification and mitigation of risks.

One of the values that make up the S+G Way is 'We Don't Wait, We Create', which encapsulates our drive to create solutions and identify future opportunities.

We continually conduct extensive market research into the UK legal industry, to find out who our customers are, the types of products they demand and the best ways in which we can meet their needs. Our findings have helped to identify six key customer segments, which inform and direct the design of our products and services.

To test our product and service development, we also carry out robust user testing prior to release. This user feedback helps to verify that the decisions we make about our communication and technology solutions truly meet customer needs and expectations

Our quality control processes also involve closely monitoring and responding to customer feedback via our complaints procedures, as well as continuously monitoring Google and Trustpilot reviews and our customer Net Promoter Scores (NPS). In 2020 we saw an improvement in our NPS, Google rating, Trustpilot reviews and visits to our YouTube page. The increased focus on customer feedback has helped to have a positive impact in the increase of our customer intake numbers.

In addition to all of this, our partnership with The Happiness Index has helped us to identify pockets of low engagement and take appropriate remedial action.

### The audit and risk committee

The Audit and Risk Committee (ARC) is responsible for maintaining an appropriate relationship with the Group's external auditors and for reviewing the Group's internal financial controls and the audit process. It assists the Board in seeking to ensure the integrity of the financial and non-financial information supplied to external stakeholders and that such information presents a fair, balanced and understandable assessment of the Group's performance and position.

The Board considers that the ARC's responsibilities include:

- The principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice
- Financial performance, including liquidity and matters which may influence the presentation of the financial statements
- The principles of, and developments in, company law, sector specific laws and other relevant corporate legislation
- Making recommendations to the Board on the Group's risk strategy and risk appetite

- Overseeing the design and effectiveness of the Group's risk management framework relative to the Group's activities, including those that would threaten its business model
- Reviewing the adequacy and quality of the risk management function and the effectiveness of risk reporting

The Committee reviews the effectiveness, objectivity and independence of the external auditors and also considers the scope of their work and fees paid for audit and non-audit services.

The activities of the ARC are supported by a dedicated risk and assurance function, which sits within the Data and Assurance team under the leadership of the Chief Development Officer.

Slater and Gordon is committed to identifying and understanding environmental, social and governance risks and ensuring that the appropriate decisions are made across the Group and its supply chains. The ARC therefore aims to ensure that all stakeholders are safeguarded and treated fairly and with dignity. Our Risk Charter, in conjunction with our corporate social responsibility programme, sets out all stakeholders' responsibilities in this regard. Through our risk and assurance programmes we will be working with our people and procurement functions to strengthen our internal controls framework and systems.

The Board has determined its risk appetite and the Group's key risk indicators are reviewed on a monthly basis. In addition to this, the Board keeps the risk appetite statement and risk framework under active review, and both of these documents require board approval on an annual basis.

Identifying potential problems is a vital part of managing risk, so in line with the Group Raising Issues and Concerns Policy there are various reporting channels in place for each business unit. These are set out within the Whistleblowing Policy and Procedures, together with local business unit reporting procedures.

A full group risk report is presented to and reviewed by the ARC when it convenes at its quarterly meetings. The ARC reports to the Board on all matters within its remit and the committee makes whatever recommendations to the Board that it *deems appropriate*.

## Remuneration

The Board promotes executive remuneration structures that are aligned to the long-term sustainable success of the Company, taking into account pay and conditions elsewhere in the Company.

There are harmonised benefits across the Group and a Group Incentive Plan in place, designed to reward the results and behaviours that help to drive the profitable growth of Slater and Gordon by:

1. Incentivising superior results, including cash management measures.
2. Promoting the values, behaviours and actions which will help the business advance.
3. Rewarding results and behaviour in a clear, consistent, fair and straightforward manner.

The Group Incentive Plan offers the opportunity to earn a market-competitive percentage of salary in return for results achieved. Annual performance reviews are aligned with the incentive.

The plan has been implemented across the organisation, but adjustments have been made for its application across different levels, roles and responsibilities. For example, there is a specific plan for the executive leadership team and senior management whereby the increased seniority of the employee means closer alignment of the individual awards to group performance over individual attainment.

The executive leadership team and senior management remuneration is closely aligned to the results of a bi-annual performance review. This performance rating is based not only on individual output but also functional and group performance on a financial and non-financial basis. Further governance is enabled via the People Committee.

With regard to the mechanism for remunerating Directors, Slater and Gordon (UK) Limited, a direct subsidiary of the Company, controls the pay for all Directors of Slater and Gordon Group Companies under the supervision of the People Committee. All non-executive Directors have a services agreement with Slater and Gordon (UK) Limited, which sets out the scope of their responsibilities to the Group.

## The People Committee

The People Committee is made up of two independent NEDs and has responsibility for setting the overall remuneration policy and making decisions about specific remuneration arrangements in the broader context of employee remuneration throughout the Group. This involves approving all awards under the incentive plan and the wider remuneration package for all Directors, executive leadership team members and other members of the senior management team.

Further, the Company participates in an annual compensation survey, which provides benchmarking data for all roles within the organisation, ensuring a robust salary review process and informing a competitive range of rewards for all employees in the context of their local market. In 2020, supported by an external pay benchmarking specialist, we continued a group-wide job levelling and pay review exercise from 2019 to ensure that every role is governed and rewarded competitively.

Full and detailed calibration of group-wide pay awards and incentives is also undertaken, which includes visibility of any gender pay gap. In fact, we have gone beyond government requirements in our reporting of gender pay gap data, and have also signed up to the government's Think, Act, Report campaign, which promotes gender equality at work.

We offer enhanced family-friendly leave payments to all levels of the workforce. This involves the standardisation of maternity, enhanced maternity and paternity pay for all colleagues across the Group, including voluntary benefits. We also have a colleague discount hub.

### Our diversity and inclusion policy

The aim of this policy is to support a diverse and inclusive workplace where all members of the workforce feel free to be themselves and to thrive. This is aligned with the S+G Way and applies equally to the executive leadership team, from whom the executive Directors are appointed.

Slater and Gordon is also a 'Diversity Champion' member of member of the Valuable 500, with the People Committee enabling four diversity and inclusion networks, each with its own executive sponsor. The People Committee regularly reports on diversity and inclusion initiatives to the Board, and a majority Director is the Chairman of the People Committee, to ensure sufficient rigour and independence of that sub-committee.

Some of the key initiatives that we have underway are:

- We are currently focused on preparing a Workplace Equality Index submission with the aim of becoming a Top 100 employer.
- Reviewing our Census data to understand the cause of any bias or challenges that may exist within our workforce. This information will help us to further refine our race and ethnicity strategy.
- Commitment to building a pipeline of diverse talent by supporting colleagues along their career trajectory as part of Slater and Gordon's

Mentoring Programme.

- Working with key partners and the community to support equality of opportunity through our work with schools and community groups, to attract candidates from a variety of sources, creating a diverse talent pool.
- Ongoing work to ensure that our policies and internal processes support and commit to a zero-tolerance approach to any form of harassment, discrimination, and unethical behaviour. All colleagues and all those who work with us are expected to uphold our values.

### Stakeholder relationships and engagement

The Board is responsible for overseeing and fostering meaningful engagement with all stakeholders, including the workforce. Just as importantly, it has a responsibility to have a proper regard for their views when taking decisions.

Similarly, the Board understands its duty to treat clients, and each other, with mutual respect and trust. With this in mind, Slater and Gordon rolled out a board-approved corporate and social responsibility strategy in 2020, which comprises three key areas: pro bono, community and the environment.

This will work in concert with the business' evolving environmental policy, which will include the property strategy deliverables and establish the document management strategy for the Group. The policy is designed to introduce measures that will ultimately reduce the carbon footprint of the Group.

Together with the ongoing initiatives to promote the S+G Way, enhance dialogue with staff and stakeholders and manage risk, we believe that this new social responsibility strategy puts the business on a firm footing with regard to all stakeholder relationships and engagement.

To make Slater and Gordon as inclusive and supportive as possible, we also support an active Employee Assistance Programme, which is a confidential service designed to help staff with life's ups and downs, both at home and at work. This provides our colleagues with a range of professional services, including counselling, either over the telephone or face-to-face.

And because clients are always at the heart of our thinking, we also provide a formal complaints process for clients whereby the Client Care Team provides details of any complaints to senior management for further review and action. The Section 172 statement earlier in this document provides additional information relating to the Board and the Company's

dialogue with stakeholders.

### Going concern

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

At 31 December 2020, the Group had net assets of £107.9 million and cash of £13.8m million. The Group has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group. Management have considered the level of new instructions and the likely future value of this work together with the forecasts and projected cash flow patterns of the Group for the foreseeable future being a period of 12 months from the date of approval of these financial statements.

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

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

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

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

The Company's projections for the period to December 2022 including receipts and payments indicate that the Group expects to be able to discharge

its obligations to all stakeholders. Business activity and cash flows are monitored on a regular weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the Group's funding requirements through retained profits and borrowing facilities, and projected compliance with shareholders covenants.

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

### Auditor

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006. Deloitte LLP has expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

### Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101

"Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**David Whitmore**  
Chief Executive Officer

21 December 2021



**Alison Wilford**  
Chief Financial Officer

21 December 2021

# Report on the audit of the financial statements

## Opinion

In our opinion:

- the financial statements of Slater and Gordon UK Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related consolidated notes 1 to 28 and Company notes 1-10.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the

requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

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

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

## Conclusions relating to going concern

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 group's and parent 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.

## Other information

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

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

We have nothing to report in this regard.

## 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

#### Revenue recognition – estimating the transaction price

Management uses the expected value method to assess past experience and historical performance of similar contracts to estimate the probability of a successful outcome of a case. The estimated amount of consideration is based on the expected fee for the nature of the legal service provided with reference to historical fee levels and the relative probability rates of successful and unsuccessful outcomes. This is based on historical information with judgements made within the model which gives rise to potential fraud risk.

To address this risk, below procedures have been performed;

- Reviewed management's controls around revenue recognition process;
- Performed sample testing on the accuracy and completeness of the data sets used within the model for both historical and current data sets;
- Tested the mathematical accuracy of the valuation; and
- For revenue recognised in the year, a 100% cash to revenue reconciliation was completed with sample testing undertaken on the reports used.

#### Revenue recognition – Expected adjustment arising on settlement of claims

By their very nature, claims against motor insurance companies or self-insuring organisations can be subject to dispute. A dilution rate is applied to gross revenue to recognise the fact that there might be a settlement adjustment with the insurer if the insurer disputes any element of the claim. The discount applied is judgemental.

To address this risk, below procedures have been performed;

- Reviewed management's controls around revenue recognition process; and
- Assessed the reasonability of the provision through sample testing of the underlying historical data.

#### Revenue recognition – cut-off

Income raised close to the year end has been pinpointed as a significant risk due to the judgement in assessing the value of the billings.

To address this risk, below procedures have been performed;

- Reviewed management's controls around revenue recognition process;
- Tested a sample of items and agreed to cash

received; and

- Tested a sample of revenue items to invoice to test for accuracy and agreed to supporting documentation.

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

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

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

#### Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 group and of the parent company and their environment obtained in the course of the audit, we

have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

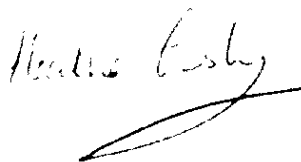
*Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:*

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

We have nothing to report in respect of these matters.

**Use of our report**

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



**Heather J Crosby Bsc ACA (Senior statutory auditor)**

For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester  
United Kingdom

21 December 2021

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# Consolidated financial statements

# Consolidated statement of comprehensive income

For the year ended 31 December 2020

|                                                       | NOTE     | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|-------------------------------------------------------|----------|--------------------------------------------|--------------------------------------------|
| Revenue                                               | 3        | 158,113                                    | 192,889                                    |
| Cost of sales                                         |          | (26,489)                                   | (41,627)                                   |
| <b>Gross profit</b>                                   |          | <b>131,624</b>                             | <b>151,262</b>                             |
| Other income                                          | 4        | 956                                        | -                                          |
| Operating expenses before non-recurring items         | 5        | (129,941)                                  | (146,300)                                  |
| <b>Operating profit before non-recurring items</b>    |          | <b>2,639</b>                               | <b>4,962</b>                               |
| Loss on share issuance                                | 20       | (100)                                      | -                                          |
| Non-recurring items                                   | 5        | (11,274)                                   | (6,013)                                    |
| <b>Operating loss</b>                                 | <b>5</b> | <b>(8,735)</b>                             | <b>(1,051)</b>                             |
| Net finance costs                                     | 8        | (9,322)                                    | (8,576)                                    |
| <b>Loss before tax</b>                                |          | <b>(18,057)</b>                            | <b>(9,627)</b>                             |
| Income tax                                            | 9        | (27)                                       | (253)                                      |
| <b>Loss and total comprehensive loss for the year</b> |          | <b>(18,084)</b>                            | <b>(9,880)</b>                             |

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

The accompanying notes on pages 45 to 77 form an integral part of these financial statements.

# Consolidated statement of financial position

At 31 December 2020

|                                                                   | NOTE | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|-------------------------------------------------------------------|------|------------------------------|------------------------------|
| <b>Non-current assets</b>                                         |      |                              |                              |
| Intangible assets                                                 | 10   | 13,453                       | 11,709                       |
| Property, plant and equipment                                     | 11   | 18,662                       | 23,757                       |
| Deferred tax assets                                               | 12   | 41                           | 925                          |
| Work in progress                                                  | 13   | 18,245                       | 49,229                       |
| Trade and other receivables                                       | 14   | 17,028                       | 49,747                       |
| <b>Total non-current assets</b>                                   |      | <b>67,429</b>                | <b>135,367</b>               |
| <b>Current assets</b>                                             |      |                              |                              |
| Deferred tax assets                                               | 12   | -                            | 1,815                        |
| Work in progress                                                  | 13   | 122,098                      | 77,165                       |
| Trade and other receivables                                       | 14   | 150,229                      | 124,979                      |
| Cash and cash equivalents                                         | 15   | 13,775                       | 26,082                       |
| <b>Total current assets</b>                                       |      | <b>286,102</b>               | <b>230,041</b>               |
| <b>Total assets</b>                                               |      | <b>353,531</b>               | <b>365,408</b>               |
| <b>Current liabilities</b>                                        |      |                              |                              |
| Trade and other payables                                          | 16   | 164,469                      | 152,885                      |
| Lease liabilities                                                 | 17   | 3,035                        | 5,111                        |
| Current tax                                                       |      | 115                          | 2,950                        |
| Provisions                                                        | 18   | 7,265                        | 10,187                       |
| Loans                                                             | 19   | 33,801                       | -                            |
| <b>Total current liabilities</b>                                  |      | <b>208,685</b>               | <b>171,133</b>               |
| <b>Non-current liabilities</b>                                    |      |                              |                              |
| Trade and other payables                                          | 16   | 13,305                       | 12,078                       |
| Lease liabilities                                                 | 17   | 21,985                       | 23,727                       |
| Provisions                                                        | 18   | 1,651                        | 2,733                        |
| Loans                                                             | 19   | -                            | 30,029                       |
| <b>Total non-current liabilities</b>                              |      | <b>36,941</b>                | <b>68,567</b>                |
| <b>Total liabilities</b>                                          |      | <b>245,626</b>               | <b>239,700</b>               |
| <b>Net assets</b>                                                 |      | <b>107,905</b>               | <b>125,708</b>               |
| <b>Equity</b>                                                     |      |                              |                              |
| Share premium                                                     | 20   | 23,901                       | 23,549                       |
| Own shares                                                        | 21   | (124)                        | -                            |
| Retained earnings                                                 |      | 84,128                       | 102,159                      |
| <b>Total equity attributable to equity holders in the Company</b> |      | <b>107,905</b>               | <b>125,708</b>               |

The accompanying notes on pages 45 to 77 form an integral part of these financial statements.

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

They were signed on its behalf by:



D J L Whitmore - **Chief Executive Officer**

A L Wilford - **Chief Financial Officer**

Company number: 10977311

# Consolidated statement of changes in equity

For the year ended 31 December 2020

|                                                                   | SHARE<br>CAPITAL<br>(NOTE 20)<br>£'000 | SHARE<br>PREMIUM<br>(NOTE 20)<br>£'000 | OWN<br>SHARES<br>(NOTE 21)<br>£'000 | RETAINED<br>EARNINGS<br>£'000 | TOTAL<br>£'000  |
|-------------------------------------------------------------------|----------------------------------------|----------------------------------------|-------------------------------------|-------------------------------|-----------------|
| <b>Balance at 1 January 2019</b>                                  | -                                      | <b>22,904</b>                          | -                                   | <b>112,039</b>                | <b>134,943</b>  |
| Loss after tax for the year                                       | -                                      | -                                      | -                                   | (9,880)                       | (9,880)         |
| <b>Total comprehensive loss for the year</b>                      | -                                      | -                                      | -                                   | <b>(9,880)</b>                | <b>(9,880)</b>  |
| <b>Transactions with owners in their capacity as owners</b>       |                                        |                                        |                                     |                               |                 |
| Issue of shares                                                   | -                                      | 645                                    | -                                   | -                             | 645             |
| <b>Total transactions with owners in their capacity as owners</b> | -                                      | <b>645</b>                             | -                                   | -                             | <b>645</b>      |
| <b>Balance as at 31 December 2019</b>                             | -                                      | <b>23,549</b>                          | -                                   | <b>102,159</b>                | <b>125,708</b>  |
| Loss after tax for the year                                       | -                                      | -                                      | -                                   | (18,084)                      | (18,084)        |
| <b>Total comprehensive loss for the year</b>                      | -                                      | -                                      | -                                   | <b>(18,084)</b>               | <b>(18,084)</b> |
| <b>Transactions with owners in their capacity as owners</b>       |                                        |                                        |                                     |                               |                 |
| Issue of shares                                                   | -                                      | 352                                    | -                                   | -                             | 352             |
| Own shares purchased                                              | -                                      | -                                      | (229)                               | -                             | (229)           |
| Own shares reissued                                               | -                                      | -                                      | 105                                 | 53                            | 158             |
| <b>Total transactions with owners in their capacity as owners</b> | -                                      | <b>352</b>                             | <b>(124)</b>                        | <b>53</b>                     | <b>281</b>      |
| <b>Balance as at 31 December 2020</b>                             | -                                      | <b>23,901</b>                          | <b>(124)</b>                        | <b>84,128</b>                 | <b>107,905</b>  |

The accompanying notes on pages 45 to 77 form an integral part of these financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2020

|                                                               | NOTE      | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|---------------------------------------------------------------|-----------|--------------------------------------------|--------------------------------------------|
| <b>Operating activities</b>                                   |           |                                            |                                            |
| Loss before tax                                               |           | (18,057)                                   | (9,627)                                    |
| <b>Adjustments for:</b>                                       |           |                                            |                                            |
| Loss on share issuance                                        | 20        | 100                                        | -                                          |
| Depreciation of property, plant and equipment                 | 5         | 6,512                                      | 5,511                                      |
| Amortisation of intangible assets                             | 5         | 1,740                                      | 5,861                                      |
| Disposal of property, plant and equipment                     | 5         | 64                                         | 104                                        |
| Disposal of right-of-use assets                               | 5         | 177                                        | -                                          |
| Finance costs                                                 | 8         | 9,371                                      | 8,733                                      |
| Interest income                                               | 8         | (49)                                       | (157)                                      |
| IFRS 16 Lease modifications                                   |           | (833)                                      | -                                          |
| <b>Changes in working capital:</b>                            |           |                                            |                                            |
| (Increase) / decrease in work in progress                     | 13        | (13,949)                                   | 7,552                                      |
| Decrease in receivables                                       | 14        | 7,469                                      | 16,836                                     |
| Increase / (decrease) in payables                             | 16        | 12,811                                     | (12,943)                                   |
| (Decrease) in provisions                                      | 18        | (4,004)                                    | (4,234)                                    |
| <b>Cash generated from operations</b>                         |           | <b>1,352</b>                               | <b>17,636</b>                              |
| Interest received                                             | 8         | 49                                         | 157                                        |
| Interest paid                                                 | 8         | (2,510)                                    | (1,848)                                    |
| Income tax (paid) / received                                  |           | (161)                                      | 30                                         |
| <b>Net cash (outflow) / inflow from operating activities</b>  |           | <b>(1,270)</b>                             | <b>15,975</b>                              |
| <b>Investing activities</b>                                   |           |                                            |                                            |
| Purchases of property, plant and equipment                    |           | (116)                                      | (582)                                      |
| Software development and assets under construction            | 10        | (3,539)                                    | (114)                                      |
| Proceeds from sale of plant, equipment & software development |           | 3                                          | 8                                          |
| <b>Net cash outflow from investing activities</b>             |           | <b>(3,652)</b>                             | <b>(688)</b>                               |
| <b>Financing activities</b>                                   |           |                                            |                                            |
| Issue of share capital                                        | 20        | 252                                        | 645                                        |
| Purchase of own shares                                        | 21        | (229)                                      | -                                          |
| Proceeds from issue of own shares                             |           | 158                                        | -                                          |
| Loan (repayment) / drawdown                                   |           | (314)                                      | 4,000                                      |
| Repayment of lease liabilities                                |           | (7,252)                                    | (5,201)                                    |
| <b>Net cash outflow from financing activities</b>             |           | <b>(7,385)</b>                             | <b>(556)</b>                               |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |           | <b>(12,307)</b>                            | <b>14,731</b>                              |
| Cash and cash equivalents at beginning of financial year      |           | 26,082                                     | 11,351                                     |
| <b>Cash and cash equivalents at end of financial year</b>     | <b>15</b> | <b>13,775</b>                              | <b>26,082</b>                              |

The accompanying notes on pages 45 to 77 form an integral part of these financial statements.

# Notes to the consolidated financial statements

For the year ended 31 December 2020

## I. Significant accounting policies

The following is a summary of significant accounting policies adopted by the consolidated group of Slater and Gordon UK Holdings Limited ("the Group") in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### a. Basis of preparation of the financial report

The parent company of the Group is Slater and Gordon UK Holdings Limited ("the Company") and is a private company limited by shares, incorporated in England and Wales and domiciled in the UK under the Companies Act 2006. The consolidated financial statements comprise the Company and its controlled entities referred to in note 22, together referred to as "the Group" and individually as "Group Entities".

This financial report is a general purpose financial report that has been prepared in accordance with International Financial Reporting Standards ("IFRS's") as issued by the IASB, Interpretations and other applicable authoritative pronouncements of the International Accounting Standards Board ("IASB") and the Companies Act 2006 in the United Kingdom. The financial report was authorised for issue by the Directors as at the date of the Directors' report.

The consolidated financial statements are presented in Pounds Sterling (GBP) which is the functional currency of the Company and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The preparation of the consolidated financial statement requires the use of certain estimates and judgements in applying the Group's accounting policies. The estimates and judgements that are significant to the financial report are disclosed in note 2.

### Historical cost convention

The consolidated financial statements are prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

### Impact of new and amendments to IFRS's

The Group adopted the following amendments to IFRS's from 1 January 2020.

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

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

### Amendments to IFRS's in issue but not yet effective

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

|                                                          |                                                                                          |
|----------------------------------------------------------|------------------------------------------------------------------------------------------|
| IFRS 17                                                  | Insurance Contracts (effective from 1 January 2023)                                      |
| Amendments to IAS 37                                     | Provisions, Contingent Liabilities and Contingent Assets (effective from 1 January 2022) |
| Amendments to IAS 1                                      | Presentation of financial statements (effective from 1 January 2023)                     |
| Annual improvements to IFRS 2018-2020                    | Effective from 1 January 2022                                                            |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest rate benchmark reform (effective from 1 January 2021)                           |

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

## b. Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its controlled entities. Control is achieved where the Company has the power to govern the financial and operating policies of an entity, has the rights to variable returns from its involvement with the entity and has the ability to use its power to affect its returns.

The financial statements of controlled entities are prepared using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All intercompany balances and transactions, including any unrealised profits or losses, are eliminated on consolidation. Controlled entities are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

## c. Business combinations

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

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

Goodwill is initially recognised as the excess over the consideration transferred at the acquisition date and the fair value of the identifiable assets acquired and liabilities assumed. The fair value of any non-controlling interest or previously held equity interest (in the case of a step acquisition) are added where relevant.

If the fair value of the acquirer's interest is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), the gain is immediately recognised in the consolidated statement of comprehensive income as a gain from bargain purchase.

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

## d. Going concern

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

At 31 December 2020, the Group had net assets of £107.9 million and cash of £13.8m million. The Group has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group. Management have considered the level of new instructions and the likely future value of this work together with the forecasts and projected cash flow patterns of the Group for the foreseeable future being a period of 12 months from the date of approval of these financial statements.

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

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

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

Under the cashflow forecast, the Group would have significant headroom over its shareholder covenants at the lowest point at any given month end in FY21 and FY22. The 2022 cash receipts

would need to fall by over 5% each month in 2022, for the cash balance to fall below the shareholder covenant at any given month end.

The Company's projections for the period to December 2022 including receipts and payments indicate that the Slater and Gordon expects to be able to discharge its obligations to all stakeholders. Business activity and cash flows are monitored on a regular weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the Group's funding requirements through retained profits and borrowing facilities, and projected compliance with shareholders covenants.

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

#### e. Revenue

##### *Legal services*

- **Personal injury law claims**

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

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

- **Consumer legal services**

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

- **Collective actions**

Revenue from the provision of group litigation services is recognised over time when services are rendered based on the stage of completion of the

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

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

##### *Ancillary revenue - provision of non-legal services*

- **Vehicle hire and repair**

Revenue from the provision of car repair services is recognised on completion of all repair work and upon the customer taking back possession of the car.

Revenue from the provision of car hire and cost recovery services are recognised over the time that the services are performed, being the period between the commencement of the car hire and settlement of costs through the Third-Party Insurer ("TPI").

Accrued income is recorded based on the provision of car recovery services where the services provided overlap the year end date and the final invoice has not been billed to the customer.

- **Medical reports and rehabilitation services**

Revenue from the provision of medical appointments is recognised at the point in time when the medical report is received from the medical expert. The amount of revenue recognised is based on the fee structure agreed with the customer. This value remains in accrued income until the medical report is issued to the Instructing Party ("IP") at which point a request for payment is raised.

Revenue from the provision of rehabilitation services is recognised at the point in time when the course of treatment is completed, and the final assessment or discharge report is issued to the IP. The amount of revenue recognised is based on the fee structure agreed with the IP.

#### f. Government grants

Government grants are recognised in the consolidated statement of comprehensive income

on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. General government grants for which there is no specified purpose are recognised in other income.

#### g. Non-recurring items

Income or costs which are both material and exceptional or one-off in nature, whose significance is sufficient to warrant separate disclosure in the financial statements, are referred to as non-recurring items. The Directors consider that the separate disclosure of these items assists in understanding the Group's financial performance.

#### h. Borrowing costs

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

#### i. Taxation

##### *Income tax*

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

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

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are determined using the current income tax charge defined above and is shown net in the statement of financial position.

Deferred tax assets are recognised to the extent that it is highly probable that future taxable profits will be available against which the temporary

differences can be utilised. The deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

##### *Value Added Tax ("VAT")*

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

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the relevant taxation authority.

#### j. Foreign currency translations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the date of the transactions. Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year. Monetary items held under foreign currency contracts with an explicit exchange rate are translated at that contractual rate.

#### k. Intangible assets

##### *Software development costs*

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

Expenditure on research activities and

maintenance of the software programmes is recognised as an expense in the period in which it is incurred.

#### *Assets under construction*

The recognition of assets held under construction is expenditure on developing software platforms that will benefit the Group in the future. Until the

| <b>Class of fixed asset</b>               | <b>Depreciation rates</b> | <b>Depreciation method</b> |
|-------------------------------------------|---------------------------|----------------------------|
| Fixtures, fittings and computer equipment | 3 – 5 years               | Straight Line              |
| Right-of-use assets                       | 1 – 15 years              | Straight Line              |
| Leasehold improvements                    | Length of lease           | Straight Line              |

asset becomes fully operational for its intended use, no amortisation is charged.

#### *Trademarks*

Trademarks acquired in a business combination are recognised at their fair value at the acquisition date (which is regarded as their cost). The fair value of trademarks is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. Trademarks have been assessed as having an infinite useful life and in accordance with IAS 36 "Impairment of Assets" are tested annually for impairment.

#### *Customer relationships*

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. They are assessed as having a finite useful life and are amortised over their useful life of three years.

Amortisation of intangible assets is expensed to operating expenses on the face of the statement of comprehensive income.

#### **l. Property, plant and equipment**

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

#### *Depreciation*

The depreciable amounts of property, plant and equipment are depreciated over their estimated useful lives, commencing from the time the asset is ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates used for each class of assets are:

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of comprehensive income.

#### **m. Impairment of assets**

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

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

Any impairment losses are recognised in the consolidated statement of comprehensive income.

#### **n. Work in progress ("WIP")**

Work in progress represents revenue from the provision of legal services which are highly probable of a successful outcome, which have not yet reached a conclusion and are not yet invoiced at the year end. The revenue is recognised in accordance with the accounting policy noted in le.

The Group allocates work in progress between current and non-current classifications based on a historical analysis of the rates of completion for the Group's work in progress balances to determine expected future timing of settlements.

**o. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and short-term deposits with an original maturity of three months or less. It includes any amounts held in escrow. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding banking overdrafts.

Under the Solicitors Accounts Rules 2019 the Group is required to have a separate bank account to hold and receive client money. This must be 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

|                          | 31 DECEMBER<br>2020 | 31 DECEMBER<br>2019 |
|--------------------------|---------------------|---------------------|
| <b>Trade receivables</b> |                     |                     |
| 0-30 days                | 0.75%               | 0.47%               |
| 31 - 60 days             | 1.94%               | 1.17%               |
| 61 - 90 days             | 3.42%               | 1.96%               |
| 91+ days                 | 100.00%             | 100.00%             |
| <b>Disbursements</b>     | <b>0.75%</b>        | <b>0.47%</b>        |
| <b>Work in progress</b>  | <b>0.75%</b>        | <b>0.47%</b>        |

financial statements.

**p. Trade and other receivables**

Trade receivables are amounts due from customers for services performed, completed and invoiced in the ordinary course of business. They are generally due for settlement within one year and are therefore all classified as current. Due to the short-term nature of the trade receivables, their fair value is considered to be equal to their carrying value.

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

These are recognised in the statement of comprehensive income.

The Group acts as an agent for disbursements, which are only recognised when it is assessed that a reimbursement will be received from the customer or on their behalf. 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.

The Group applies the IFRS 9 "Financial Instruments" simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables, work in progress and disbursements, which are grouped based on shared credit and market risk characteristics and days overdue. For balances in consumer legal services, the expected loss rates are based on the three-year historic default rate experienced for each aged group of items. For all other business units, there is no history of credit loss owing to the nature of the counterparties. The average expected credit loss rates for consumer legal services is detailed as follows:

The expected credit loss provision movement is recognised in the consolidated statement of comprehensive income.

Accrued income represents the revenue recognised in accordance with the Group's revenue recognition policy to the extent it has not been invoiced. Due to the short-term nature of accrued income, their fair value is considered to be equal to their carrying value.

**q. Trade and other payables**

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

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

#### r. Employee benefits

##### *Short-term employee benefit obligations*

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

##### *Defined contribution pension plan*

The Group contributes to a defined contribution plan in respect of employee services rendered during the year. The Group recognises a liability and an expense as they are incurred. The expected pension costs are presented as social security and pension payable in the consolidated statement of financial position.

##### *Termination benefits*

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The Group recognises a provision for termination benefits when the Group can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted and presented as non-current liabilities.

#### s. Leases

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

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

lease payments made, offset by the interest on the liability which is recognised as a finance cost in the statement of comprehensive income.

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

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

#### t. Provisions

Provisions for liabilities are recognised when the Group has a present, legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

#### u. Financial instruments

##### *Classification*

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

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

### *Non-derivative financial instruments*

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

### *Financial assets*

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

### *Impairment of financial assets*

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

### *Financial liabilities*

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

Lease liabilities are held at the present value of expected future payments discounted at the interest rate implicit in the lease. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Liabilities are classified as current if the obligation falls due within one year.

## **I. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies, the carrying amounts reported for assets and liabilities as at

the reporting date and the amounts reported for revenues and expenses during the year. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

### **a. Critical judgements in applying the Group's accounting policies**

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

#### *Revenue recognition – Performance obligation and stage of completion*

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

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

### **b. Key sources of estimation uncertainty**

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

#### *Impairment of intangible assets*

Following the assessment of the recoverable

amount of the trademark acquired in a prior business combination, the fair value of £5.7m is considered recoverable by the Directors.

Management has estimated the future income attributable to the trademark and has used applicable royalty rates and discount rate. Budgets used include forecasts of revenue based on current and anticipated market conditions that have been considered and approved by the Board. Naturally, the revenue projections are uncertain due to the nature of the business and unstable market conditions. Revenue is most sensitive to changes in the revenue attributable to each business sector, particularly surrounding the personal injury services given that this is the largest service provided by the Group.

Overall market conditions have seen a significant slowdown due to the outbreak of the Covid-19 pandemic. The sensitivity analysis in respect of the recoverable amount for the Trademark shows no indications of an impairment.

#### *Provision for claims against the Group*

The liability represents the cost of open and potential future claims in process at the year end brought against the Group by former customers. In estimating the fair value of the liability, management uses market-observable data, to the extent it is available, which is based on past experience and historical performance of similar matters and expected reimbursed expense on a case by case basis. The provision estimate reflects the potential amount payable by the Group under its Professional Indemnity Insurance Policy based on historical information and facts pertinent to the individual claim if material. The carrying value of the provision for claims is detailed in note 18.

#### *Revenue recognition – Estimating the transaction price*

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

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

In some circumstances, the Group has limited

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

Fees are only included in revenue to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded. Revenue generated from legal services is detailed in note 3.

In response to the Covid-19 pandemic the Group used the Coronavirus Job Retention Scheme which resulted in the Group receiving a government grant to cover salaries of employees whose roles were impacted by the Covid-19 pandemic. The total receipt is shown gross since the grant has no conditions attaching to it.

| 3. Revenue           | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|----------------------|--------------------------------------------|--------------------------------------------|
| Legal services       | 115,510                                    | 125,199                                    |
| Ancillary revenue    | 42,603                                     | 67,690                                     |
| <b>Total revenue</b> | <b>158,113</b>                             | <b>192,889</b>                             |

| 4. Other Income         | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|-------------------------|--------------------------------------------|--------------------------------------------|
| <b>Government grant</b> | <b>956</b>                                 | <b>-</b>                                   |

| 5. Operating loss from continuing activities                             | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Amortisation of intangible assets (note 10)                              | 1,740                                      | 5,861                                      |
| Depreciation of property, plant and equipment (note 11)                  | 6,512                                      | 5,511                                      |
| Loss on disposal of property, plant and equipment                        | 64                                         | 104                                        |
| Loss on disposal of right-of-use assets                                  | 177                                        | -                                          |
| IFRS 16 lease modifications (gain)                                       | (833)                                      | -                                          |
| Net foreign currency losses / (gains)                                    | 6                                          | (2)                                        |
| Auditors' remuneration for the audit of the Group's financial statements | 422                                        | 328                                        |

The IFRS 16 lease modifications gain has arisen from changes to payment terms of the lease obligations and as a result of property exits during the year.

## a. Fees payable to the Company's auditors

|                                                                    | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|--------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Audit and audit-related services</b>                            |                                            |                                            |
| Audit of the Company (including consolidated) financial statements | 45                                         | 45                                         |
| Audit of the financial statements of subsidiaries of the Company   | 260                                        | 235                                        |
| Other Audit Services (Solicitor Regulation Authority)              | 48                                         | 48                                         |
| Audit relating to prior periods                                    | 69                                         | -                                          |
| <b>Total audit and audit-related services</b>                      | <b>422</b>                                 | <b>328</b>                                 |

b. Reconciliation of adjusted EBITDA<sup>[1]</sup> to loss before tax

|                                               | NOTE      | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|-----------------------------------------------|-----------|--------------------------------------------|--------------------------------------------|
| Adjusted EBITDA <sup>[1]</sup>                |           | 10,058                                     | 16,334                                     |
| IFRS 16 lease modifications                   |           | 833                                        | -                                          |
| Loss on share issuance                        | <b>20</b> | (100)                                      | -                                          |
| Amortisation of intangible assets             | <b>10</b> | (1,740)                                    | (5,861)                                    |
| Depreciation of property, plant and equipment | <b>11</b> | (6,512)                                    | (5,511)                                    |
| Non-recurring items                           | <b>5c</b> | (11,274)                                   | (6,013)                                    |
| <b>Operating loss</b>                         |           | <b>(8,735)</b>                             | <b>(1,051)</b>                             |
| Net finance costs                             | <b>8</b>  | (9,322)                                    | (8,576)                                    |
| <b>Loss before tax</b>                        |           | <b>(18,057)</b>                            | <b>(9,627)</b>                             |

[1] Adjusted EBITDA: The Group calculates adjusted EBITDA as operating profit before interest, tax, depreciation, amortisation, effects of IFRS 16 lease modifications, loss on share issuance and excludes non-recurring items. The Directors believe that adjusted EBITDA is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance.

### c. Non-recurring items

|                                    | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|------------------------------------|--------------------------------------------|--------------------------------------------|
| Redundancies                       | 2,887                                      | 3,014                                      |
| Restructuring costs                | 6,155                                      | 7,482                                      |
| Watchstone settlement              | -                                          | (11,000)                                   |
| Legal costs relating to Watchstone | 42                                         | 6,517                                      |
| Legacy litigation                  | 2,190                                      | -                                          |
|                                    | <b>11,274</b>                              | <b>6,013</b>                               |

Non-recurring items are costs or income that have been recognised in the statement of comprehensive income which the Directors believe, due to their nature or size, should be disclosed separately to give a more comparable view of year on year underlying performance. Non-recurring items include costs associated with, but not limited to, restructuring the business including redundancies and legal costs. These costs are disclosed separately as non-recurring items due to their one-off nature and significance.

The Group has incurred further costs during the year in relation to the Group's One in 21 strategy which commenced during 2018. Due to the strategic nature of the project, the costs are being incurred over a period of three years. Redundancy costs of £2.9m (2019: £3.0m) relate to early termination of staff employment due to the restructuring of businesses, or in business areas or locations which are not being continued. Restructuring costs totalling £6.2m (2019: £7.5m) include office closures and relocations, and expenditure on technology. These One in 21 costs are classified as exceptional due to the strategic one-off nature of the project which is expected to conclude in 2022 due to the delays from the Covid-19 pandemic. Restructuring costs also include £0.7m (2019: £nil) in respect of the Covid-19 pandemic to enable employees to work remotely effectively and efficiently and also preparing the UK offices to be Covid-19 secure.

In June 2017 the Group made a claim against Watchstone Group plc (formerly Quindell plc) for fraudulent misrepresentation and breach of warranty in relation to the financial performance of the Professional Services Division of Quindell prior to its acquisition by Slater and Gordon Limited in 2015. A

counter claim was made by Watchstone plc. Full and final settlement was agreed in October 2019, with £11m of funds being received in 2019. Associated costs of £0.1m incurred during the year ended 31 December 2020 (2019: £6.5m). The settlement triggered the conversion of the convertible loan note and the convertible loan note holders exercised their rights to convert their loan notes which ultimately resulted in ordinary shares in the Company being issued, as detailed in note 20. These items have been classified as non-recurring due to the size and one-off nature of the settlement.

The Group has been joined by PwC as a defendant in an action for breach of confidentiality between Watchstone plc and PwC. The possibility of this action was contemplated when settling the wider proceedings with Watchstone plc in October 2019 and the Group benefits from a full indemnity from Watchstone plc (supported by an escrow account) in relation to any contribution the Group may be ordered to pay, plus any associated costs in defending our position.

The Group has incurred costs of £2.2m (2019: £nil) associated with historical litigation cases which have been disclosed separately based on the nature and significance.

## 6. Employee information

### a. Employee benefits

The aggregate employee benefit expense, including Directors, comprised:

|                                                            | YEAR ENDED<br>31 DECEMBER<br>2020 | YEAR ENDED<br>31 DECEMBER<br>2019 |
|------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Wages and salaries                                         | 59,515                            | 66,947                            |
| Social security costs                                      | 6,368                             | 6,682                             |
| Contributions to defined contribution pension arrangements | 3,544                             | 3,201                             |
| <b>Total aggregate employee benefits</b>                   | <b>69,457</b>                     | <b>76,830</b>                     |

### b. Employee numbers

The monthly average number of people, including Directors, employed by the Group during the year was:

|                          | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|--------------------------|--------------------------------------------|--------------------------------------------|
| <b>Headcount by type</b> |                                            |                                            |
| Fee earner               | 650                                        | 743                                        |
| Legal support            | 406                                        | 308                                        |
| Shared services          | 923                                        | 947                                        |
|                          | <b>1,979</b>                               | <b>1,998</b>                               |

## 7. Directors' remuneration

|                                                            | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Directors' emoluments                                      | 2,035                                      | 1,671                                      |
| Contributions to defined contribution pension arrangements | 22                                         | 19                                         |
| <b>Total Directors benefits</b>                            | <b>2,057</b>                               | <b>1,690</b>                               |

During the year ended 31 December 2020 remuneration was paid to six (2019: six) Directors.

The highest paid Director received remuneration, including termination benefits, of £576,000 (2019: £470,000).

Included within the Directors' emoluments figure above are termination benefits of £223,680 (2019: £115,396) which are included in non-recurring items in the statement of comprehensive income.

During the year two (2019: three) Directors participated in the defined contribution pension arrangements.

## 8. Net finance costs

|                               | NOTE | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|-------------------------------|------|--------------------------------------------|--------------------------------------------|
| <b>Interest receivable</b>    |      |                                            |                                            |
| On deposits                   |      | 49                                         | 157                                        |
| <b>Interest payable</b>       |      |                                            |                                            |
| Shareholders' loan            | 19   | (4,086)                                    | (3,549)                                    |
| Lease liabilities             | 17   | (2,775)                                    | (3,336)                                    |
| Working capital facility      | 16   | (2,510)                                    | (1,848)                                    |
| <b>Total interest payable</b> |      | <b>(9,371)</b>                             | <b>(8,733)</b>                             |
| <b>Net finance costs</b>      |      | <b>(9,322)</b>                             | <b>(8,576)</b>                             |

## 9. Income tax

|                                                       | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|-------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Income tax expense</b>                             |                                            |                                            |
| Overseas current tax                                  | (1,815)                                    | (980)                                      |
| Deferred tax                                          | 1,844                                      | 1,159                                      |
| Adjustment for current tax relating to prior periods  | (857)                                      | (1)                                        |
| Adjustment for deferred tax relating to prior periods | 519                                        | 75                                         |
| Deferred tax asset derecognition                      | 341                                        | -                                          |
| Change in tax rate on deferred tax brought forward    | (5)                                        | -                                          |
|                                                       | <b>27</b>                                  | <b>253</b>                                 |

### Factors affecting the total tax charge for the year

The tax charge assessed on the loss on ordinary activities for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

|                                                                                                  | YEAR ENDED<br>31 DECEMBER<br>2020<br>£'000 | YEAR ENDED<br>31 DECEMBER<br>2019<br>£'000 |
|--------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| <b>Loss before tax</b>                                                                           | <b>(18,057)</b>                            | <b>(9,627)</b>                             |
| At the statutory income tax rate of 19% (2019: 19%)                                              | (3,431)                                    | (1,829)                                    |
| <i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i> |                                            |                                            |
| Expenses not deductible for tax purposes                                                         | 709                                        | 1,678                                      |
| Non-taxable income                                                                               | -                                          | (2,090)                                    |
| Adjustments in respect of prior periods                                                          | (338)                                      | 74                                         |
| Deferred tax charged at lower rate                                                               | -                                          | 1                                          |
| Change in tax rate on deferred tax brought forward                                               | (5)                                        | -                                          |
| Deferred tax asset derecognition                                                                 | 341                                        | -                                          |
| Difference in overseas tax rate                                                                  | (92)                                       | (222)                                      |
| Deferred tax assets not recognised                                                               | 2,843                                      | 2,641                                      |
| <b>Income tax expense</b>                                                                        | <b>27</b>                                  | <b>253</b>                                 |

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

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

## 10. Intangible assets

|                                               | SOFTWARE<br>DEVELOPMENT<br>£'000 | ASSETS UNDER<br>CONSTRUCTION<br>£'000 | TRADEMARKS<br>£'000 | CUSTOMER<br>RELATIONSHIPS<br>£'000 | ACQUIRED<br>INTANGIBLES<br>£'000 | TOTAL<br>£'000 |
|-----------------------------------------------|----------------------------------|---------------------------------------|---------------------|------------------------------------|----------------------------------|----------------|
| <b>Cost</b>                                   |                                  |                                       |                     |                                    |                                  |                |
| At 31<br>December 2019                        | 4,084                            | 84                                    | 5,726               | 1,096                              | 11,550                           | 22,540         |
| Additions                                     | 2                                | 3,537                                 | -                   | -                                  | -                                | 3,539          |
| Disposals                                     | (9)                              | (46)                                  | -                   | -                                  | -                                | (55)           |
| <b>At 31<br/>December 2020</b>                | <b>4,077</b>                     | <b>3,575</b>                          | <b>5,726</b>        | <b>1,096</b>                       | <b>11,550</b>                    | <b>26,024</b>  |
| <b>Amortisation</b>                           |                                  |                                       |                     |                                    |                                  |                |
| At 31<br>December 2019                        | 2,304                            | -                                     | -                   | 762                                | 7,765                            | 10,831         |
| Charge for the year                           | 739                              | -                                     | -                   | 334                                | 667                              | 1,740          |
| <b>At 31<br/>December 2020</b>                | <b>3,043</b>                     | <b>-</b>                              | <b>-</b>            | <b>1,096</b>                       | <b>8,432</b>                     | <b>12,571</b>  |
| <b>Net book value at<br/>31 December 2020</b> | <b>1,034</b>                     | <b>3,575</b>                          | <b>5,726</b>        | <b>-</b>                           | <b>3,118</b>                     | <b>13,453</b>  |

|                                               | SOFTWARE<br>DEVELOPMENT | ASSETS UNDER<br>CONSTRUCTION | TRADEMARKS   | CUSTOMER<br>RELATIONSHIPS | ACQUIRED<br>INTANGIBLES | TOTAL         |
|-----------------------------------------------|-------------------------|------------------------------|--------------|---------------------------|-------------------------|---------------|
|                                               | £'000                   | £'000                        | £'000        | £'000                     | £'000                   | £'000         |
| <b>Cost</b>                                   |                         |                              |              |                           |                         |               |
| At 31<br>December 2018                        | 4,187                   | 21                           | 5,726        | 1,096                     | 11,550                  | 22,580        |
| Additions                                     | 51                      | 63                           | -            | -                         | -                       | 114           |
| Disposals                                     | (154)                   | -                            | -            | -                         | -                       | (154)         |
| <b>At 31<br/>December 2019</b>                | <b>4,077</b>            | <b>3,575</b>                 | <b>5,726</b> | <b>1,096</b>              | <b>11,550</b>           | <b>26,024</b> |
| <b>Amortisation</b>                           |                         |                              |              |                           |                         |               |
| At 31<br>December 2018                        | 979                     | -                            | -            | 381                       | 3,701                   | 5,061         |
| Charge for the year                           | 1,416                   | -                            | -            | 381                       | 4,064                   | 5,861         |
| Disposals                                     | (91)                    | -                            | -            | -                         | -                       | (91)          |
| <b>At 31<br/>December 2019</b>                | <b>2,304</b>            | <b>-</b>                     | <b>-</b>     | <b>762</b>                | <b>7,765</b>            | <b>10,831</b> |
| <b>Net book value at<br/>31 December 2019</b> | <b>1,780</b>            | <b>84</b>                    | <b>5,726</b> | <b>334</b>                | <b>3,785</b>            | <b>11,709</b> |

Assets under construction includes the internal development expenditure on portal systems recognised at cost. The portals will facilitate the provision of accessible legal solutions for customers through technology. Amortisation is expected to commence in the second quarter of 2021 when the portals are ready for use.

Trademarks are an indefinite life intangible asset, which were acquired through business combinations and have been allocated to individual cash generating units ("CGUs") in the UK business for the purposes of impairment testing.

The recoverable amount of indefinite life intangible asset allocated to each of the CGUs has been determined based on a value in use calculation as required by IAS 36 "Impairment of Assets". This uses financial budgets and cash flow projections approved by senior management.

The value in use is compared to the net carrying amount of the CGU. If the calculated value in use exceeds the net carrying amount, no impairment loss is recorded.

For all CGUs a post-tax cost of capital of 12.0% (2019: 12%) has been applied. This cost of capital has been assessed with reference to the Company's weighted average cost of capital and independent third party analysis of its cost of capital.

The customer relationships were recognised at their fair value at the date of acquisition and 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.

Included within acquired intangibles are software licences and fair valuation adjustments for WIP acquired as part of a previous business combination. Software licences were recognised at their fair value at the date of acquisition and 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. WIP is recognised at the present value of its future profit and is amortised in line with the realisation of these profits.

## II. Property, plant & equipment

|                                           | FIXTURES,<br>FITTINGS AND<br>COMPUTER<br>EQUIPMENT | RIGHT-OF-<br>USE ASSETS | LEASEHOLD<br>IMPROVEMENTS | TOTAL         |
|-------------------------------------------|----------------------------------------------------|-------------------------|---------------------------|---------------|
|                                           | £'000                                              | £'000                   | £'000                     | £'000         |
| <b>Cost</b>                               |                                                    |                         |                           |               |
| At 31 December 2019                       | 7,370                                              | 23,099                  | 66                        | 30,535        |
| IFRS 16 lease modifications               | -                                                  | 1,711                   | -                         | 1,711         |
| Additions                                 | 116                                                | 400                     | -                         | 516           |
| Disposals                                 | (143)                                              | (5,214)                 | (66)                      | (5,423)       |
| <b>At 31 December 2020</b>                | <b>7,343</b>                                       | <b>19,996</b>           | <b>-</b>                  | <b>27,339</b> |
| <b>Depreciation</b>                       |                                                    |                         |                           |               |
| At 31 December 2019                       | 2,457                                              | 4,288                   | 33                        | 6,778         |
| Charge for the year                       | 1,050                                              | 5,429                   | 33                        | 6,512         |
| Disposals                                 | (131)                                              | (4,416)                 | (66)                      | (4,613)       |
| <b>At 31 December 2020</b>                | <b>3,376</b>                                       | <b>5,301</b>            | <b>-</b>                  | <b>8,677</b>  |
| <b>Net book value at 31 December 2020</b> | <b>3,967</b>                                       | <b>14,695</b>           | <b>-</b>                  | <b>18,662</b> |

|                                           | FIXTURES,<br>FITTINGS AND<br>COMPUTER<br>EQUIPMENT<br>£'000 | RIGHT-OF-<br>USE ASSETS<br>£'000 | LEASEHOLD<br>IMPROVEMENTS<br>£'000 | TOTAL<br>£'000 |
|-------------------------------------------|-------------------------------------------------------------|----------------------------------|------------------------------------|----------------|
| <b>Cost</b>                               |                                                             |                                  |                                    |                |
| At 31 December 2018                       | 7,140                                                       | 16,127                           | 66                                 | 23,333         |
| Additions                                 | 582                                                         | 6,972                            | -                                  | 7,554          |
| Disposals                                 | (352)                                                       | -                                | -                                  | (352)          |
| <b>At 31 December 2019</b>                | <b>7,370</b>                                                | <b>23,099</b>                    | <b>66</b>                          | <b>30,535</b>  |
| <b>Depreciation</b>                       |                                                             |                                  |                                    |                |
| At 31 December 2018                       | 1,537                                                       | -                                | 33                                 | 1,570          |
| Charge for the year                       | 1,223                                                       | 4,288                            | -                                  | 5,511          |
| Disposals                                 | (303)                                                       | -                                | -                                  | (303)          |
| <b>At 31 December 2019</b>                | <b>2,457</b>                                                | <b>4,288</b>                     | <b>33</b>                          | <b>6,778</b>   |
| <b>Net book value at 31 December 2019</b> | <b>4,913</b>                                                | <b>18,811</b>                    | <b>33</b>                          | <b>23,757</b>  |

Right-of-use assets consist of properties and computer equipment under leases within the scope of IFRS 16. The IFRS 16 Lease modifications has arisen from changes to payment terms of the lease obligations.

## 12. Deferred tax assets

Deferred tax assets have not been recognised in respect of the following items due to the future taxable profits not being highly probable:

|                                          | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|------------------------------------------|------------------------------|------------------------------|
| Tax losses                               | 66,816                       | 53,140                       |
| Property, plant and equipment            | 2,764                        | 2,837                        |
| Other short-term timing differences      | 237                          | 213                          |
| <b>Deferred tax asset not recognised</b> | <b>69,817</b>                | <b>56,190</b>                |

|                                               | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER 2019<br>£'000 |
|-----------------------------------------------|------------------------------|---------------------------|
| <b>Deferred tax relates to the following:</b> |                              |                           |
| Maltese refundable tax credit                 | -                            | 1,815                     |
| Other short-term timing differences           | 25                           | 405                       |
| Property, plant and equipment                 | 16                           | 120                       |
| Revenue losses carried forward                | 1,626                        | 2,026                     |
| <b>Deferred tax assets</b>                    | <b>1,667</b>                 | <b>4,366</b>              |

|                                                                     | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|---------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Reflected in the statement of financial position as follows:</b> |                              |                              |
| Deferred tax assets                                                 | 1,667                        | 4,366                        |
| Deferred tax liabilities on intangibles                             | (1,626)                      | (1,626)                      |
| <b>Net deferred tax assets</b>                                      | <b>41</b>                    | <b>2,740</b>                 |
| Non-current deferred tax asset                                      | 41                           | 925                          |
| Current deferred tax asset                                          | -                            | 1,815                        |
| <b>Total deferred tax asset</b>                                     | <b>41</b>                    | <b>2,740</b>                 |
| Balance brought forward                                             | 2,740                        | 3,974                        |
| Charge for the year                                                 | (1,844)                      | (1,159)                      |
| Deferred tax asset derecognition                                    | (341)                        | -                            |
| Change in tax rate on deferred tax brought forward                  | 5                            | -                            |
| Adjustments to prior periods                                        | (519)                        | (75)                         |
| <b>Total deferred tax asset</b>                                     | <b>41</b>                    | <b>2,740</b>                 |

### 13. Work in progress

|              | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|--------------|------------------------------|------------------------------|
| Non-current  | 18,245                       | 49,229                       |
| Current      | 122,098                      | 77,165                       |
| <b>Total</b> | <b>140,343</b>               | <b>126,394</b>               |

### 14. Trade and other receivables

|                                                      | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|------------------------------------------------------|------------------------------|------------------------------|
| <b>NON-CURRENT</b>                                   |                              |                              |
| Disbursements                                        | 22,195                       | 67,221                       |
| Allowance for non-recovery                           | (5,167)                      | (17,474)                     |
| <b>Total non-current trade and other receivables</b> | <b>17,028</b>                | <b>49,747</b>                |
| <b>CURRENT</b>                                       |                              |                              |
| Trade receivables                                    | 20,882                       | 30,221                       |
| Accrued income                                       | 1,890                        | 4,218                        |
| <b>Net receivables</b>                               | <b>22,772</b>                | <b>34,439</b>                |
| Disbursements                                        | 148,549                      | 105,199                      |
| Allowance for non-recovery                           | (34,571)                     | (28,510)                     |
| <b>Net disbursements</b>                             | <b>113,978</b>               | <b>76,689</b>                |
| Prepayments                                          | 8,433                        | 8,439                        |
| Other receivables                                    | 5,046                        | 5,412                        |
| <b>Total other receivables and prepayments</b>       | <b>13,479</b>                | <b>13,851</b>                |
| <b>Total current trade and other receivables</b>     | <b>150,229</b>               | <b>124,979</b>               |

Trade receivables are reported net after charging a provision for non-recovery of £20.2m (2019: £26.3m). Included in the provision for non-recovery is £0.1m (2019: £0.1m) relating to the expected credit loss provision. The fair value of the trade receivables, accrued income, disbursements, prepayments and other receivables is considered to be equal to their carrying amount.

## 15. Cash

|                     | 31 DECEMBER<br>2020 | 31 DECEMBER<br>2019 |
|---------------------|---------------------|---------------------|
|                     | £'000               | £'000               |
| <b>Cash at bank</b> | <b>13,775</b>       | <b>26,082</b>       |

At 31 December 2020 cash includes an amount of £0.1m (2019: £0.1m) in respect of cash held in escrow.

## 16. Trade and other payables

|                                   | 31 DECEMBER<br>2020 | 31 DECEMBER<br>2019 |
|-----------------------------------|---------------------|---------------------|
|                                   | £'000               | £'000               |
| <b>NON-CURRENT</b>                |                     |                     |
| <b>Legal creditors</b>            | <b>13,775</b>       | <b>26,082</b>       |
| <b>CURRENT</b>                    |                     |                     |
|                                   | 22,829              | 26,059              |
| Legal creditors                   | 89,043              | 86,781              |
| Accruals & deferred income        | 16,873              | 17,503              |
| VAT payable                       | 5,896               | 54                  |
| Social security & pension payable | 3,214               | 2,537               |
| Other payables                    | 26,614              | 19,951              |
|                                   | <b>164,469</b>      | <b>152,885</b>      |

Included in other payables is an outstanding balance of £20.9m (2019: £16.5m) in relation to the Group's arrangements for financing on costs agreed and paid disbursements. The Group has a working capital facility in place whereby a third party lends on expected agreed costs and paid disbursements and liability admitted WIP on personal injury (No Win – No Fee) cases. The total facility available at 31 December 2020 is £30.0m, with commercial terms due to renew on 30 June 2022.

Included in other payables is deferred consideration of £2.0m (2019: £nil) relating to the acquisition of Jigsaw Law Limited, detailed in note 27.

The Group took part in the VAT Deferral Scheme which was announced by the Government to assist businesses with cash flow during the Covid-19 pandemic. Therefore, VAT payments of £4.7m which were payable between 20 March 2020 and 30 June 2020 were deferred and are reported in VAT payable. This VAT liability is being paid to HMRC under the instalment payment regime launched on 23 February 2021, with the first repayment paid by 31 March 2021 and monthly thereafter.

## 17. Lease liabilities

The lease liabilities reported in the statement of financial position comprise:

|                                              | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|----------------------------------------------|------------------------------|------------------------------|
| <b>Amounts payable under finance leases:</b> |                              |                              |
| Within one year                              | 5,507                        | 8,281                        |
| In the second to fifth years inclusive       | 17,472                       | 19,606                       |
| After five years                             | 13,907                       | 17,505                       |
| <b>Total gross payments</b>                  | <b>36,886</b>                | <b>45,392</b>                |
| Less: future interest charges                | (11,866)                     | (16,554)                     |
| <b>Carrying value of liability</b>           | <b>25,020</b>                | <b>28,838</b>                |
| <b>ANALYSED AS:</b>                          |                              |                              |
| Current                                      | 3,035                        | 5,111                        |
| Non-current                                  | 21,985                       | 23,727                       |
|                                              | <b>25,020</b>                | <b>28,838</b>                |

Lease liabilities consist of properties and computer equipment under leases within the scope of IFRS 16.

## 18. Provisions

|                                       | DILAPIDATIONS<br>£'000 | ONEROUS<br>PROVISION<br>£'000 | CLAIMS<br>£'000 | OTHER<br>£'000 | TOTAL<br>£'000 |
|---------------------------------------|------------------------|-------------------------------|-----------------|----------------|----------------|
| <b>Balance as at 31 December 2019</b> | 4,216                  | 1,709                         | 3,366           | 3,629          | 12,920         |
| Additions                             | 377                    | 1,098                         | 2,629           | 16             | 4,120          |
| Utilisations                          | (96)                   | (1,486)                       | (1,202)         | (2,397)        | (5,181)        |
| Releases                              | (1,903)                | -                             | (230)           | (810)          | (2,943)        |
| <b>Balance as at 31 December 2020</b> | <b>2,594</b>           | <b>1,321</b>                  | <b>4,563</b>    | <b>438</b>     | <b>8,916</b>   |

## ANALYSED AS:

|             |              |              |              |            |              |
|-------------|--------------|--------------|--------------|------------|--------------|
| Current     | 1,060        | 1,204        | 4,563        | 438        | 7,265        |
| Non-current | 1,534        | 117          | -            | -          | 1,651        |
|             | <b>2,594</b> | <b>1,321</b> | <b>4,563</b> | <b>438</b> | <b>8,916</b> |

|                                       | DILAPIDATIONS<br>£'000 | ONEROUS<br>PROVISION<br>£'000 | CLAIMS<br>£'000 | OTHER<br>£'000 | TOTAL<br>£'000 |
|---------------------------------------|------------------------|-------------------------------|-----------------|----------------|----------------|
| <b>Balance as at 31 December 2018</b> | 5,132                  | 2,353                         | 6,709           | 4,048          | 18,242         |
| Adoption of IFRS 16                   | -                      | (1,088)                       | -               | -              | -              |
| <b>Restated 1 January 2019</b>        | 5,132                  | 1,265                         | 6,709           | 4,048          | 17,154         |
| Additions                             | 603                    | 1,897                         | 3,228           | 91             | 5,819          |
| Utilisations                          | (763)                  | (1,340)                       | (2,737)         | -              | (4,840)        |
| Releases                              | (756)                  | (113)                         | (3,834)         | (510)          | (5,213)        |
| <b>Balance as at 31 December 2019</b> | <b>4,216</b>           | <b>1,709</b>                  | <b>3,366</b>    | <b>3,629</b>   | <b>12,920</b>  |

## ANALYSED AS:

|             |              |              |              |              |               |
|-------------|--------------|--------------|--------------|--------------|---------------|
| Current     | 2,098        | 1,094        | 3,366        | 3,629        | 10,187        |
| Non-current | 2,118        | 615          | -            | -            | 2,733         |
|             | <b>4,216</b> | <b>1,709</b> | <b>3,366</b> | <b>3,629</b> | <b>12,920</b> |

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

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

**Onerous provision:** The provision represents the remaining expenditure from rates and utilities that no longer derive economic benefit in the future.

The onerous provisions are stated at the net present value of the amounts payable under the contracts. The restated position at 1 January 2019 reflects an adjustment required to the 31 December 2018 balance for the adoption of IFRS 16 "Leases".

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

**Other:** The provision is in respect of a potential liability for VAT.

## 19. Loans

As at 31 December 2020 the Group had outstanding loans payable, which can be analysed as follows:

|                           | 31 DECEMBER<br>2020 | 31 DECEMBER<br>2019 |
|---------------------------|---------------------|---------------------|
| NON-CURRENT               | £'000               | £'000               |
| <b>Shareholders' Loan</b> | <b>-</b>            | <b>30,029</b>       |

### CURRENT

|                           |               |          |
|---------------------------|---------------|----------|
| <b>Shareholders' Loan</b> | <b>33,801</b> | <b>-</b> |
|---------------------------|---------------|----------|

The Group has an outstanding loan of £33.8m (2019: £30.0m) comprising principal of £24.5m (2019: £24.8m) and interest of £9.3m (2019: £5.2m). The total loan is secured on all assets of the Group and is repayable in full on 22 December 2021, as detailed in note 28. The loan comprises two facilities: the Existing Facility Loan and the Incremental Facility Loan:

- At 31 December 2020 the Existing Facility Loan had an outstanding balance of £19.5m (2019: £18.0m) including interest incurred at 10%

per annum (2019: 10% per annum). During the year ended 31 December 2020, the Group repaid £0.3m to one lender. Under the terms of the loan repurchase, the loan note holder's ordinary shares were repurchased as detailed in note 20.

- The Incremental Facility Loan had an outstanding balance of £14.3m (2019: £12.0m) including interest incurred at 17.5% per annum (2019: 17.5% per annum).

## 20. Share premium

|                                          | NUMBER OF<br>ORDINARY<br>SHARES AT<br>£0.000001 | NUMBER<br>OF CLASS A<br>SHARES AT<br>£0.0017 | SHARE<br>CAPITAL<br>£'000 | SHARE<br>PREMIUM<br>£'000 | TOTAL<br>£'000 |
|------------------------------------------|-------------------------------------------------|----------------------------------------------|---------------------------|---------------------------|----------------|
| <b>Balance at 31 December 2018</b>       | 1,000,014                                       | -                                            | -                         | 22,904                    | 22,904         |
| Issue of shares                          | -                                               | 172,004                                      | -                         | 645                       | 645            |
| <b>Balance at 31 December 2019</b>       | 1,000,014                                       | 172,004                                      | -                         | 23,549                    | 23,549         |
| Issue of shares on convertible loan note | 2,505                                           | -                                            | -                         | 100                       | 100            |
| Issue of shares                          | -                                               | 42,667                                       | -                         | 252                       | 252            |
| Repurchase of ordinary shares            | (20,450)                                        | -                                            | -                         | -                         | -              |
| <b>Balance at 31 December 2020</b>       | <b>982,069</b>                                  | <b>214,671</b>                               | <b>-</b>                  | <b>23,901</b>             | <b>23,901</b>  |

At 31 December 2020 the Group has two classes of shares which carry no right to fixed income.

In anticipation of the Watchstone plc litigation, Slater and Gordon (UK) I Limited and Glas Trustees Limited ("Trustee") entered into a Convertible Loan Notes Trust Deed on 22 December 2017 (as amended on 19 December 2019) to absorb any proceeds from the litigation. On 20 January 2020, Slater and Gordon (UK) I Limited issued £250,000,008 loan notes to the Noteholders. The Noteholders exercised their right to convert the loan notes into preference shares on a 1:1 basis. As agreed under the deed the preference shares were exchanged for equity in the Company by the Company issuing 2,505 Ordinary Shares to

the Noteholders at fair value. The loss on issuance of £0.1m is reported in the loss on share issuance in the statement of comprehensive income.

In July 2020 the Group issued 42,667 Class A Shares to Key management personal ("beneficial owners") for cash at their unrestricted market value as at the purchase date. Slater and Gordon UK Nominees Limited holds these shares on behalf of the beneficial owners.

On 21 December 2020, the Group repurchased 20,450 shares for £0.01 following the partial repurchase of the shareholders' loan of £0.3m held within the Group by Slater and Gordon (UK) I Limited

## 21. Own shares

|                             | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|-----------------------------|------------------------------|------------------------------|
| <b>At start of period</b>   | -                            | -                            |
| Own shares purchased        | (229)                        | -                            |
| Own shares reissued         | 105                          | -                            |
| <b>At end of the period</b> | <b>(124)</b>                 | <b>-</b>                     |

Slater and Gordon EBT Limited holds 26,669 (2019: nil) ordinary shares in the Company with a nominal value of £0.1m (2019: £nil) representing 2.7% of the ordinary share capital (2019: nil).

## 22. Group entities

The following subsidiaries as well as the parent company (Slater and Gordon UK Holdings Limited) form the Group. The subsidiaries exempt from the requirements relating to the audit of accounts under section 479A of the Companies Act 2006 are noted below. The basis of the subsidiaries within the Group is not defined by ownership but by control of the entity.

| COMPANY NAME                                                            | COUNTRY OF INCORPORATION    | COMPANY NUMBER | OWNERSHIP INTEREST (%) | AUDIT EXEMPTION | PRINCIPAL ACTIVITY |
|-------------------------------------------------------------------------|-----------------------------|----------------|------------------------|-----------------|--------------------|
| <b>Controlled entities</b>                                              |                             |                |                        |                 |                    |
| 4 Legal Limited                                                         | United Kingdom <sup>1</sup> | 06466579       | 100                    | Exempt          | Dormant            |
| 4 Legal Solutions Limited                                               | United Kingdom <sup>1</sup> | 06492865       | 100                    | Exempt          | Legal              |
| Abstract Legal Holdings Limited                                         | United Kingdom <sup>1</sup> | 05107527       | 100                    | Exempt          | Non-Legal          |
| Access to Compensation Limited                                          | United Kingdom <sup>1</sup> | 05107366       | 100                    | Exempt          | Non-Legal          |
| Accident Advice Helpline Direct Limited                                 | United Kingdom <sup>1</sup> | 05107417       | 100                    | Exempt          | Non-Legal          |
| Accident Advice Helpline Limited                                        | United Kingdom <sup>1</sup> | 05121321       | 100                    | Exempt          | Dormant            |
| Accident Advice Insurance Management Group Limited                      | United Kingdom <sup>1</sup> | 05121320       | 100                    | Exempt          | Dormant            |
| Adroit Financial Planning Limited                                       | United Kingdom <sup>1</sup> | 07980535       | 100                    | Audit           | Financial Services |
| Cab Claims Limited                                                      | United Kingdom <sup>1</sup> | 05126239       | 100                    | Exempt          | Dormant            |
| Claim4 Limited                                                          | United Kingdom <sup>1</sup> | 05123360       | 100                    | Exempt          | Dormant            |
| Claimsense UK Limited                                                   | United Kingdom <sup>1</sup> | 05599808       | -                      | Exempt          | Dormant            |
| Compass Costs Consultants Limited                                       | United Kingdom <sup>1</sup> | 04265483       | 100                    | Exempt          | Dormant            |
| Fast Track PPI Limited                                                  | United Kingdom <sup>1</sup> | 08012611       | 100                    | Exempt          | Dormant            |
| Intelligent Claims Management Limited                                   | United Kingdom <sup>1</sup> | 05658734       | 100                    | Exempt          | Non-Legal          |
| iSaaS Technology Limited                                                | United Kingdom <sup>1</sup> | 07434692       | 100                    | Exempt          | Non-Legal          |
| Legal Facilities Management & Services Limited                          | United Kingdom <sup>1</sup> | 05340220       | 100                    | Exempt          | Non-Legal          |
| Legal One Limited                                                       | United Kingdom <sup>1</sup> | 04620722       | -                      | Exempt          | Dormant            |
| Legal Two Limited                                                       | United Kingdom <sup>1</sup> | 06195622       | -                      | Exempt          | Dormant            |
| Liberty Protect Limited                                                 | United Kingdom <sup>1</sup> | 05657846       | 100                    | Exempt          | Non-Legal          |
| MDL Medical Administration Limited                                      | United Kingdom <sup>1</sup> | 03688229       | 100                    | Exempt          | Dormant            |
| Medicalaw Limited                                                       | United Kingdom <sup>1</sup> | 03447569       | 100                    | Exempt          | Non-Legal          |
| Medici Legal Limited                                                    | United Kingdom <sup>1</sup> | 04266208       | 100                    | Exempt          | Non-Legal          |
| SG Health Group Limited (formerly Mobile Doctors Group Limited)         | United Kingdom <sup>1</sup> | 05383361       | 100                    | Exempt          | Non-Legal          |
| Mobile Doctors Limited                                                  | United Kingdom <sup>1</sup> | 02446392       | 100                    | Exempt          | Non-Legal          |
| SG Health Solutions Limited (formerly Mobile Doctors Solutions Limited) | United Kingdom <sup>1</sup> | 04215291       | 100                    | Exempt          | Non-Legal          |
| Overland Health Limited                                                 | Malta <sup>2</sup>          | C49864         | 100                    | Audit           | Non-Legal          |
| Overland Limited                                                        | Malta <sup>2</sup>          | C43412         | 100                    | Audit           | Non-Legal          |
| Overland Malta (Trading) Limited                                        | Malta <sup>2</sup>          | C43415         | 100                    | Audit           | Non-Legal          |
| Pannone Napier Limited                                                  | United Kingdom <sup>1</sup> | 08912957       | 100                    | Exempt          | Dormant            |
| React & Recover Medical Group Limited                                   | United Kingdom <sup>1</sup> | 07316438       | 100                    | Exempt          | Non-Legal          |
| React Medical Management Limited                                        | United Kingdom <sup>1</sup> | 07315629       | 100                    | Exempt          | Non-Legal          |
| React Medical Reporting Limited                                         | United Kingdom <sup>1</sup> | 06872536       | 100                    | Exempt          | Non-Legal          |
| Recover Healthcare Limited                                              | United Kingdom <sup>1</sup> | 06836625       | 100                    | Exempt          | Non-Legal          |
| RJW Registrars Limited                                                  | United Kingdom <sup>1</sup> | 06829712       | -                      | Exempt          | Dormant            |
| Russell Jones & Walker Limited                                          | United Kingdom <sup>1</sup> | 04225001       | -                      | Exempt          | Dormant            |
| Sentinel Alliance Limited                                               | United Kingdom <sup>1</sup> | 05107418       | 100                    | Exempt          | Dormant            |

| COMPANY NAME (continued)                    | COUNTRY OF INCORPORATION    | COMPANY NUMBER | OWNERSHIP INTEREST (%) | AUDIT EXEMPTION | PRINCIPAL ACTIVITY |
|---------------------------------------------|-----------------------------|----------------|------------------------|-----------------|--------------------|
| SGS Business Process Services (UK) Limited  | United Kingdom <sup>1</sup> | 03851175       | 100                    | Audit           | Non-Legal          |
| Slater and Gordon (UK) 1 Limited            | United Kingdom <sup>1</sup> | 07895497       | 100                    | Audit           | Holding Company    |
| Slater and Gordon (UK) 2 LLP                | United Kingdom <sup>1</sup> | OC371153       | 100                    | Exempt          | Dormant            |
| Slater and Gordon Collections Limited       | United Kingdom <sup>1</sup> | 12500854       | 100                    | Exempt          | Non-Legal          |
| Slater and Gordon Trust Corporation Limited | United Kingdom <sup>1</sup> | 08185633       | 100                    | Exempt          | Dormant            |
| Slater and Gordon EBT Limited               | United Kingdom <sup>1</sup> | 06519828       | 100                    | Exempt          | Non-legal          |
| Slater and Gordon Scotland Limited          | United Kingdom <sup>1</sup> | SC572803       | -                      | Exempt          | Legal              |
| Slater and Gordon UK Limited                | United Kingdom <sup>1</sup> | 07931918       | 100                    | Audit           | Legal              |
| Slater and Gordon UK Nominees Limited       | United Kingdom <sup>1</sup> | 04432180       | 100                    | Exempt          | Legal              |
| Walker Smith Way Limited                    | United Kingdom <sup>1</sup> | 07016439       | 100                    | Exempt          | Dormant            |
| WSW Limited                                 | United Kingdom <sup>1</sup> | 07016446       | 100                    | Exempt          | Dormant            |

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

[2] – Registered office: Level 4, Suite 8A, Rosa Marina Building, 216 Marina Seafront, Pieta PTA 9041, Malta

### 23. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (comprising of interest bearing loans and borrowings, lease liabilities, and after deducting cash and short-term deposits) and equity of the Group (comprising issued capital and retained earnings).

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, determined as the proportion of net debt to equity.

|                                                                | NOTE | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|----------------------------------------------------------------|------|------------------------------|------------------------------|
| Interest bearing loans                                         | 19   | 33,801                       | 30,029                       |
| Lease liabilities                                              | 17   | 25,020                       | 28,838                       |
| Less: cash and short-term deposits                             | 15   | (13,775)                     | (26,082)                     |
| <b>Net debt</b>                                                |      | <b>45,046</b>                | <b>32,785</b>                |
| <b>Equity</b>                                                  |      | <b>107,905</b>               | <b>125,708</b>               |
| Net debt to equity ratio                                       |      | 42%                          | 26%                          |
| Net debt to equity ratio excluding impact of lease liabilities |      | 19%                          | 3%                           |

The debt excludes the working capital facility due to this being a working capital arrangement which is repaid from monies received on settlement.

## 24. Related parties

### a. Key management personnel

The key management have been assessed to be the Group's Executive Leadership Team. During the year ended 31 December 2020 there were ten (2019: nine) key management personnel. The compensation paid or payable to key management for employee services is shown below:

|                                                            | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|------------------------------------------------------------|------------------------------|------------------------------|
| <b>Short-term employee benefits</b>                        |                              |                              |
| Wages and salaries                                         | 2,706                        | 2,120                        |
| Social security costs                                      | 354                          | 275                          |
| Contributions to defined contribution pension arrangements | 46                           | 35                           |
| <b>Total key management compensation</b>                   | <b>3,106</b>                 | <b>2,430</b>                 |

### b. Transactions with group related parties

During the year ended 31 December 2020, the Group issued loans of £0.1m (2019: £0.1m) to one key management employee (2019: two).

During the year ended 31 December 2020, £0.03m of loans were paid back to the Group by two key management personal (2019: £nil).

The outstanding loans balance is £0.2m (2019: £0.1m) and are repayable over two-three years. The loans attract interest at 2.25% (2019: 2.5%). There were no other related party transactions during the year to 31 December 2020 other than the shareholders' loan referred to in note 19.

## 25. Financial risk management

The Group is exposed to a variety of financial risks comprising:

- i) Credit risk
- ii) Liquidity risk
- iii) Fair values
- iv) Foreign exchange risk

The Directors have overall responsibility for identifying and managing operational and financial risks. The categories of financial instruments are as follows

|                           |      | 31 DECEMBER<br>2020 | 31 DECEMBER<br>2019 |
|---------------------------|------|---------------------|---------------------|
|                           | NOTE | £'000               | £'000               |
| <b>Financial assets</b>   |      |                     |                     |
| Cash and cash equivalents | 15   | 13,775              | 26,082              |
| Net trade receivables     | 14   | 22,772              | 34,439              |
| Other receivables         | 14   | 13,479              | 13,851              |
| Net disbursements         | 14   | 131,006             | 126,436             |
|                           |      | <b>181,032</b>      | <b>200,808</b>      |

|                              |      | 31 DECEMBER<br>2020 | 31 DECEMBER<br>2019 |
|------------------------------|------|---------------------|---------------------|
|                              | NOTE | £'000               | £'000               |
| <b>Financial liabilities</b> |      |                     |                     |
| Trade and other payables     | 16   | 177,774             | 164,963             |
| Interest bearing loans       | 19   | 33,801              | 30,029              |
|                              |      | <b>211,575</b>      | <b>194,992</b>      |

### i. Credit risk

Credit risk arises from the financial assets of the Group. The main exposure to credit risk in the Group is represented by trade and other receivables owing to the Group. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements.

The credit risk associated with cash and cash equivalents is considered as minimal as the cash and cash equivalents are held with reputable financial institutions in the UK.

Debts are almost exclusively due from insurance companies. The capitalisation of insurers is regulated by the Financial Conduct Authority in the UK. The insurance industry operates a policy holders' protection scheme to alleviate the impact of the failure of an insurance company, minimising risk to the Group.

No interest is charged on the receivable's balances, however late penalty payments become payable at certain dates under the Association of British Insurers' General Terms of Agreement. The Group does not hold any security over these balances nor has the legal right of offset with any amounts owed by the Group to the receivables counterparty.

#### Management of credit risk

The Group actively manages its credit risk by:

- assessing the capability of a customer to meet its obligations under the fee and retainer agreement;
- periodically reviewing the reasons for bad debt write-offs in order to improve the future decision-making process;
- maintaining an adequate provision against the future recovery of receivables and disbursements;
- including in practitioner's Key Performance Indicators ("KPIs") measurements in respect of receivable levels, recovery and investment in disbursements;
- providing ongoing training to staff in the management of their personal and practice group receivable portfolios; and
- where necessary, pursuing the recovery of debts owed to the Group through external mercantile agents and the courts.

Due to the nature of the No Win - No Fee arrangements applicable to the majority of the legal matters managed by the Group, an increase in the required processing time between initiation and settlement and an increase in the ageing of receivables, particularly disbursements, does not always increase the associated credit risk.

Management performs periodic assessment of the recoverability of receivables, and provisions are calculated based on historical write-offs of the receivables as well as any known circumstances

relating to the matters in progress.

#### ii. Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained.

The shareholders' loans due to expire on 22 December 2021 have been extended to 31 May 2024 under their existing terms. On 12 November 2021, the Group agreed a new Super Senior Incremental Facility with its shareholders. The Group has committed to additional funding of £5.0m (Tranche A) and a further £5.0m is available but not yet committed (Tranche B). This facility is due to expire on 31 May 2024 and accrues interest 10% PIK interest per annum.

#### Maturity analysis

The table on the next page represents the undiscounted contractual settlement terms for financial instruments and management's expectation for settlement of undiscounted maturities.

#### iii. Fair values

The financial assets and financial liabilities not measured at fair value approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

#### iv. Foreign exchange risk

The Group is exposed to currency risk on services income, expenses, receivables and borrowings that are denominated in a currency other than the functional currency of the Group entities, which is Sterling (GBP). The Group has one subsidiary denominated in EUR but has deemed the risk as not significant at the end of the reporting period.

|                                             | <12 MONTHS     | 1-5 YEARS     | TOTAL CONTRACTUAL CASH FLOWS | CARRYING AMOUNT |
|---------------------------------------------|----------------|---------------|------------------------------|-----------------|
| 31 DECEMBER 2020                            | £'000          | £'000         | £'000                        | £'000           |
| <b>Non-derivative financial liabilities</b> |                |               |                              |                 |
| Trade and other payables                    | 164,469        | 13,305        | 177,774                      | 177,774         |
| Lease liabilities                           | 3,035          | 21,985        | 36,886                       | 25,020          |
| Provisions                                  | 7,265          | 1,651         | 8,916                        | 8,916           |
| Interest bearing loans                      | 33,801         | -             | 33,801                       | 33,801          |
| <b>Financial liability maturities</b>       | <b>208,570</b> | <b>36,941</b> | <b>257,377</b>               | <b>245,511</b>  |

|                                             | <12 MONTHS     | 1-5 YEARS     | TOTAL CONTRACTUAL CASH FLOWS | CARRYING AMOUNT |
|---------------------------------------------|----------------|---------------|------------------------------|-----------------|
| 31 DECEMBER 2019                            | £'000          | £'000         | £'000*                       | £'000           |
| <b>Non-derivative financial liabilities</b> |                |               |                              |                 |
| Trade and other payables                    | 152,885        | 12,078        | 164,963                      | 164,963         |
| Lease liabilities                           | 5,111          | 23,727        | 45,392                       | 28,838          |
| Provisions                                  | 10,187         | 2,733         | 12,920                       | 12,920          |
| Interest bearing loans                      | -              | 30,029        | 30,029                       | 30,029          |
| <b>Financial liability maturities</b>       | <b>168,183</b> | <b>68,567</b> | <b>253,304</b>               | <b>236,750</b>  |

\*restated prior year total contractual cash flows to reflect the total undiscounted contractual amounts of lease liabilities.

## 26. Controlling party

At 31 December 2020, there was no one person with ultimate control of Slater and Gordon UK Holdings Limited and its subsidiaries. Slater and Gordon UK Holdings Limited is the largest and smallest group for which consolidated accounts are prepared.

## 27. Jigsaw acquisition

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

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

## FAIR VALUES

£'000

**Non-derivative financial liabilities**

|                           |         |
|---------------------------|---------|
| Work in progress          | 2,500   |
| Disbursements             | 1,034   |
| Cash and cash equivalents | 304     |
| Trade payables            | (304)   |
| Legal creditors           | (1,034) |

**Net assets****2,500****Satisfied by:****Deferred consideration****2,500****28. Subsequent Events****Overland Health Limited closure**

In July 2020 the Group concluded a strategic review of the Overland entities (Overland Health Limited, Overland Malta (Trading) Limited, Overland Limited) channels to market. As a result of this review all contracts were terminated. The Overland entities ceased trading on 21 January 2021. The financial performance of the Overland entities does not meet the criteria to be disclosed as discontinued operations under IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended 31 December 2020.

**Mobile Doctors Limited sale**

On 8 March 2021, the Group sold Mobile Doctors Limited for £3.6m. A profit on disposal of £2.0m was generated. The disposal did not meet the criteria under IFRS 5 "Non-current assets held for sale and discontinued operations" to be disclosed as held of sale at 31 December 2020 or discontinued operations for year ended 31 December 2020.

**Refinancing of Shareholders' Loan**

The shareholders' loans due to expire on 22 December 2021 have been extended to 31 May 2024 under their existing terms.

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

**SGS Business Process Service Limited**

On 17 November 2021 the Group announced a plan to enter into third party partnerships for the provision of the hire and repair business of SGS Business Process Service Limited ("Motor"). The scope of services being provided by the Motor business would be reduced and the team re-organised. The closure does not meet the criteria to be disclosed as discontinued operations under IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended 31 December 2020.

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# Company financial statements

# Company statement of financial position

At 31 December 2020

|                                           | NOTE | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|-------------------------------------------|------|------------------------------|------------------------------|
| <b>Non-current assets</b>                 |      |                              |                              |
| Investments                               | 3    | 23,751                       | 23,651                       |
| <b>Total non-current assets</b>           |      | <b>23,751</b>                | <b>23,651</b>                |
| <b>Current assets</b>                     |      |                              |                              |
| Trade and other receivables               | 4    | 553                          | 645                          |
| Cash and cash equivalents                 | 5    | 358                          | -                            |
| <b>Total current assets</b>               |      | <b>911</b>                   | <b>645</b>                   |
| <b>Total assets</b>                       |      | <b>24,662</b>                | <b>24,296</b>                |
| <b>Current liabilities</b>                |      |                              |                              |
| Trade and other payables                  | 6    | 760                          | 747                          |
| <b>Total current liabilities</b>          |      | <b>760</b>                   | <b>747</b>                   |
| <b>Net current assets / (liabilities)</b> |      | <b>151</b>                   | <b>(102)</b>                 |
| <b>Net assets</b>                         |      | <b>23,902</b>                | <b>23,549</b>                |
| <b>Capital and reserves</b>               |      |                              |                              |
| Share premium                             | 7    | 23,901                       | 23,549                       |
| Retained earnings                         |      | 1                            | -                            |
| <b>Total equity</b>                       |      | <b>23,902</b>                | <b>23,549</b>                |

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented a Statement of Comprehensive Income for the Company. Profit after tax for the financial year was £1,000 (2019: £nil).

The accompanying notes on pages 81 to 85 form an integral part of these financial statements.

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

They were signed on its behalf by:

D J L Whitmore **Chief Executive Officer**



A L Wilford **Chief Financial Officer**



Company number: 10977311

# Company statement of changes and equity

For the year ended 31 December 2020

|                                                                   | SHARE<br>CAPITAL<br>(NOTE 7)<br>£'000 | SHARE<br>PREMIUM<br>(NOTE 7)<br>£'000 | RETAINED<br>EARNINGS<br>£'000 | TOTAL<br>£'000 |
|-------------------------------------------------------------------|---------------------------------------|---------------------------------------|-------------------------------|----------------|
| <b>Balance as at 31 December 2018</b>                             | -                                     | 22,904                                | -                             | 22,904         |
| Result after tax for the year                                     | -                                     | -                                     | -                             | -              |
| <b>Total comprehensive result for the year</b>                    | -                                     | -                                     | -                             | -              |
| <b>Transactions with owners in their capacity as owners</b>       |                                       |                                       |                               |                |
| Issue of shares                                                   | -                                     | 645                                   | -                             | 645            |
| <b>Total transactions with owners in their capacity as owners</b> | -                                     | <b>645</b>                            | -                             | <b>645</b>     |
| <b>Balance as at 31 December 2019</b>                             | -                                     | <b>23,549</b>                         | -                             | <b>23,549</b>  |
| Profit after tax for the year                                     | -                                     | -                                     | 1                             | 1              |
| <b>Total comprehensive income for the year</b>                    | -                                     | -                                     | <b>1</b>                      | <b>1</b>       |
| <b>Transactions with owners in their capacity as owners</b>       |                                       |                                       |                               |                |
| Issue of shares                                                   | -                                     | 352                                   | -                             | 352            |
| <b>Total transactions with owners in their capacity as owners</b> | -                                     | <b>352</b>                            | -                             | <b>352</b>     |
| <b>Balance as at 31 December 2020</b>                             | -                                     | <b>23,901</b>                         | <b>1</b>                      | <b>23,902</b>  |

The accompanying notes on pages 81 to 85 form an integral part of these financial statements.

# Company notes to the financial statements

For the year ended 31 December 2020

## I. Accounting policies

### a. Basis of preparation of financial statements

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements in accordance with IFRS as issued by the IASB. The Company meets the definition of a qualifying entity under FRS 100, "Application of Financial Reporting Requirements" as issued by the Financial Reporting Council.

The Company's financial statements are presented in Pounds Sterling (GBP), which is the functional currency of the Company and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

#### *Historical cost convention*

The financial statements are prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. By publishing the Company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

#### *Impact of new and amendments to IFRS's*

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

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

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

#### *Amendments to IFRS's in issue but not yet effective*

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

|                                 |                                                                               |
|---------------------------------|-------------------------------------------------------------------------------|
| IFRS 17                         | Insurance Contracts                                                           |
| IFRS 10 and IAS 28 (amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint |

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

### b. Investments

Investments in subsidiaries are stated at cost less accumulated impairment. Impairment reviews are carried out if there is an indication that the carrying value of the investments may have been impaired. Where, in the opinion of the Directors, an impairment of the investment has arisen, provisions are made in accordance with IAS 36 "Impairment of Assets".

c. Trade and other receivables

Amounts owed from group companies are repayable on demand and do not attract interest. Due to the short-term nature of the amounts, their fair value is considered to be equal to their carrying value. The amounts owed are assessed *for expected credit losses on a general basis under IFRS 9 "Financial Instruments"*.

d. Trade and other payables

Amounts owed to group companies are stated at cost and are classified as current liabilities as the payment is repayable on demand and does not attract interest.

e. Going concern

Slater and Gordon UK Holdings Limited had net assets of £23.9m and net current assets of £0.2m at 31 December 2020. The Directors have prepared the Company financial statements of Slater & Gordon UK Holdings Limited using the going concern basis of preparation, on the basis that the Company is included within the Slater and Gordon Group of companies in the UK and Malta. The going concern disclosure as set out in the consolidated financial statements of Slater and Gordon UK Holdings Limited are as follows:

At 31 December 2020, the Group had net assets of £107.9 million and cash of £13.8m million. The Group has prepared cash flow forecasts for the foreseeable future, based on key assumptions around the achievement of revenues, which demonstrate cash self-sufficiency in the Group. Management have considered the level of new instructions and the likely future value of this work together with the forecasts and projected cash flow patterns of the Group for the foreseeable future being a period of 12 months from the date of approval of these financial statements.

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

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

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

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

The Company's projections for the period to December 2022 including receipts and payments indicate that the Slater and Gordon expects to be able to discharge its obligations to all stakeholders. Business activity and cash flows are monitored on a regular weekly basis and continue to be satisfactory. Regular financial forecasts are prepared to monitor the Group's funding requirements through retained profits and borrowing facilities, and projected compliance with shareholders covenants.

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

## 2. Audit fees

The audit fee of £93,000 was borne by Slater and Gordon (UK) I Limited, a subsidiary company (2019: £93,000).

## 3. Investments

|                                      | 31 DECEMBER 2020<br>£'000 | 31 DECEMBER 2019<br>£'000 |
|--------------------------------------|---------------------------|---------------------------|
| <b>Cost</b>                          |                           |                           |
| At start of year                     | 23,651                    | 23,651                    |
| Additions                            | 100                       | -                         |
| <b>At end of year</b>                | <b>23,751</b>             | <b>23,651</b>             |
| <b>Provisions for impairment</b>     |                           |                           |
| At start and end of year             | -                         | -                         |
| <b>Net book value at end of year</b> | <b>23,751</b>             | <b>23,651</b>             |

Investments comprise of equity shares in Slater and Gordon (UK) I Limited, a company incorporated in the United Kingdom with registered office 58 Mosley Street, Manchester, M2 3HZ.

The conversion of the Watchstone convertible loan note on 20 January 2020 resulted in Slater

and Gordon (UK) I Limited issuing 250,000,008 Preference shares of £1 each fully paid to the loan note holders which, in accordance with the deed, were immediately exchanged for equity in the Company by the Company issuing 2,505 Ordinary Shares to the Noteholders at fair value in exchange for the preference shares.

## 4. Trade and other receivables

|                                          | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|------------------------------------------|------------------------------|------------------------------|
| CURRENT                                  |                              |                              |
| <b>Amounts owed from group companies</b> | <b>553</b>                   | <b>645</b>                   |

The amounts due from group companies are repayable on demand and do not attract interest (2019: same).

## 5. Cash

|                     | 31 DECEMBER<br>2020<br>£'000 | 31 DECEMBER<br>2019<br>£'000 |
|---------------------|------------------------------|------------------------------|
| <b>Cash at bank</b> | <b>358</b>                   | <b>-</b>                     |

## 6. Trade and other payables

|                                   | 31 DECEMBER 2020 | 31 DECEMBER 2019 |
|-----------------------------------|------------------|------------------|
|                                   | £'000            | £'000            |
| <b>Current</b>                    |                  |                  |
| Amounts owed from group companies | 760              | 747              |

The amounts owed to group companies are repayable on demand and do not attract interest (2019: same).

## 7. Share premium

|                                          | NUMBER OF<br>ORDINARY<br>SHARES AT<br>£0.000001 | NUMBER<br>OF CLASS A<br>SHARES AT<br>£0.0017 | SHARE<br>CAPITAL<br>£'000 | SHARE<br>PREMIUM<br>£'000 | TOTAL<br>£'000 |
|------------------------------------------|-------------------------------------------------|----------------------------------------------|---------------------------|---------------------------|----------------|
| <b>Balance at 31 December 2018</b>       | 1,000,014                                       | -                                            | -                         | 22,904                    | 22,904         |
| Issue of shares                          | -                                               | 172,004                                      | -                         | 645                       | 645            |
| <b>Balance at 31 December 2019</b>       | 1,000,014                                       | 172,004                                      | -                         | 23,549                    | 23,549         |
| Issue of shares on convertible loan note | 2,505                                           | -                                            | -                         | 100                       | 100            |
| Issue of shares                          | -                                               | 42,667                                       | -                         | 252                       | 252            |
| Repurchase of ordinary shares            | (20,450)                                        | -                                            | -                         | -                         | -              |
| <b>Balance at 31 December 2020</b>       | <b>982,069</b>                                  | <b>214,671</b>                               | <b>-</b>                  | <b>23,901</b>             | <b>23,901</b>  |

At 31 December 2020 the Company has two classes of shares which carry no right to fixed income.

In anticipation of the Watchstone plc litigation, Slater and Gordon (UK) I Limited and Glas Trustees Limited ("Trustee") entered into a Convertible Loan Notes Trust Deed on 22 December 2017 (as amended on 19 December 2019) to absorb any proceeds from the litigation. On 20 January 2020, Slater and Gordon (UK) I Limited issued £250,000,008 loan notes to the Noteholders. The Noteholders exercised their right to convert the loan notes into preference shares on a 1:1 basis. As agreed under the deed the preference shares were exchanged for equity in the Company by the Company issuing 2,505 Ordinary Shares to the Noteholders at fair value. On 24 June 2020, the terms of the Preference Shares were changed so such that they became ordinary shares, ranking equally with the existing ordinary shares (also owned by the Company)

by changing the rights attaching to the shares.

In July 2020 the Company issued 42,667 Class A Shares to Key management personal ("beneficial owners") for cash at their unrestricted market value as at the purchase date. Slater and Gordon UK Nominees Limited holds these shares on behalf of the beneficial owners.

On 21 December 2020, the Company repurchased 20,450 shares for £0.01 following the partial repurchase of the shareholders' loan of £0.3m held within the Group by Slater and Gordon (UK) I Limited.

## 8. Related party transactions

The Company is taking advantage of the exemption granted under Financial Reporting Standard 101, Paragraph 8(k), "Related Party Transactions", not to disclose transactions with wholly owned group companies, which are related parties. Disclosures related to Directors' remuneration are made within note 6 of the consolidated accounts.

## 9. Financial guarantees

On 12 February 2019, the Company entered into a guarantee of a services agreement between RAC Motoring Services, SGS Business Process Services (UK) Limited and Slater and Gordon UK Limited, each of whom provide services (credit hire, credit repair or legal services) to customers of RAC. Annual anticipated fees £1.1m, as adjusted for volumes.

On 22 June 2019, the Company entered into a counter-indemnity (issued in favour of Slater and Gordon Limited ("SGL") of SGL's guarantee of the LLP Agreement relating to Slater and Gordon (UK) 2 LLP (the "LLP") dated 30 April 2012 in favour of the B Members of the LLP).

## 10. Subsequent events

### Overland Health Limited closure

In July 2020 the Group concluded a strategic review of the Overland entities (Overland Health Limited, Overland Malta (Trading) Limited, Overland Limited) channels to market. As a result of this review all contracts were terminated. The Overland entities ceased trading on 21 January 2021. The financial performance of the Overland entities does not meet the criteria to be disclosed as discontinued operations under IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended 31 December 2020.

### Mobile Doctors Limited sale

On 8 March 2021, the Group sold Mobile Doctors Limited for £3.6m. A profit on disposal of £2.0m was generated. The disposal did not meet the criteria under IFRS 5 "Non-current assets held for sale and discontinued operations" to be disclosed as held for sale at 31 December 2020 or discontinued operations for year ended 31 December 2020.

### Refinancing of Shareholders' Loan

The shareholders' loans due to expire on 22 December 2021 have been extended to 31 May 2024 under their existing terms.

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

### SGS Business Process Service Limited

On 17 November 2021 the Group announced a plan to enter into third party partnerships for the provision of the hire and repair business of SGS Business Process Service Limited ("Motor"). The scope of services being provided by the Motor business would be reduced and the team re-organised. The closure does not meet the criteria to be disclosed as discontinued operations under IFRS 5 "Non-current assets held for sale and discontinued operations" for the year ended 31 December 2020.



Lawyers

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