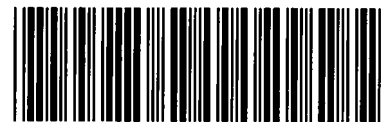


REGISTERED NUMBER: 06836625 (England and Wales)

Directors' Report and
Unaudited Financial Statements for the year ended 30 June 2017
for
Recover Healthcare Limited

MONDAY



A73Z92YZ

A13

16/04/2018

#2

COMPANIES HOUSE

Contents of the Financial Statements
for the year ended 30 June 2017

	Page
Company Information	3
Directors' Report	4
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Statement of Cash Flows	10
Notes to the Financial Statements	11

Recover Healthcare Limited

Company Information
for the year ended 30 June 2017

DIRECTOR: Mr K J Fowlie
Mr S B Prew (appointed 25th October 2017)
Mr D J L Whitmore (Appointed 20th February 2018)

REGISTERED OFFICE: 50-52 Chancery Lane
London
WC2A1HL

REGISTERED NUMBER: 06836625 (England and Wales)

Directors' Report
for the year ended 30 June 2017

The directors present their strategic report for the year ended 30 June 2017. The comparative numbers are for the year ended 30 June 2016.

BUSINESS REVIEW

The principal activities of the company are the provision of rehabilitation services to the insurance industry and legal fraternity, together with the provision of occupational health services to industry in general.

The directors present their report of the unaudited financial statements for the year ended 30 June 2017

DIVIDENDS

The directors do not recommend the payment of a dividend (2016: £nil).

DIRECTORS

The directors during the period under review or who have been appointed since the period end are:

KJ Fowlie

S B Prew (appointed 25 October 2017)

D J L Whitmore (appointed 20 February 2018)

GOING CONCERN

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

The Company is a member of the UK Slater and Gordon group ("the UK Group"), owned from 22 December 2017 by Slater and Gordon UK Holdings Limited (the "New Parent Company"), following the completion of the Senior Lender Scheme of Arrangement (the "Senior Lender Scheme") which, inter alia, resulted in the reduction of secured debt owed by the UK Group to £nil; separation of the Company and the other companies in the UK Group from Slater and Gordon Limited, its former Australian parent entity, and the provision of a £14.8m Super Senior GBP Facility ("SSF") by the New Parent Company's shareholders which was fully drawn on completion (for more details see note 14).

During the year ended 30 June 2017 the Company incurred a net loss after tax of £0.06m and generated negative net cash flows from operating activities of £0.4m. At 30 June 2017, the Company had net assets of £0.2m and cash of £0.2m. During the year ended 30 June 2017 the UK Group incurred a net loss after tax of £45.8m and generated negative net cash flows from operating activities of £14m. At 30 June 2017, the UK Group had net liabilities of £167.0m and cash of £14.8m. After completion of the Senior Lender Scheme and the overall reduction of UK debt from £386.4m to £14.8m, the UK Group had net assets of circa £170m, including cash of £11m.

In addition to the £14.8m of drawn SSF debt, the UK Group has arranged a £10m Cost Advance Facility (the "CAF") with a third party funder which will be drawn progressively from January 2018 as disbursement receivables on successfully settled cases are assigned to the funder pending agreement of costs. The UK Group has prepared cash flow forecasts for the foreseeable future based on management's best estimate of the achievement of revenues and the phasing of collection of the related cash, which demonstrate cash self-sufficiency in the UK Group, including the drawn cash under the SSF (which is not repayable for 3 years) and the expected drawdowns on the CAF. At the same time, management is actively taking steps to reduce the ongoing costs of the UK Group, particularly in regards to the support functions and case acquisition. If the forecast cash receipts are not received in full, and by the expected due date, and there are insufficient realised cost reductions to compensate for the lower cash receipts, the UK Group may need to seek additional cash funding from the shareholders of the New Parent Company or from other sources.

The above matters present material uncertainties which may cast significant doubt on the UK Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Directors' Report (Continued)
for the year ended 30 June 2017

GOING CONCERN (Continued)

After taking into account all available information, the Directors have concluded that there are currently reasonable grounds to believe the UK Group will be able to manage its cash flows to remain within the liquidity range provided by the facilities described above and that if the current facilities should prove insufficient the UK Group will continue to receive the support of its shareholders. As such the Directors believe that the preparation of the financial statements for the year ended 30 June 2017 on a going concern basis is appropriate.

The Directors have formed this view based on a number of factors including the support that the shareholders of the New Parent Company have afforded the UK Group to date in ensuring a stable platform for the business to re-establish itself, and the absence of advice from the shareholders of a withdrawal of their support.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the UK Group not continue as a going concern.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework ("FRS101") and the Companies Act 2006. Under company law the directors must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with FRS101;

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

ON BEHALF OF THE BOARD:


.....
Mr K J Fowlie - Director
Date: 21 March 2018

Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	Year ended 30 June 2017 £	Year ended 30 June 2016 £
CONTINUING OPERATIONS			
Revenue		30,923	543,366
Cost of sales		<u>(16,972)</u>	<u>(260,659)</u>
GROSS PROFIT		13,951	282,707
Administrative expenses		<u>(75,340)</u>	<u>(126,618)</u>
OPERATING/PROFIT		(61,389)	156,089
Finance costs	6	<u>-</u>	<u>-</u>
(LOSS)/PROFIT BEFORE INCOME TAX		(61,389)	156,089
Income tax	8	<u>(16)</u>	<u>-</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(61,405)</u>	<u>156,089</u>

Statement of Financial Position
30 June 2017

	Notes	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment		-	-
Deferred tax		-	-
		<u>-</u>	<u>-</u>
Current assets			
Trade and other receivables	9	2,536,402	3,844,755
Tax receivable		-	108,869
Cash and cash equivalents	10	211,717	586,378
		<u>2,748,119</u>	<u>4,540,002</u>
Total assets		2,748,119	4,540,002
Liabilities			
Current liabilities			
Trade and other payables	13	2,539,436	4,269,914
Tax payable		-	-
		<u>2,539,436</u>	<u>4,269,914</u>
Total liabilities		2,539,436	4,269,914
Net assets		<u>208,683</u>	<u>270,088</u>
Equity			
Called up share capital	11	100	100
Retained earnings	12	208,583	269,988
		<u>208,683</u>	<u>270,088</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 relating to small companies for the period ended 30 June 2017. The members have not required the company to obtain an audit of its financial statements for the period ended 30 June 2015 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

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

The financial statements were approved by the directors on 21 March 2018 and were signed by:


.....
Mr K J Fowlie - Director

Statement of Changes in Equity
for the year ended 30 June 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 30 June 2015	100	113,899	113,999
Changes in equity			
Total comprehensive income	<u>-</u>	<u>156,089</u>	<u>156,089</u>
Balance at 30 June 2016	<u>100</u>	<u>269,988</u>	<u>270,088</u>
Changes in equity			
Total comprehensive expense	<u>-</u>	<u>(61,405)</u>	<u>(61,405)</u>
Balance at 30 June 2017	<u><u>100</u></u>	<u><u>208,583</u></u>	<u><u>208,683</u></u>

Statement of Cash Flows
for the year ended 30 June 2017

	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Cash flows from operating activities		
Cash (outflow)/generated from operations 1	(483,514)	366,440
Interest paid	-	-
Tax received	<u>108,853</u>	<u>-</u>
Net cash from operating activities	<u>(374,661)</u>	<u>366,440</u>
	-----	-----
(Decrease)/increase in cash and cash equivalents	(374,661)	366,440
Cash and cash equivalents at beginning of period	586,378	219,938
	-----	-----
Cash and cash equivalents at end of period	<u>211,717</u>	<u>586,378</u>

Notes to the Statement of Cash Flows
for the year ended 30 June 2017

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	Year ended 30 June 2017	Year ended 30 June 2016
	£	£
(Loss)/Profit before income tax	(61,389)	156,089
Finance costs	-	-
	<u>(61,389)</u>	<u>156,089</u>
Decrease in trade and other receivables	1,308,353	849,327
(Decrease) in trade and other payables	<u>(1,730,478)</u>	<u>(638,976)</u>
Cash (outflow)/generated from operations	<u>(483,514)</u>	<u>366,440</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Period ended 30 June 2017

	30 June 2017	1 July 2016
	£	£
Cash and cash equivalents	<u>211,717</u>	<u>586,378</u>

Year ended 30 June 2016

	30 June 2016	1 July 2015
	£	£
Cash and cash equivalents	<u>586,378</u>	<u>219,938</u>

Notes to the Financial Statements
for the year ended 30 June 2017

3. GENERAL INFORMATION

Recover Healthcare Limited is a company incorporated and domiciled in the United Kingdom.

4. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101") and the Companies Act 2006. This is the first year in respect of which the Company has prepared its financial statements under FRS101. The previous financial statements for the year ended 30 June 2016 were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations adopted by the European Union (EU). The date of transition to FRS101 for the Company was 1 July 2016. There were no changes in accounting policies or transition adjustments in preparing financial statements for the year ended 30 June 2016. Therefore no reconciliation between IFRS as previously reported and FRS101 has been prepared for both total comprehensive income for the year ended 30 June 2016 and total equity as at 1 July 2015 and 30 June 2016.

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared for the year ended 30 June 2017. The comparative period is for the year ended 30 June 2016.

Revenue recognition

Revenue is measured at the fair value of the consideration received and represents amounts receivable for services provided in the ordinary course of business, net of discounts and sales taxes.

The company provides rehabilitation services. Income is recognised on delivery of service. Income can be reliably estimated based on agreed charges with customers or instructing parties. Where services are delivered by external parties costs can be reliably estimated based on charges agreed with those suppliers.

In the opinion of the directors, the company is engaged in only one class of business and its revenue and profit before taxation are derived wholly in the United Kingdom.

Taxation including deferred tax

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

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

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

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

Notes to the Financial Statements - continued
for the year ended 30 June 2017

4. ACCOUNTING POLICIES – continued

Operating profit

Operating profit is profit stated before finance income, finance expense and tax.

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Amounts set aside for settlement adjustments, are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collapsibility (credit risk). Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Trade payables

Trade payables do not carry any interest and are stated at their fair value.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made a number of judgements, and the preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

5. EMPLOYEES AND DIRECTORS

	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Directors	<u>1</u>	<u>1</u>

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

Notes to the Financial Statements - continued
for the year ended 30 June 2017

6. NET FINANCE COSTS

	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Finance costs: Interest payable and similar charges	-	-

7. PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax is stated after charging:

	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Staff costs	-	-

8. INCOME TAX

Analysis of tax expense

	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Current tax: Tax	16	-
Deferred tax	-	-
Total tax expense in statement of comprehensive income	16	-

**Notes to the Financial Statements - continued
for the year ended 30 June 2016**

8. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 30 June 2017 £	Year ended 30 June 2016 £
(Loss)/Profit on ordinary activities before income tax	<u>(61,389)</u>	<u>156,089</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	(12,124)	-
Effects of:		
Expenses not deductible for tax purposes	-	-
Group relief surrendered / (claimed)	12,124	(156,089)
Adjustment in respect of prior periods	16	-
	<u>16</u>	<u>-</u>
Tax expense	<u>16</u>	<u>-</u>

Factors affecting future tax charges

In the Budget on 8 July 2015, the Chancellor announced reductions in the corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. These rates were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

9. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Current:		
Trade receivables (net of impairment provision)	257,370	872,600
Amounts owed by group undertakings	2,250,192	2,944,969
Other receivables	28,840	27,186
Prepayments and accrued income	-	-
	<u>2,536,402</u>	<u>3,844,755</u>

The directors consider that the net carrying amount of trade receivables approximates to their fair value.

10. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash and cash equivalents	<u>211,717</u>	<u>586,378</u>

Cash and cash equivalents comprise cash held by the company. The carrying amount of these assets approximates to their fair value.

**Notes to the Financial Statements - continued
for the year ended 30 June 2017**

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value: £1	2017 £ <u>100</u>	2016 £ <u>100</u>
100	Ordinary			

12. RESERVES

	Retained earnings £
At 1 July 2016	269,988
(Loss) for the period	<u>(61,405)</u>
At 30 June 2017	<u>208,583</u>

13. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Current:		
Trade payables	105,500	177,613
Amounts owed to group undertakings	1,488,768	3,088,654
Payroll and other taxes including social security	-	-
Accruals and deferred income	945,168	1,003,647
Other liabilities	<u>-</u>	<u>-</u>
	<u>2,539,436</u>	<u>4,269,914</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the amount of trade payables approximates to their fair value.

14. CONTINGENT LIABILITIES

The Company is party to a GBP currency Super Senior Facility Agreement ("SSFA") dated 22 December 2017 pursuant to which the Company's indirect parent company, Slater and Gordon (UK) 1 Limited, is a borrower. Pursuant to the terms of the SSFA, the Company has given a cross-guarantee (along with other UK Group Companies) in relation to all liabilities outstanding under the SSFA in favour of the Finance Parties (as defined under the SSFA), which are all shareholders of Slater and Gordon UK Holdings Limited, the ultimate parent company.

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

Notes to the Financial Statements - continued
for the year ended 30 June 2017

15. FINANCIAL INSTRUMENTS

The company's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The company does not use derivatives. The main purpose of these financial instruments is to manage the company's operations. It is, and has been throughout the period under review, the policy of the company that no trading in financial instruments shall be undertaken.

Credit risk

The company is not subject to significant concentration of credit risk with exposure spread across many companies. The credit quality of the company's trade receivables is considered by management to be good, as evidenced by the low rates of impairment provided and amounts written off.

No interest is charged on the receivable balances. The company does not hold any collateral or other credit enhancements over these balances nor has the legal right of offset with any amounts owed by the company to the receivables counterparty.

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date the principal assets were:

	Note	30 June 2017 £	30 June 2016 £
Loans and receivables			
Trade receivables	9	257,370	872,600
Cash and cash equivalents	10	<u>211,717</u>	<u>586,378</u>
		<u>469,087</u>	<u>1,458,978</u>

The receivables are all based in the UK and denominated in sterling.

16. ULTIMATE PARENT COMPANY

At 30 June 2017, the ultimate parent undertaking was Slater and Gordon Limited, a company incorporated in Australia. Copies of the consolidated accounts of Slater and Gordon Limited can be obtained from 485 La Trobe Street, Melbourne, Victoria, Australia, 3000.

From 22 December 2017, the Company's ultimate parent undertaking is Slater and Gordon UK Holdings Limited, a company incorporated in England and Wales.

Notes to the Financial Statements - continued
for the year ended 30 June 2017

17. POST BALANCE SHEET EVENTS

On 22 December 2017 (the "Implementation Date"), the Company's former Australian parent, Slater and Gordon Limited, completed the Senior Lender Scheme of Arrangement (the "Senior Lender Scheme") which resulted in, amongst other things:

- A reduction of secured debt owed by the Global Group under its Syndicated Facility Agreement of A\$636.6m (of this, £386m was owed by the Company's UK parent which was reduced to £nil);
- Separation of the Company and the other companies in the UK Group from Slater and Gordon Limited, and transfer of these entities and their operations to Slater and Gordon UK Holdings Limited, the "New Parent Company", a newly incorporated company wholly owned by the New Senior Lenders under the Senior Lender Scheme;
- The provision of a new syndicated facility agreement by the New Parent Company's shareholders (the "Super Senior GBP Facility") for £14.8m of working capital funding, which amount was fully drawn on the Implementation Date;
- Agreement that the UK Group would pay any proceeds of the claim against Watchstone Group plc (formerly Quindell Plc), arising from the acquisition of the Slater Gordon Solutions business from Quindell Plc on 29 May 2015, for which proceedings were issued and served on 13 June 2017, first to recover any expenses incurred, second to pay up to A\$40m deferred consideration to Slater and Gordon Limited under the Share Sale Agreement, third to repay any amounts drawn under the Super Senior GBP Facility, fourth to pay up to £250m to convertible note holders and fifth to retain by the Company's UK parent.

Following completion, the consolidated balance sheet position of the UK Group has moved from net liabilities of £167m at 30 June 2017 to net assets of approximately £170m from the Implementation Date.