

DESTINY LEGAL SERVICES LIMITED

**Report and financial statements
30 April 2007**

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REPORT AND FINANCIAL STATEMENTS 2007

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DESTINY LEGAL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R L Donn
N A Utley
B T Walker

SECRETARY

B T Walker

REGISTERED OFFICE

P O Box 41
The Observatory
Chapel Walks
Manchester
M60 1DZ

BANKERS

The Co-operative Bank plc
Balloon Street
Manchester
M60 4EP

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom

DIRECTORS' REPORT

The directors present their report on the affairs of the company, together with the financial statements and the auditors' report, for the period ended 30 April 2007

PRINCIPAL ACTIVITIES

The company was incorporated on 1 March 2005 under the name of Hamsard 2813 Limited and commenced to trade on 6 March 2006, having changed its name to Destiny Legal Services Limited on 8 September 2005. The principal activities of the company are the provision of outsourcing solutions to law firms.

BUSINESS REVIEW

Destiny Legal Services Limited began trading on 6 March 2006 with a view to providing outsourcing solutions to the UK legal profession. The profession will see significant change over the coming years, as the effects of the Clementi Review and resultant Legal Services Act start to take effect.

There is some uncertainty as to the nature of the future regulatory framework for the UK legal profession. However, the directors believe that these changes will necessitate an increased appetite for efficiency of back office and case handling operations. As a market leader in the provision of these services, the company is extremely well placed to profit from these developments in future.

To this end, the period ended 30 April 2007 was one of development for the company. The foundations for future operations were built, at significant cost, but the directors believe that this initial investment will yield a healthy return in the years to come. In particular, the period saw the recruitment and establishment of a highly skilled senior management team, the establishment of streamlined processes and the securing of new, long term commercial agreements.

These initiatives resulted in turnover for the period ended 30 April 2007 of £11.7 million and a loss before taxation of £779,078. The company employed 179 staff as at 30 April 2007. This total may be analysed as follows:

	No.
Assistance Centre	27
Case Handling	78
Finance	17
Secretarial Support	23
Other	<u>34</u>
TOTAL	<u>179</u>

Since 30 April 2007, the company has secured increased work volumes through its existing customer network, thereby further strengthening the company's position as the principal legal outsourcer in the UK.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividend has been paid or proposed in respect of the period under review.

The loss after taxation of £779,078 has been transferred from reserves (2006 - £nil profit/loss).

DIRECTORS' REPORT (continued)

DIRECTORS

Directors of the company during the period and thereafter were as follows

R L Donn
N A Utley
B T Walker
P C Simpson (resigned 3 July 2007)
M R Smith (resigned 7 September 2007)

In accordance with the repeals of sections 324-326 and 328-329 and Parts 2 to 4 of Schedule 13 of the Companies Act 1985, no disclosure is prepared in respect of directors' interests in shares of the company

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any audit information (as defined) 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 s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors on *29 February* 2008
and signed on by order of the Board



B T Walker

Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DESTINY LEGAL SERVICES LIMITED

We have audited the financial statements of Destiny Legal Services Limited for the period from 1 March 2006 to 30 April 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2007 and of its loss for the period from 1 March 2006 to 30 April 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom

29 February 2008

DESTINY LEGAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT For the period ended 30 April 2007

		Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006 £
	Note		
TURNOVER	2	11,659,098	-
GROSS PROFIT		11,659,098	-
Administrative expenses		(12,425,541)	-
OPERATING LOSS	4	(766,443)	-
Interest payable and similar charges		(12,635)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(779,078)	-
Tax on loss on ordinary activities	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD	11,12	(779,078)	-

All activities are derived from continuing operations

There are no recognised gains or losses other than the loss for the period. Accordingly, a separate statement of total recognised gains and losses has not been presented.

DESTINY LEGAL SERVICES LIMITED

BALANCE SHEET

As at 30 April 2007

	Note	£	30 April 2007 £	£	28 February 2006 £
FIXED ASSETS					
Tangible assets	6		848,628		-
Investments			5		-
			<u>848,633</u>		<u>-</u>
CURRENT ASSETS					
Debtors	7	1,386,051		95	
Cash at bank and in hand		1,880		-	
		<u>1,387,931</u>		<u>95</u>	
CREDITORS: amounts falling due within one year	8	(2,515,523)		-	
NET CURRENT (LIABILITIES)/ASSETS			<u>(1,127,592)</u>		<u>95</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(278,959)</u>		<u>95</u>
CREDITORS: amounts falling due after more than one year	9		(500,000)		-
NET (LIABILITIES)/ASSETS			<u>(778,959)</u>		<u>95</u>
CAPITAL AND RESERVES					
Called up share capital	10		119		95
Profit and loss account	11		(779,078)		-
SHAREHOLDERS' (DEFICIT)/FUNDS	12		<u>(778,959)</u>		<u>95</u>

These financial statements were approved by the Board of Directors on 29 February 2008

Signed on behalf of the Board of Directors



R L Donn
Director

B T Walker
Director

DESTINY LEGAL SERVICES LIMITED

CASH FLOW STATEMENT

For the period ended 30 April 2007

			Period from 1 March 2006 to 30 April 2007	Period from 1 March 2005 to 28 February 2006
	Note	£	£	£
Net cash outflow from operating activities	14		(370,172)	-
Returns on investments and servicing of finance				
Interest paid			(12,635)	-
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(183,884)		
Receipts from sales of tangible fixed assets		68,514		
Purchase of investments		(5)		
			(115,375)	-
Net cash flow before financing			(498,182)	-
Financing				
New unsecured loan		500,000		
Repayment of finance leases		(77,732)		
Issue of share capital		24		
Net cash inflow from financing			422,292	-
Decrease in cash in the period	15		(75,890)	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 April 2007

1. ACCOUNTING POLICIES

The principal accounting policies adopted are summarised below. They have all been applied consistently throughout the current and preceding period.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, in equal annual instalments, over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-term leasehold improvements	over the term of the lease
Fixtures and fittings	10% per annum reducing balance
Computers and equipment	20% per annum straight line
Motor vehicles	20% per annum straight line

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Pension costs

The company offers a stakeholder pension scheme to its employees and company contributions are made to individual employees' stakeholder pensions in line with contractual obligations. The stakeholder scheme is a defined contribution scheme; therefore no further liability exists for the company.

2. TURNOVER

Turnover represents amounts receivable from goods and services provided in the normal course of business, net of trade discounts and value added tax. The turnover and pre-tax result, all of which arises in the United Kingdom, is attributable to the activity of the company.

DESTINY LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 30 April 2007

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006 £
Directors' emoluments		
Emoluments	558,832	-

Remuneration of the highest paid director:

	Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006 £
Emoluments	245,000	-

Average number of persons employed in the period

	No.	No.
Directors	5	-
Administration	184	-
	189	-
	£	£

Staff costs during the period (including directors)

Wages and salaries	4,989,460	-
Social security costs	503,140	-
Pension costs	5,575	-
	5,498,175	-

4. OPERATING LOSS

	Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006 £
The operating loss is stated after charging:		
Depreciation of owned assets	169,755	-
Loss on disposal of fixed assets	3,648	-
Rentals under operating leases – property	969,365	-
Auditors' remuneration	10,500	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 April 2007

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006 £
United Kingdom corporation tax at 20%	-	-

Factors affecting tax charge for the current period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 20%

The differences are explained below

	Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006
Loss on ordinary activities before tax	(779,078)	-
Tax at 20% thereon	(155,816)	
Effects of		
Expenses not deductible for tax purposes	60,590	-
Capital allowances in excess of depreciation	33,951	-
Increase in tax losses carried forward	61,275	
Current tax charge for period	-	-

Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of fixed asset timing differences and tax losses carried forward. The amount of the asset not recognised is £60,000. These timing differences would be reversed if sufficient suitable taxable profits were realised in subsequent accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2007

6. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures and fittings £	Computers and equipment £	Motor vehicles £	Total £
Cost					
At 1 March 2006	-	-	-	-	-
Additions	306,204	113,351	597,605	73,385	1,090,545
Disposals	-	-	-	(73,385)	(73,385)
At 30 April 2007	<u>306,204</u>	<u>113,351</u>	<u>597,605</u>	<u>-</u>	<u>1,017,160</u>
Accumulated depreciation					
At 1 March 2006	-	-	-	-	-
Charge for the period	35,724	13,224	119,584	1,223	169,755
Disposals	-	-	-	(1,223)	(1,223)
At 30 April 2007	<u>35,724</u>	<u>13,224</u>	<u>119,584</u>	<u>-</u>	<u>168,532</u>
Net book value					
At 30 April 2007	<u>270,480</u>	<u>100,127</u>	<u>478,021</u>	<u>-</u>	<u>848,628</u>
At 28 February 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Included within additions of £1,090,545 are assets with the value of £906,661 which were acquired on transfer from Donns LLP in accordance with the business transfer agreement (note 16)

7. DEBTORS

	30 April 2007 £	28 February 2006 £
Unpaid share capital	95	95
Trade debtors	910,918	-
Other debtors	244,641	-
Prepayments and accrued income	230,397	-
	<u>1,386,051</u>	<u>95</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2007

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 April 2007 £	28 February 2006 £
Bank overdraft	77,770	-
Obligations under hire purchase and finance leases	55,522	-
Trade creditors	77,294	-
Other creditors	625,131	-
Other taxes and social security	478,334	-
Accruals and deferred income	1,201,472	-
	<u>2,515,523</u>	<u>-</u>

Finance leases are secured on the asset to which the liability relates

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 April 2007 £	28 February 2006 £
Other loans	500,000	-
	<u>500,000</u>	<u>-</u>

Other loans are interest free and repayable on or before 30 September 2009

10. CALLED UP SHARE CAPITAL

	30 April 2007 £	28 February 2006 £
Authorised		
10,000,000 ordinary shares of £0 01 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid		
11,875 ordinary shares of £0 01 each (2006 – 9,525 ordinary shares of £0 01 each)	119	95
	<u>119</u>	<u>95</u>

11. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £
As at 1 March 2006	-
Retained loss for the period	(779,078)
As at 30 April 2007	<u>(779,078)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2007

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS

	30 April 2007 £	28 February 2006 £
Loss for the financial period	(779,078)	-
Issue of share capital	24	95
Net (reduction in)/addition to shareholders' funds	(779,054)	95
Opening shareholders' funds	95	-
Closing shareholders' (deficit)/funds	(778,959)	95

13. FINANCIAL COMMITMENTS

Operating lease commitments

As at 30 April 2007, the company has annual commitments under non-cancellable operating leases as follows

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
Leases which expire				
After more than 5 years	680,000	-	-	-

14. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006
Operating loss	(766,443)	-
Depreciation	169,755	-
Loss on disposal of fixed assets	3,648	-
Increase in debtors	(1,385,956)	-
Increase in creditors	1,608,824	-
Net cash outflow from operating activities	(370,172)	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 April 2007

15. ANALYSIS AND RECONCILIATION OF NET DEBT

	At 1 March 2006 £	Cash flow £	Other non-cash movement £	At 30 April 2007 £
Cash in hand and at bank	-	1,880	-	1,880
Bank overdraft	-	(77,770)	-	(77,770)
	-	(75,890)	-	(75,890)
Debt due within one year	-	77,732	(133,254)	(55,522)
	-	1,842	(133,254)	(131,412)
Debt due in more than 1 year	-	(500,000)	-	(500,000)
	-	(498,158)	(133,254)	(631,412)
			Period from 1 March 2006 to 30 April 2007 £	Period from 1 March 2005 to 28 February 2006
Decrease in cash in the period			(75,890)	-
Cash inflow from increase in debt			(500,000)	-
Cash outflow from decrease in lease financing			77,732	-
Changes in net debt resulting from cash flows			(498,158)	-
Finance leases acquired on transfer from Donn's (note 16)			(133,254)	-
Movement in net debt in period			(631,412)	-
Net debt at 1 March 2006			-	-
Net debt at 30 April 2007			(631,412)	-

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2007

16. RELATED PARTY TRANSACTIONS

During the period, the company received goods and/or services from the following related parties

Related party	Relationship	Nature of transactions	£	Balance at 30 April 2007 £
Avertis Risk Solutions Limited	Mr M Smith director and shareholder	Services provided	80,433	-
Nexus Investigations Limited	Mr M Smith director and shareholder	Services provided	176,353	-
Brooks and Wilcox Limited	Mr M Smith director and shareholder	Services provided	27,899	-
Donns LLP	Mr R L Donn exercises significant influence	Management charge under terms of business contract between the two entities	11,413,087	910,918

Funds

Funds were received during the period from Destiny Business Services Limited and Donns LLP. Destiny Business Services Limited is a company under common control. At 30 April 2007, the balance due from Destiny Business Services Limited was £241,756 and the amount due from Donns LLP was £616,248.

Transfer of assets and liabilities from Donns LLP

Further to the transfer of business from Donns partnership to Donns LLP on 6 March 2006, certain assets and liabilities were transferred to Destiny Legal Services Limited. Tangible fixed assets totalling £906,661 were transferred to this company together with related finance leases with an outstanding creditor, at that date, of £133,254.

There were no such related party transactions or balances in the prior period.

17. ULTIMATE CONTROLLING PARTY

The directors do not consider there to be an ultimate controlling party during the period.

18. POST BALANCE SHEET EVENT

Subsequent to the year end, Mr R L Donn acquired additional shares from Mr M R Smith, resulting in Mr R L Donn gaining control of the company.