

Registered number: 07966978

BW/LEGAL SERVICES LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**



BW LEGAL SERVICES LIMITED

COMPANY INFORMATION

Directors	Sean Barton Rachael Withers
Registered number	07966978
Registered office	Enterprise House Apex View Leeds LS11 9BH
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor No 1 Whitehall Riverside Leeds LS1 4BN

BW LEGAL SERVICES LIMITED

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BW LEGAL SERVICES LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

Strategic objectives and vision

This is the fifth set of accounts that have been produced by BW Legal Services Limited since the trade and assets of its forerunner, BW Legal, were incorporated on 1 January 2013.

Having achieved its vision of being the premier niche legal debt recovery firm operating within its chosen sectors, BW Legal is now also the largest privately owned debt recovery law firm in the UK.

In the last 18 months it has moved to high quality offices in Leeds city centre and expanded its staff base to c. 250 FTEs. The new offices give plenty of scope for further, managed growth. The office move is further testament to the growth plan of BW Legal and its desire to be the stand out debt litigation provider in the UK.

The fact that BW Legal has managed to move its whole business and fund this largely out of cashflow, and absorb all costs within the relevant accounting period, also reflects the strength of the business.

Business model

The business model positions the Company well within the debt collection/debt litigation market and provides it with a significant competitive advantage over a number of its competitors in that market.

Such is the level of expertise, infrastructure and staff base – BW Legal can genuinely offer debt collection/litigation across all key sectors whether the debt is consumer or commercial and whether it is regulated or non-regulated. BW Legal is the number one provider for all-round and specialist expertise.

Speed and adaptability remain key attributes. And whilst the company is still manager-owned, it has also focussed heavily on creating a management infrastructure which positions it very well as a stand-alone, systemised business offering, recognising the importance of strength in depth.

The Company generates revenues from the billing of legal costs and commissions generated from collecting debts on a high volume basis. The Company employs a mix of qualified lawyers and highly skilled operatives and utilises pre and post legal strategies to recover outstanding amounts on behalf of its clients.

The Company continues to invest heavily in staff recruitment, training and in its IT platform in order to deliver a service that is highly compliant with industry best practice and that is efficient and information rich. Customers (debtors) remain key to success. BW Legal has genuinely managed to create an offering which preserves the principle of "treating customers fairly" (particularly important for the high number of FCA regulated clients of BW Legal) whilst also ensuring market leading returns for their clients. As a result, clients get good returns whilst protecting their brand.

Growth of the business to date

Despite investing heavily in an office move, and the disruption that would normally cause to a business, BW Legal has nevertheless consolidated its staff and client bases whilst maintaining profit.

The client base continues to diversify with base of SMEs, debt purchasers, operators in the parking sector, HCSTC (high costs short term credit) and other financial services. Management has a strong focus over the next 12-24 months in increasing the size and diversity of the client base, whilst increasing profit.

The Company continues to apply an accounting estimate under FRS102 which matches some of the costs incurred in processing cases where the income will be recognised in the future with that income and presents a fairer picture of the underlying profitability of the company.

BW LEGAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2017

Current opportunities

Volume recoveries work will remain the cornerstone of the Company's business model and remains crucial to its future success. This market will continue to be a core focus and the company will develop its offering to both existing and new customers in the sector.

The following growth areas have been identified:

- HCSTC providers;
- Parking Operators;
- Debt Purchasers;
- Commercial/Corporate clients;
- Utilities; and
- Professional services.

Risks and uncertainties

Dealing with regulators (FCA/SRA) and regulation (GDPR) always carries risks as it is impossible to predict how regulators will approach a particular market from year to year.

However, because BW Legal are a market leader in terms of their approach to and acceptance of regulation, any changes in regulation are more likely to produce opportunities for BW Legal. BW Legal always move quickly to adapt to regulatory change (such as the 2017 change to Pre-Action Protocols for Debt Recovery) and use this to its advantage by implementing a business approach which ensures a seamless service for clients and customers whilst being compliant

Key Performance Indicators

The company has a strong ethos of treating customers fairly, delivering optimal results to clients and remaining current in terms of regulatory approach. It therefore closely monitors performance against EBITDA and cash targets, along with regularly assessing the value built. The very nature of our business means that collections performance is the key factor to driving company revenue and overall client result. However the company does not set financial targets in respect of regulated debt. Our performance indicators & governance framework and are set on delivering excellence and quality assurance, equality of our employees, excellent customer service and excelling within the regulatory frameworks. The natural output of that are excellent results for clients.

This report was approved by the board on 17 July 2018 and signed on its behalf.



Rachael Withers
Director

BW LEGAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the eighteen month period ended 31 December 2017.

Principal activity

The Company's principal activity is specialists in debt recovery and bespoke legal services.

Results and dividends

The profit for the period, after taxation, amounted to £871,116 (2016: £688,908).

There was a dividend paid during the year of £941,540 (2016: £Nil).

Directors

The directors who served during the period were:

Sean Barton
Rachael Withers

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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.

BW LEGAL SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the period end.

Auditor

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

This report was approved by the board on 17 July 2018 and signed on its behalf.



Rachael Withers
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BW LEGAL SERVICES LIMITED

Opinion

We have audited the financial statements of BW Legal Services Limited for the period ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

Conclusions relating to going concern

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BW LEGAL SERVICES LIMITED
(CONTINUED)**

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BW LEGAL SERVICES LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

Richard Hobson
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
Date:
17 July 2018

BW LEGAL SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Note	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Turnover	4	13,223,981	4,869,788
Gross profit		13,223,981	4,869,788
Administrative expenses		(12,053,712)	(3,841,121)
Operating profit	5	1,170,269	1,028,667
Interest receivable	9	582	1,153
Interest payable	10	(277,142)	(170,593)
Profit before tax		893,709	859,227
Tax on profit	11	(22,593)	(170,319)
Profit for the financial period		871,116	688,908
Total comprehensive income for the period		871,116	688,908

There were no recognised gains and losses for 2017 or 2016 other than those included in the Statement of Comprehensive Income.

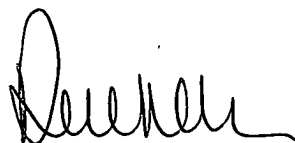
The notes on pages 13 to 27 form part of these financial statements.

BW LEGAL SERVICES LIMITED
REGISTERED NUMBER:07966978

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 December 2017 £	30 June 2016 £
Fixed assets			
Intangible assets	13	1,007,586	1,143,212
Tangible assets	14	984,512	184,358
		<u>1,992,098</u>	<u>1,327,570</u>
Current assets			
Debtors: amounts falling due within one year	15	4,517,733	3,046,566
Cash at bank and in hand	16	-	451,636
		<u>4,517,733</u>	<u>3,498,202</u>
Creditors: amounts falling due within one year	17	(3,046,768)	(1,321,989)
Net current assets		<u>1,470,965</u>	<u>2,176,213</u>
Total assets less current liabilities		<u>3,463,063</u>	<u>3,503,783</u>
Creditors: amounts falling due after more than one year	18	(1,738,504)	(1,723,800)
Provisions for liabilities			
Deferred tax	21	(53,000)	(38,000)
Net assets		<u><u>1,671,559</u></u>	<u><u>1,741,983</u></u>
Capital and reserves			
Called up share capital	22	100	100
Profit and loss account	23	1,671,459	1,741,883
		<u><u>1,671,559</u></u>	<u><u>1,741,983</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 July 2018.



Rachael Withers
Director

The notes on pages 13 to 27 form part of these financial statements.

BW LEGAL SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2016	100	1,741,883	1,741,983
Comprehensive income for the period			
Profit for the period	-	871,116	871,116
Total comprehensive income for the period	-	871,116	871,116
Dividends: Equity capital	-	(941,540)	(941,540)
Total transactions with owners	-	(941,540)	(941,540)
At 31 December 2017	100	1,671,459	1,671,559

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 July 2015	100	1,052,975	1,053,075
Comprehensive income for the year			
Profit for the year	-	688,908	688,908
Total comprehensive income for the year	-	688,908	688,908
At 30 June 2016	100	1,741,883	1,741,983

The notes on pages 13 to 27 form part of these financial statements.

BW LEGAL SERVICES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Cash flows from operating activities		
Profit for the financial period	871,116	688,908
Adjustments for:		
Amortisation of intangible fixed assets	522,615	289,248
Depreciation of tangible fixed assets	234,628	54,933
Interest paid	277,142	170,593
Interest received	(582)	(1,153)
Taxation charge	22,593	170,319
(Increase) in debtors	(1,471,166)	(190,224)
Increase/(decrease) in creditors	612,453	(438,267)
Increase in amounts owed to groups	77,902	-
Corporation tax received/(paid)	88,181	(218,295)
Net cash generated from operating activities	<u>1,234,882</u>	<u>526,062</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(388,669)	(36,636)
Purchase of tangible fixed assets	(1,059,456)	(146,592)
Sale of tangible fixed assets	-	3,524
Interest received	582	1,153
Net cash from investing activities	<u>(1,447,543)</u>	<u>(178,551)</u>

BW LEGAL SERVICES LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	31 December 2017 £	30 June 2016 £
Cash flows from financing activities		
New secured loans	782,678	-
Repayment of other loans	(318,512)	(152,543)
New finance leases	335,446	71,304
Dividends paid	(941,540)	-
Interest paid	(277,572)	(102,412)
Net cash used in financing activities	(419,500)	(183,651)
Net (decrease)/increase in cash and cash equivalents	(632,161)	163,860
Cash and cash equivalents at beginning of period	451,636	287,776
Cash and cash equivalents at the end of period	(180,525)	451,636
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	-	451,636
Bank overdrafts	(180,525)	-
	(180,525)	451,636

The notes on pages 13 to 27 form part of these financial statements.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

1. General information

BW Legal Services Limited is a private company limited by shares incorporated and registered in England and Wales. Its registered head office is Enterprise House, Apex View, Leeds, England, LS11 9BH

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

At the date of approval of these financial statements the directors have prepared detailed profit and loss forecasts for a period of at least one year. The directors believe the Company will continue to operate profitably with positive cash flows and be able to meet all its financial obligations for at least the 12 months from the date of approval of these financial statements such that it remains appropriate to prepare financial statements on a going concern basis.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.4 Intangible fixed assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Goodwill	- 7 years
Software	- 4 years

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

The estimated useful lives range as follows:

Computer equipment	- 4 years
Fixtures & fittings	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Debtors

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

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.9 Creditors

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

2.10 Finance costs

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

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.13 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.14 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key estimates and judgements within the accounts are deemed to be work in progress which is included within other debtors.

4. Turnover

An analysis of turnover by class of business is as follows:

	18 month period ended 31 December 2017 £	<i>Year ended 30 June 2016 £</i>
Fees receivable	13,223,981	<i>4,869,788</i>

All turnover arose within the United Kingdom.

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

5. Operating profit

The operating profit is stated after charging:

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Depreciation of tangible fixed assets:		
- owned by the company	177,225	17,133
- under finance leases	57,403	-
Amortisation of intangible fixed assets - owned by the company	522,615	324,991
Operating lease rentals:		
- other	-	10,940
- land and buildings	700,347	373,727
Defined contribution pension cost	50,928	-
	<u>1,458,518</u>	<u>726,791</u>

6. Auditor's remuneration

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Fees payable to the Company's auditor in respect of:		
Auditor's remuneration - audit	17,000	17,500
Auditor's remuneration - non-audit	3,500	2,000
	<u>20,500</u>	<u>19,500</u>

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. Employees

Staff costs, including directors' remuneration, were as follows:

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Wages and salaries	6,324,247	2,098,222
Social security costs	596,297	196,180
Cost of defined contribution scheme	50,928	-
	<u>6,971,472</u>	<u>2,294,402</u>

The average monthly number of employees, including the directors, during the period was as follows:

	18 month period ended 31 December 2017 No.	Year ended 30 June 2016 No.
Employees	<u>192</u>	<u>92</u>

8. Directors' remuneration

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Directors' emoluments	<u>165,833</u>	<u>395,375</u>

9. Interest receivable

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
Other interest receivable	<u>582</u>	<u>1,153</u>

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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10. Interest payable

	18 month period ended 31 December 2017 £	<i>Year ended 30 June 2016 £</i>
Bank interest payable	277,142	170,593

11. Taxation

	18 month period ended 31 December 2017 £	<i>Year ended 30 June 2016 £</i>
Corporation tax		
Current tax on profits for the year	73,479	168,540
Adjustments in respect of previous periods	(65,886)	(221)
Total current tax	7,593	168,319
Deferred tax		
Origination and reversal of timing differences (note 21)	15,000	2,000
Total deferred tax	15,000	2,000
Taxation on profit on ordinary activities	22,593	170,319

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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11. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (2016: *lower than*) the standard rate of corporation tax in the UK of 19.5% (2016: 20%). The differences are explained below:

	18 month period ended 31 December 2017 £	<i>Year ended 30 June 2016 £</i>
Profit on ordinary activities before tax	893,709	859,227
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016: 20%)	174,273	171,845
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	39,415	551
Capital allowances for period/year in excess of depreciation	-	(1,856)
Adjustments to tax charge in respect of prior periods	(65,886)	(221)
Rate difference - Deferred tax	(6,658)	-
Adjustment in research and development tax credit leading to a decrease in the tax charge	(118,551)	-
Total tax charge for the period/year	22,593	170,319

12. Dividends

	18 month period ended 31 December 2017 £	<i>Year ended 30 June 2016 £</i>
Equity dividends paid	941,540	-

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Intangible fixed assets

	Software £	Software under construction £	Goodwill £	Total £
Cost				
At 1 July 2016	239,883	-	2,024,803	2,264,686
Additions	181,345	207,324	-	388,669
Disposals	(4,429)	-	-	(4,429)
At 31 December 2017	<u>416,799</u>	<u>207,324</u>	<u>2,024,803</u>	<u>2,648,926</u>
Amortisation				
At 1 July 2016	109,086	-	1,012,388	1,121,474
Charge for the year	88,729	-	433,886	522,615
On disposals	(2,749)	-	-	(2,749)
At 31 December 2017	<u>195,066</u>	<u>-</u>	<u>1,446,274</u>	<u>1,641,340</u>
Net book value				
At 31 December 2017	<u>221,733</u>	<u>207,324</u>	<u>578,529</u>	<u>1,007,586</u>
At 30 June 2016	<u>130,797</u>	<u>-</u>	<u>1,012,415</u>	<u>1,143,212</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, is as follows:

	31 December 2017 £	30 June 2016 £
Software under construction	<u>207,324</u>	<u>-</u>

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

14. Tangible fixed assets

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
At 1 July 2016	-	262,553	262,553
Additions	833,863	225,593	1,059,456
Disposals	-	(65,333)	(65,333)
At 31 December 2017	<u>833,863</u>	<u>422,813</u>	<u>1,256,676</u>
Depreciation			
At 1 July 2016	-	78,195	78,195
Charge for the year	113,365	121,263	234,628
Disposals	-	(40,659)	(40,659)
At 31 December 2017	<u>113,365</u>	<u>158,799</u>	<u>272,164</u>
Net book value			
At 31 December 2017	<u>720,498</u>	<u>264,014</u>	<u>984,512</u>
At 30 June 2016	<u>-</u>	<u>184,358</u>	<u>184,358</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, is as follows:

	31 December 2017 £	30 June 2016 £
Computer equipment	<u>97,506</u>	<u>-</u>

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

15. Debtors

	31 December 2017 £	30 June 2016 £
Trade debtors	171,668	56,612
Amounts owed by related parties (note 25)	239,025	-
Other debtors	3,145,390	2,440,345
Prepayments and accrued income	961,650	549,609
	<u>4,517,733</u>	<u>3,046,566</u>

16. Cash and cash equivalents

	31 December 2017 £	30 June 2016 £
Cash at bank and in hand	-	451,636
	<u>-</u>	<u>451,636</u>

17. Creditors: Amounts falling due within one year

	31 December 2017 £	30 June 2016 £
Bank overdrafts	180,525	-
Bank loans	969,974	198,235
Trade creditors	315,864	177,657
Amounts owed to related parties (note 25)	77,902	-
Corporation tax	133,015	213,603
Taxation and social security	419,252	153,876
Obligations under finance leases and hire purchase contracts	169,333	25,929
Directors loan account	185,926	166,583
Accruals and deferred income	594,977	386,106
	<u>3,046,768</u>	<u>1,321,989</u>

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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18. Creditors: Amounts falling due after more than one year

	31 December 2017 £	30 June 2016 £
Bank loans	1,501,864	1,678,425
Obligations under finance leases and hire purchase contracts	236,640	45,375
	<u>1,738,504</u>	<u>1,723,800</u>

The obligations under finance leases and hire purchase contracts are secured on the related asset.

19. Loans

Analysis of the maturity of loans is given below:

	31 December 2017 £	30 June 2016 £
Amounts falling due within one year		
Bank loans	969,974	198,235
Amounts falling due 1-2 years		
Bank loans	1,501,864	1,678,425
	<u>2,471,838</u>	<u>1,876,660</u>

20. Financial instruments

	31 December 2017 £	30 June 2016 £
Financial assets		
Financial assets measured at amortised cost	<u>3,556,083</u>	<u>508,248</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(4,233,005)</u>	<u>(2,678,310)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed from related parties and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, bank loans, obligations under finance leases and hire purchase contracts, other creditors and accruals

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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21. Deferred taxation

	18 month period ended 31 December 2017 £	Year ended 30 June 2016 £
At beginning of year	(38,000)	(36,000)
Charged to profit or loss (note 11)	(15,000)	(2,000)
At end of year	(53,000)	(38,000)

The provision for deferred taxation is made up as follows:

	31 December 2017 £	30 June 2016 £
Accelerated capital allowances	(59,000)	(38,000)
Short term timing differences	6,000	-
	(53,000)	(38,000)

22. Share capital

	31 December 2017 £	30 June 2016 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

23. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

BW LEGAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 £	30 June 2016 £
Land and buildings		
Within 1 year	287,859	282,755
Between 2 and 5 years	1,181,508	-
	<u>1,469,367</u>	<u>282,755</u>
	31 December 2017 £	30 June 2016 £
Other		
Within 1 year	-	6,230
Between 2 and 5 years	-	4,140
	<u>-</u>	<u>10,370</u>

25. Related party transactions

During the period, revenue was received of £4,159,408 (*30 June 2016: £35,275*) from Prac Financial Limited, management charges paid of £Nil (*30 June 2016: £20,000*) and loan account repayment receipt of £155,804 (*30 June 2016: £61,291*). Prac Financial Limited is a related party by virtue of the common directorship of Rachael Withers. At the period end there was £77,902 (*30 June 2016: £202,655*) payable to and £45,682 (*30 June 2016: £Nil*) receivable from Prac Financial Limited.

During the period, revenue of £20,000 was received from BW Legal Services Scotland Limited and loans of £193,343 were made. At the period end there was £193,343 which was receivable from BW Legal Services Scotland Limited. BW Legal Services Scotland Limited is a related party by virtue of the common directorship of Sean Barton.

26. Controlling party

The ultimate controlling parties are Sean Burton and Rachael Withers by virtue of their shareholdings.