

Company Registration No. 07966978 (England and Wales)

BW LEGAL SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

BW LEGAL SERVICES LIMITED

COMPANY INFORMATION

Directors	R Withers S Barton
Company number	07966978
Registered office	Enterprise House Apex View Leeds West Yorkshire England LS11 9BH
Auditor	BHP LLP 1st Floor Mayesbrook House Lawnswood Business Park Leeds LS16 6QY

BW LEGAL SERVICES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Statement of income and retained earnings	9
Balance sheet	10
Notes to the financial statements	11 - 25

BW LEGAL SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Strategic objectives and vision

This is the tenth set of accounts produced by BW Legal Services Limited since the trade and assets of its forerunner, BW Legal, was incorporated on 1 January 2013.

As the premier independent legal debt recovery law firm in the UK, we continue to be committed to being progressive and innovative and to inspire continuous positive change through investment in technology and our people, who are key to our success. We strive to deliver a best in class service.

Business model

The Company creates revenue through regular instructions from its clients to recover sums due to them using an income model on a contingent commission and fixed costs basis and from post-litigation work which also includes solicitor's costs. We are generally instructed monthly on a high-volume basis and can manage for our clients the full spectrum of debt recovery from early arrears through to litigation. Our services to clients are complimented within our contingent income model with administrative support, query resolutions, trace and litigation scoring together with real time reporting.

The Company continues to invest heavily in the development of its people and technologies. It has maintained its ISO27001 accreditation & Investor in People Gold award. During 2021 the Company continued to develop its internal systems for handling of customer communications to speed up responses and provided more efficient workflows for colleagues and clients.

We remain a forward-thinking innovative business that looks year on year to improve both its customers' and clients' experience. Delivering a best in class service for our clients means we set the benchmark for how volume instruction, within any law firm or pre-legal environment, can deliver results whilst being progressive and driving continuous reinvestment into its product delivery and client/customer experiences.

Current opportunities

The Company has been successful in obtaining greater inroads into the energy and government sectors and will continue to build upon these opportunities during 2022 and beyond.

Risks and uncertainties

The key risk and uncertainty facing the majority of businesses in the UK is the impact of inflation driven by various factors both at home and abroad. This puts additional pressure on customers' ability to maintain usual expenditures and will lead to more arrears and defaults of agreements. This will generate a higher inflow of cases for us to manage but it is expected that it will impact in 2022 by reducing the average instalment amount a customer may be able to afford to pay. However, by working closely with clients and customers we are able to offer flexible and pre-approved repayment options and full self-serve of cases with us via our in-house built digital platforms. We have heavily invested in continuing to enhance our customer experience allowing our customers to have full control over their cases with us 24/7. This level of flexibility will allow us to take on more cases and still maintain our high level of client service whilst also assisting us in both revenue protection and liquidity in the face of uncertain economic conditions.

Regulatory

Maintaining the high standard expected from regulators such as the SRA/FCA and the ever-evolving changes in the landscape of regulations means that, at times these changes have to be delivered quickly. This is part of the environment the Company has to manage within. This can carry risks for regulated businesses because it is often impossible to predict how regulators will approach a particular market from year to year. However, because BW Legal are market leading in terms of our approach and have embedded a high standard of adherence and flexibility into all our business processes, we often find that we can adapt to change quicker than some peers which at times can produce opportunities.

BW LEGAL SERVICES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key Performance Indicators

The Company has a strong ethos of treating customers fairly, delivering optimal results to clients and remaining current in terms of its 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 results. However, the Company does not set financial targets in respect of cash recoveries. Our performance indicators and governance framework are set on delivering excellence and quality assurance, equality and education of our employees, excellent customer service and excelling within the dual regulatory frameworks. The natural output of that is excellent results for clients.

The Company notes that revenue increased by 6% over the period but EBITDA decreased which was planned as we heavily invested in our BW Bright Future plan with our Technology investment, seeing growth in areas within our infrastructure, business change and development teams and delivering some of our IT Vision programme all of which this in turn drives long term value. Some of the underlying variable costs increases driven by inflationary factors has also led to a slight impact. We are happy to see the strong result in top-line growth in an extremely challenging environment is especially encouraging. The Company's investments during the year and its continued excellent standards and results, has positioned it well to take advantage of pent-up volume in the industry in future periods.

Outlook

The Directors are confident that the Company will maintain growth during 2022, and continue to see the benefits of its prior investment in technology and appointment to key panels and new clients and will be working to unlock the volumes available throughout the year and finish with a stronger growth in revenues.

On behalf of the board

R Withers
Director

22 December 2022

BW LEGAL SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of debt recovery and bespoke legal services.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £388,800. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Withers

S Barton

Disabled persons

It is the company's policy that full consideration is given to applications for employment by disabled persons, having regard to the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, continuity and appropriate training is arranged where practicable. As far as possible, disabled employees are treated equally with other employees as regards training, career development and promotion.

Employee involvement

BW Legal is committed to ensuring that all its employees are kept up to date with business-related matters where they are relevant and impact them. We have a business-wide intranet that holds all company updates, policies and news. We have a dedicated Employee Engagement team along with our Learning and Development team that report to the Head of People & Culture. We frequently publish new e-learning and classroom-based learning plus updates on compulsory regulatory updates/policy and items that may impact the business. There are also additional courses available, employee-wide, from our Inspire to Learn and lead programme. Through our general employee updates our employee base is kept apprised of work volumes and business commitments.

Auditor

The auditor, BHP LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

BW LEGAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern

The Directors have assessed the current financial position of the Company as well as its forecasted performance and cash flows for a period of at least 12 months following the approval of these financial statements. The Directors have concluded that the Company remains a going concern. The strategic plans of the business are to continue its trading relationships with existing clients whilst seeking to grow its revenues with new business opportunities. Furthermore, the Directors have not identified any material uncertainties which in their view cast significant doubt over the going concern of the Company.

The Directors took account of the following key considerations when assessing the going concern of the Company:

- The business, like many others, is currently operating in a volatile macro-economic environment and therefore its ability to forecast growth accurately has been impacted. The Directors have mitigated this volatility by providing a flat-earnings forecast over the next twelve months. This forecast demonstrates that the Company will maintain liquidity and stay within the limits of its facilities arrangement for a period of at least the next 12 months;
- The company continues to benefit from very strong external funding support from the principal lender and this support is fully aligned with the business' objectives. Within the last 18 months the Company benefitted from additional debt facilities from the funder to support Company strategy. During this time they have supported pro-active covenant changes, including a relaxation of limits for the period of 12 months following approval of these financial statements. The Company has received representations from the funder that it intends to continue to work pro-actively with the Company;
- The Company is a co-borrower and co-guarantor of the facilities with a related party. At the time of signing these financial statements the combined group is in a net assets position with sufficient cash on hand to settle its liabilities as they fall due;
- There are significant opportunities for growth in the markets in which the Company operates which will increase volumes with current relationship growth and through progressing a number of pipeline opportunities;
- The Directors have identified a number of possible actions which, in the event of a severe downside scenario, could be enacted by management in order to ensure positive liquidity and covenant compliance is preserved over the next 12 months.

The Directors therefore expect that the Company will have sufficient resources to enable it to meet its liabilities as they fall due for a period of at least 12 months from signing these financial statements. On this basis, the Directors have concluded that the Company remains a going concern and have therefore adopted this as the basis of preparation for these financial statements.

On behalf of the board

R Withers
Director

22 December 2022

BW LEGAL SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

BW LEGAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BW LEGAL SERVICES LIMITED

Opinion

We have audited the financial statements of BW Legal Services Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of income and retained earnings, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 and of its profit for the year 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

BW LEGAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BW LEGAL SERVICES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

As part of our audit procedures we held a discussion with the Head of Risk and General Counsel at the Company and were able to gain an understanding of and assess the processes in place for ensuring compliance with laws and regulations, including complaints handling and customer redress.

We focused on laws and regulations relevant to the company, which could give rise to a material misstatement in the financial statements. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management, review of company minutes and legal expenses. There are inherent limitations in the audit procedures described and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As part of our audit, we addressed the risk of management override of internal controls, including testing of journals and review of nominal ledger. We evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

BW LEGAL SERVICES LIMITED

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

Use of our report

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

Chris Neale (Senior Statutory Auditor)
For and on behalf of BHP LLP

22 December 2022

Chartered Accountants
Statutory Auditor

1st Floor
Mayesbrook House
Lawnswood Business Park
Leeds
LS16 6QY

BW LEGAL SERVICES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	16,167,839	15,217,536
Administrative expenses		(13,011,740)	(11,361,992)
Operating profit	4	3,156,099	3,855,544
Interest payable and similar expenses	7	(1,672,848)	(1,453,329)
Profit before taxation		1,483,251	2,402,215
Tax on profit	8	(56,126)	(292,013)
Profit for the financial year		1,427,125	2,110,202
Retained earnings brought forward		3,216,811	1,495,409
Dividends	9	(388,800)	(388,800)
Retained earnings carried forward		4,255,136	3,216,811

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BW LEGAL SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	10	250,024		335,157	
Tangible assets	11	274,493		357,332	
			524,517		692,489
Current assets					
Debtors	12	16,279,821		14,228,642	
Cash at bank and in hand		465,346		502,739	
			16,745,167		14,731,381
Creditors: amounts falling due within one year	13	(1,332,436)		(1,686,900)	
Net current assets			15,412,731		13,044,481
Total assets less current liabilities			15,937,248		13,736,970
Creditors: amounts falling due after more than one year	14		(11,661,207)		(10,488,826)
Provisions for liabilities					
Deferred tax liability	17	20,805		31,233	
			(20,805)		(31,233)
Net assets			4,255,236		3,216,911
Capital and reserves					
Called up share capital	19		45		45
Share premium account			55		55
Profit and loss reserves	21		4,255,136		3,216,811
Total equity			4,255,236		3,216,911

The financial statements were approved by the board of directors and authorised for issue on 22 December 2022 and are signed on its behalf by:

R Withers
Director

Company Registration No. 07966978

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

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

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of WAB Investments Ltd. These consolidated financial statements are available from its registered office, Enterprise House, Apex View, Leeds, England, LS11 9BH.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

The Directors have assessed the current financial position of the Company as well as its forecasted performance and cash flows for a period of at least 12 months following the approval of these financial statements. The Directors have concluded that the Company remains a going concern. The strategic plans of the business are to continue its trading relationships with existing clients whilst seeking to grow its revenues with new business opportunities. Furthermore, the Directors have not identified any material uncertainties which in their view cast significant doubt over the going concern of the Company.

The Directors took account of the following key considerations when assessing the going concern of the Company:

- The business, like many others, is currently operating in a volatile macro-economic environment and therefore its ability to forecast growth accurately has been impacted. The Directors have mitigated this volatility by providing a flat-earnings forecast over the next twelve months. This forecast demonstrates that the Company will maintain liquidity and stay within the limits of its facilities arrangement for a period of at least the next 12 months;
- The Company continues to benefit from very strong external funding support from the principal lender and this support is fully aligned with the business' objectives. Within the last 18 months the Company benefitted from additional debt facilities from the funder to support Company strategy. During this time they have supported pro-active covenant changes, including a relaxation of limits for the period of 12 months following approval of these financial statements. The Company has received representations from the funder that it intends to continue to work pro-actively with the Company;
- The Company is a co-borrower and co-guarantor of the facilities with a related party. At the time of signing these financial statements the combined group is in a net assets position with sufficient cash on hand to settle its liabilities as they fall due;
- There are significant opportunities for growth in the markets in which the Company operates which will increase volumes with current relationship growth and through progressing a number of pipeline opportunities;
- The Directors have identified a number of possible actions which, in the event of a severe downside scenario, could be enacted by management in order to ensure positive liquidity and covenant compliance is preserved over the next 12 months.

The Directors therefore expect that the Company will have sufficient resources to enable it to meet its liabilities as they fall due for a period of at least 12 months from signing these financial statements. On this basis, the Directors have concluded that the Company remains a going concern and have therefore adopted this as the basis of preparation for these financial statements.

1.3 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.

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.

Revenue comprises both amounts billed to clients as well as movements in the fair value of work in progress. The fair value of work in progress represents an estimate of future consideration receivable from payment plans agreed with customers.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 7 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	25% reducing balance
----------	----------------------

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	5 years straight line
Computers	4 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and 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 reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable 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.

1.15 Expenditure

Management have taken the policy choice of classifying all expenditure other than interest and tax as administrative expenses in the Statement of Comprehensive Income. Costs of sales are costs directly linked to the recorded sales and because of the nature of the Company's activities and business model management have determined that they are unable to accurately allocate the specific element of their cost base which wholly, exclusively and directly relates to recorded sales. On this basis management has determined it more appropriate to classify all expenditure as administrative.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.17 Interest income

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

1.18 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.

1.19 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 (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key estimates and judgements within the accounts are deemed to be work in progress which is included within other debtors (note 12).

Work in progress represents the fair value of future income receivable from payment plans agreed with customers. The fair value of the future cash flows is determined by making certain estimates and assumptions which are inherently judgemental and seek to discount gross predicted cash flows down to their estimated fair value. The key estimates relate to the prevailing market rate of debt and the level of default on expected future cash flows. Market rates are determined by reference to similar companies and instruments and default rates are based on historical collection data and adjusted, where relevant, for future anticipated changes in collection behaviour.

An uplift or reduction of 1% in expected future cash flows would increase or decrease the closing value of work in progress by £154k.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Fees receivable	14,155,411	11,225,677
Movement in work in progress	2,012,428	3,991,859
	<u>16,167,839</u>	<u>15,217,536</u>

All turnover arose within the United Kingdom.

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	27,555	26,750
Depreciation of owned tangible fixed assets	228,033	294,526
Profit on disposal of tangible fixed assets	-	(200)
Amortisation of intangible assets	85,133	124,099
Operating lease charges	353,506	383,251
	<u>694,227</u>	<u>828,626</u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
Employees	<u>262</u>	<u>257</u>

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Employees (Continued)

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	6,994,325	6,284,587
Social security costs	641,257	562,644
Pension costs	120,368	108,168
	<u>7,755,950</u>	<u>6,955,399</u>

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	<u>194,832</u>	<u>221,122</u>

Within the above total, there were payments to third parties for Directors' services of £60,000 (2020:£85,000). This was paid via 4-10 Advisory Services Limited.

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	<u>n/a</u>	<u>136,123</u>

As total directors' remuneration was less than £200,000 in the current year, no disclosure is provided for that year.

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	686,621	603,904
PIK interest on bank loans	983,207	849,425
Interest on finance leases and hire purchase contracts	3,020	-
	<u>1,672,848</u>	<u>1,453,329</u>

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	68,328	333,481
Adjustments in respect of prior periods	(1,774)	-
Total current tax	66,554	333,481
Deferred tax		
Origination and reversal of timing differences	(10,428)	(50,021)
Changes in tax rates	-	8,553
Total deferred tax	(10,428)	(41,468)
Total tax charge	56,126	292,013

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	1,483,251	2,402,215
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	281,818	456,421
Tax effect of expenses that are not deductible in determining taxable profit	1,535	3,058
Adjustments in respect of prior years	(1,774)	-
Rate difference - Deferred tax	4,994	8,553
Adjustment in research and development tax credit leading to a decrease in the tax charge	(226,865)	(176,963)
Deferred tax not recognised	1,555	-
Fixed asset differences	(5,137)	944
Taxation charge for the year	56,126	292,013

9 Dividends

	2021 £	2020 £
Interim paid	388,800	388,800

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Intangible fixed assets

	Goodwill £	Software £	Total £
Cost			
At 1 January 2021 and 31 December 2021	2,024,803	846,724	2,871,527
Amortisation and impairment			
At 1 January 2021	2,024,803	511,567	2,536,370
Amortisation charged for the year	-	85,133	85,133
At 31 December 2021	2,024,803	596,700	2,621,503
Carrying amount			
At 31 December 2021	-	250,024	250,024
At 31 December 2020	-	335,157	335,157

11 Tangible fixed assets

	Fixtures and fittings £	Computers £	Total £
Cost			
At 1 January 2021	906,140	540,360	1,446,500
Additions	24,125	121,069	145,194
At 31 December 2021	930,265	661,429	1,591,694
Depreciation and impairment			
At 1 January 2021	632,920	456,248	1,089,168
Depreciation charged in the year	183,627	44,406	228,033
At 31 December 2021	816,547	500,654	1,317,201
Carrying amount			
At 31 December 2021	113,718	160,775	274,493
At 31 December 2020	273,220	84,112	357,332

12 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	256,161	32,473
Work in progress	6,241,517	4,457,278
Prepayments and accrued income	595,995	722,820
	7,093,673	5,212,571

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Debtors (Continued)

	2021 £	2020 £
Amounts falling due after more than one year:		
Work in progress	9,186,148	9,016,071
Total debtors	16,279,821	14,228,642

13 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Obligations under finance leases	16	30,525	30,705
Trade creditors		627,952	464,086
Corporation tax		(18,687)	333,481
Other taxation and social security		201,552	404,719
Other creditors		25,786	21,845
Accruals and deferred income		465,308	432,064
		1,332,436	1,686,900

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

14 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	15	9,217,299	9,028,126
Accruals and deferred income		2,443,908	1,460,700
		11,661,207	10,488,826

On the above loan, the principal and any accrued interest are due for repayment in full in February 2024.

15 Loans and overdrafts

	2021 £	2020 £
Bank loans	9,217,299	9,028,126
Payable after one year	9,217,299	9,028,126

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Finance lease obligations

	2021	2020
	£	£
Future minimum lease payments due under finance leases:		
Within one year	30,525	30,705

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 1 year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	38,761	44,221
Provisions	(17,956)	-
Short term timing differences	-	(12,988)
	<u>20,805</u>	<u>31,233</u>
Movements in the year:		2021 £
Liability at 1 January 2021		31,233
Credit to profit or loss		(10,428)
Liability at 31 December 2021		<u>20,805</u>

18 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	120,368	108,168

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	45	45	45	45

20 Capital redemption reserve

This is a non-distributable reserve created from the purchase of equity share capital.

21 Profit and loss reserves

Includes all current and prior period retained profits and losses.

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	302,948	341,845
Between two and five years	1,413,757	1,312,774
In over five years	2,053,313	2,457,244
	<u>3,770,018</u>	<u>4,111,863</u>

BW LEGAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

23 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales	
	2021	2020
	£	£
Other related parties	5,918,486	6,762,326
	<u> </u>	<u> </u>

The following amounts were outstanding at the reporting end date:

	2021	2020
	£	£
Amounts due from related parties		
Other related parties	554	1,300
	<u> </u>	<u> </u>

24 Directors' transactions

During the year the company made total advances of £330,484 (2020 - £879,654) to the Directors of which £388,800 (2020 - £760,108) has been repaid. At the end of the reporting period the company was owed £16,194 (2020 - £74,510).

25 Ultimate controlling party

Rachael Withers is the company's ultimate controlling party by virtue of her ownership of the company's 100% shareholder, WAB Investments Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.