Company Registration No. 09067468 (England and Wales)

LGSS Law Ltd.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

LGSS LAW LIMITED

COMPANY INFORMATION

Directors	Q Baker	
	C P Warboys	(Appointed 1 July 2016)
	J Kane	
	M Bowmer	
Company number	09067468	
Registered office and Huntingdon office	Scott House 5 George Street Huntingdon PE29 3AD	
Cambridge office	Shire Hall Castle Hill Cambridge CB3 0AP	
Northampton office	One Angel Street Angel Street Northampton NN1 1ED	
Shefford office	Priory House Monks Walk Chicksands Shefford SG17 5TQ	
Auditor	Ensors Accountants LLP Warwick House Ermine Business Park Spitfire Close Huntingdon Cambs PE29 6XY	

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LGSS LAW LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Executive Director foreword to the Annual Report for the year ended 31 March 2017

The establishment of LGSS Law Ltd provides a new model for the delivery of high quality and cost effective legal services to client organisations within the public and not for profit sectors. The model is most accurately described as a Social Enterprise legal practice and it is the first of its kind to be fully trading in the UK.

This model will deliver improved services through combining elements of commercial legal practice with that of in-house public sector to create a business-like, client focused and responsive legal service at a significantly lower cost than the average commercial law firm.

The improvements to cost effectiveness result from increased economies of scale which enable higher productivity, spreading overheads and the potential to generate financial surplus through trading spare capacity. The enhanced capacity will also enable a reduction in the amount of work undertaken by commercial law firms resulting in a reduction in legal costs.

LGSS law will achieve this by continuing to provide services to its existing customers and to further increase the volume of work it undertakes for other clients in the public and not for profit sectors. This will in turn enable the company to further exploit economies of scale to reduce costs, improve service resilience and facilitate recruitment of high quality lawyers by providing a more stable and rewarding work environment.

The sector focus for business development is organisations within the public and not for profit sectors providing services for the community. Through our focus on these sectors our brand will become recognised for our experience and specialist knowledge within the Local Government, Housing and Health Sectors.

In order to avoid diseconomies through travel etc the geographical focus is within the East of England, East Midlands and Greater London. However, where strategic opportunities emerge outside the immediate geography these may be pursued subject to business case.

The Challenge

Local Authority budgets will continue to face increasing pressure over the coming years and they are seeking to derive better value for money from their legal spend.

Better value for money in the context of legal services has both cost and quality aspects.

Local Authorities would like to reduce their overall spend on legal services but without impacting upon the service to the extent where it exposes the authority to unmanageable levels of legal risk or where the lack of proactive legal support hampers attempts to innovate.

In summary, Local Authorities are seeking better, more business like legal services for the same or less cost. This is a big challenge in the current environment where the market for good lawyers is highly competitive and the traditional model of in-house provision is not able to deliver anything like the required service levels and when the real cost of such in-house teams is analysed, invariably, the figures reveal that the services aren't cost effective due to the need for augmentation through purchasing expensive external commercial providers.

The social enterprise model developed by LGSS Law resolves this problem by drawing on elements of the commercial model in its performance management and business like culture/processes whilst retaining key elements of the in-house such as the client ownership and control, to create a new alternative for organisations in the public sector.

Principal risks and uncertainties

Economic downturn - The company acknowledges the importance of maintaining close relationships with its key customers in order to identify the early signs of potential financial difficulties. The company is monitoring with its shareholders the impact of the government's austerity measures and the potential impacts of Brexit on the company's business and working to reduce costs to its customers to help manage the possible outcomes.

Liquidity Risk - The Company manages it cash and borrowing requirements to maximise interest income and minimise interest expense, while ensuring adequate liquid resources are available to meet the operating needs of the business. Working capital requirements are financed through retained earnings as far as possible.

Credit Risk - The principal credit risk is with debtors, the company minimises these risks through credit checks and credit insurance.

The board and the management committee monitor the company's progress against its business objectives and financial performance on a regular basis.

The Success of the Model Depends Upon the Team Members

The experience gained over the past 6 years trading of LGSS Law and the last 2 of those in the form of an ABS, have reinforced the importance of having the right people with the right skills and attitude in sufficient numbers, organised in the right way.

Recruiting the Right People

Key behaviour and competence attributes have been highlighted and are used to influence recruitment decisions. Our focus is on people with enthusiasm, commitment, and professionalism. Recruiting people with these attributes at any level in the team is a challenge due to the competitive market, particularly for qualified solicitors with specialist knowledge in the public sector.

In order to provide a more attractive offering we are introducing an element of incentive payment and adjusting the scheme of evaluation to include value attributed to being a high performing expert lawyer with good client care skills.

The project to review and consolidate the Terms & Conditions will conclude in 2018/2019.

Another important factor in recruitment is that of the opportunities for career progression that a potential team member might access and in this regard the size of the firm is a significant factor in providing greater opportunities team members.

Establishing the Right Structure

The expansion of the company and the increasing demand for the services has highlighted the need to augment the senior management tier. In order to achieve this, a new post of Head of Childrens Social Care Law has been established and following a recruitment exercise in March an appointment was made and the person started in June. This role is tasked with providing a single point of contact and leadership for the Child Care lawyers across the practice. This area is one of our largest in volume terms and it has some of the most exacting clients due to the associated financial strains in that service area within local authorities. This role will be a member of the LGSS Law Management Team.

A second key post of Head of Health and Adult Social Care Law has been established through consolidation of existing unfilled posts. An appointment was made and the person started in July. This post will lead the further development of our work with the health sector and also support the development of the team to deal with the rapidly increasing demand for advice regarding adult social care. This role will be a member of the LGSS Law Management Team.

A third key ongoing recruitment is that for our Practice Manager (Finance). This is an absolutely key role in a business such as LGSS Law. We have also introduced an overarching Practice Manager (Operations) role for LGSS Law with oversight for ensuring that all operational matters are coordinated across the practice. This role is also making a contribution to the marketing side of the practice which is helping to spread the burden of that activity. Both practice manager roles are members of the LGSS Law Management Team.

The practice has a significant number of temporary locum lawyers due in part to the rapid expansion over the last two years. In order to reduce this proportion a coordinated recruitment drive is underway across the practice utilising advice and support from HR colleagues and reaching out to potential recruits beyond the traditional local authority context.

Development and performance

A pleasing performance was achieved in the year, seeing fee income at £8.27m and profit before tax of £268k.

Key performance indicators

The company uses fee income, cost of operations and profits as a means of financial performance indicator.

Strategy for Growth

From its inception the strategy has been to grow the business to maximise the benefits from economies of scale and to share the same advantages of scale that our key competitors benefit from. Without growth the company is at a disadvantage and will struggle to deliver the promise of a service as good as the commercial sector but without the high cost. The evidence from analysis of the existing in-house providers and the main commercial sector alternatives is that the traditional in-house teams are unable to provide a comprehensive service due to the lack of scale and their difficulty in retaining the best performing team members.

The ability to deliver a comparable service level is of key importance in reducing the reliance by the shareholders on external commercial practices and in attracting clients from the health and charities sectors.

Our overarching objective is to deliver more financial and other benefits to shareholders and clients through exploitation of increased economies of scale and any other mechanism that we find to release benefits for our owners and our clients.

In order to achieve this, during 2017/18 LGSS Law will:-

- Further develop and consolidate the hub office as a centre for transactional legal work.
- Grow the client base and associated financial turnover through doing more work for more clients. *By 2019, LGSS Law aims to have increased its turnover by ten percent over the base line of 2015-16.*
- Explore and secure collaborative relationships, ideally mergers, with other public/NFP sector legal service providers with a view to jointly using our resources for the benefits of our clients and our teams. Deliver another merger within 2017-18.
- Continue to invest in improving the technology and business processes to enhance productivity and provide a more cost effective and responsive service for clients. Ensure all team members are appropriately trained in order to maximise the benefit they derive from the technology.
- Further develop its in-house business support services.
- Ensure that all team members are encouraged and supported to develop their specialist skills and client care in order to enhance the service offering available from LGSS Law and further reduce reliance on more expensive private sector providers.
- Implement a management development programme amongst the leaders across the practice to focus on managing performance to further improve the service levels and productivity.
- Optimise team structure to ensure that it has the right number of people at the right levels and skill sets to deliver the service required by its clients.
- Review recruitment processes and continue with the recruitment drive to increase the proportion of permanent vis a vis locum staff. It is envisaged that LGSS Law will expand its staffing levels to a head count of in excess of one hundred and seventy five FTE's within the next twelve months in order to keep pace with increasing demand.
- Explore and develop innovative ways to deliver quality legal services and support clients in achieving their goals in a collaborative and cost efficient way e.g develop the in-house advocacy capability within the child social services team.

On behalf of the board

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Q Baker

Director

20/12/17

LGSS LAW LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and financial statements for the year ended 31 March 2017.

Principal activities
The principal activity of the company is to deliver and supply timely, flexible and effective legal services to public sector and not for profit clients - in particular to its shareholders.

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

Q Baker	
C P Warboys	(Appointed 1 July 2016)
J Kane	
M Bowmer	

Results and dividends
The results for the year are set out on page 8.

I am pleased with the result for 2016/2017 and the fact that the company is able to propose a dividend to its shareholders for the first time. This has only been achieved through the hard work of our team whether PAYE or Locum based, and the commitment to the company and in turn of our shareholders.

Financial instruments

Treasury operations and financial instruments
The Company's principal financial instruments include group debt and bank loans, the main purpose of which is to raise finance for the Company's operations. The company has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Future developments
Our overarching objective is to deliver more financial and other benefits to shareholders and clients through exploitation of increased economies of scale and any other mechanism that we find to release benefits for our owners and our clients.

Auditor
Ensors Accountants LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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.

On behalf of the board

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Q Baker
Director
Date: 20/12/17

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

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.

LGSS LAW LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LGSS LAW LIMITED

We have audited the financial statements of LGSS Law Limited for the year ended 31 March 2017 which comprise the Profit And Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor
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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

Opinion 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.

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Barry Gostling (Senior Statutory Auditor)
for and on behalf of Ensors Accountants LLP

21 December 2017

Chartered Accountants
Statutory Auditor

Warwick House
Ermine Business Park
Spitfire Close
Huntingdon
Cambs
PE29 6XY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000	2016 as restated £000
Turnover	3	8,202	5,627
Cost of sales		(5,828)	(3,782)
Gross profit		2,374	1,845
Administrative expenses		(2,091)	(1,825)
Operating profit	4	283	20
Interest payable and similar expenses	7	(15)	(14)
Profit before taxation		268	6
Tax on profit	8	(47)	(1)
Profit for the financial year		221	5

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

LGSS LAW LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £000	2016 £000
Profit for the year	221	5
Other comprehensive income	-	-
Total comprehensive income for the year	221	5

LGSS LAW LIMITED

BALANCE SHEET

AS AT 31 MARCH 2017

		2017		2016 as restated	
	Notes	£000	£000	£000	£000
Fixed assets					
Tangible assets	10		40		1
Current assets					
Debtors	11	6,754		2,516	
Cash at bank and in hand		203		1,465	
		6,957		3,981	
Creditors: amounts falling due within one year	12	(4,150)		(2,561)	
Net current assets			2,807		1,420
Total assets less current liabilities			2,847		1,421
Creditors: amounts falling due after more than one year	13		(950)		(950)
Provisions for liabilities	15		(1,671)		(466)
Net assets			226		5
Capital and reserves					
Profit and loss reserves			226		5

The financial statements were approved by the board of directors and authorised for issue on 20/12/17 and are signed on its behalf by:

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Q Baker
Director

Company Registration No. 09067468

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Profit and loss reserves £000
As restated for the period ended 31 March 2016:	
Balance at 1 April 2015	-
Year ended 31 March 2016:	
Profit and total comprehensive income for the year	5
Balance at 31 March 2016	5
Year ended 31 March 2017:	
Profit and total comprehensive income for the year	221
Balance at 31 March 2017	226

LGSS LAW LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000	2017 £000	2016 as restated £000	2016 as restated £000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	22		(1,193)		530
Interest paid			(15)		(14)
Net cash (outflow)/inflow from operating activities			(1,208)		516
Investing activities					
Purchase of tangible fixed assets		(54)		(1)	
Net cash used in investing activities			(54)		(1)
Financing activities					
Repayment of borrowings		-		950	
Net cash (used in)/generated from financing activities			-		950
Net (decrease)/increase in cash and cash equivalents			(1,262)		1,465
Cash and cash equivalents at beginning of year			1,465		-
Cash and cash equivalents at end of year			203		1,465

1 Accounting policies

Company information
LGSS Law Limited is a private company limited by shares incorporated in England and Wales. The registered office is Huntingdon Office, Scott House, 5 George Street, Huntingdon, PE29 3AD.

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 £000.

The financial statements have been prepared under the historical cost convention, and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover
Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 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, fittings & equipment	Straight line over 4 years
Computer equipment	Straight line over 4 years

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 Accounting policies **(Continued)**

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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.

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.

1.6 Cash at bank and in hand

Cash at bank and in hand 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.

1.7 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.

In the company, financial assets measured at amortised cost amounted to £6,957,000 at 31 March 2017 (2016 – £3,981,000), comprising of trade and other debtors, and amounts recoverable on contracts

Cash and cash equivalents amounted to £203,000 (2016 - £1,465,000)

Financial liabilities in the company measured at amortised cost amounted to £6,825,000 at 31 March 2017 (2016 – £3,977,000), comprising of trade debtors an other payables, bank loans and overdrafts, accruals and amounts payable under hire purchase and amounts owed to group undertakings.

1 Accounting policies **(Continued)**

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.

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.

1.8 Equity instruments

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

1.9 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.

1 Accounting policies **(Continued)**

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.

1.10 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1 Accounting policies **(Continued)**

1.11 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.

The company's employees are members of a group wide defined benefit pension plan administered by LGSS Pension Services and a part of the Local Government Pension Fund. The net defined benefit cost of the plan is charged to participating entities on the following basis: Actuarial valuation of the liability as at the year end.

Up until 31 March 2014 the pension scheme provided benefits based on final salary and length of service on retirement. Changes came into effect from 1 April 2014 and any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension scheme assets are measured using fair values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full.

LGSS Law Ltd will continue to show the deficit on the pension scheme as a liability on the Balance Sheet.

It has been agreed with Cambridgeshire County Council and Northamptonshire County Council that they will provide an indemnity in respect of the pension obligations of the Company.

The Admission Agreement between the company, the Bedford Pension Fund and Central Bedfordshire Council contains a similar undertaking from Central Bedfordshire Council.

Accordingly an asset has been recognised on the Balance Sheet to reflect the Councils indemnity. This asset will always be equal and opposite to the pension liability and is presented within other debtors.

The reimbursement asset is treated similarly to a plan asset, interest income is calculated by multiplying the asset at the start of the period with the market yield on high quality corporate bonds and recognised in interest receivable.

The remeasurement gains / losses arising are recognised in other Comprehensive Income.

The Councils' indemnity of the pension deficits supports the preparation of the financial statements on a going concern basis.

2 Judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates in a number of areas, including:

Work in progress. Where no right to consideration has been obtained, the costs to date are recognised in work in progress. This comprises direct staff costs and a share of the overhead appropriate to the relevant state of completion of the work.

Revenue and Accrued Income. Revenue is recognised at the point of billing or for matters that have not yet been billed, where there is a right to consideration. Where there is a right to consideration, income is accrued at the carrying value of time recorded less deductions for recovery rate and bad debt provision.

Depreciation charge. The rates applied are reviewed and deemed prudent given the nature of the business.

Bad debt Provision. A full review of all debts is undertaken at the year end with particular emphasis on those more than six months old.

Final salary pension scheme indemnity. The company benefits from indemnities against any pension scheme deficits arising from their participation in various local government pension schemes which are of a final salary nature. These indemnities are provided by various local authorities and arise either from the terms of the company's admission agreement into the pension scheme or from specific indemnities provided by the local authorities to the company. The nature of these arrangements are such that the company is exposed to a credit risk in the event that any particular local authority is unable to honour the indemnity provided. Due to the nature of the guarantors the directors do not consider that this risk is significant.

3 Turnover and other revenue

	2017	2016
	£000	£000
Turnover analysed by class of business		
Fee Income	8,202	5,627

All of the Company's turnover arises within the United Kingdom.

4 Operating profit

	2017	2016
Operating profit for the year is stated after charging:	£000	£000
Depreciation of owned tangible fixed assets	15	-

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2017 £000	2016 £000
For audit services		
Audit of the financial statements of the company	10,500	25,000
For other services		
All other non-audit services	25,500	-

6 Employees

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

	2017 Number	2016 Number
Directors	4	3
Others	98	66
	102	69

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	5,725	3,931
Social security costs	329	175
Pension costs	795	640
	6,849	4,746

Quentin Baker is the only director who is employed and remunerated by LGSS Law.

John Kane and Matt Bowmer are statutory directors of LGSS Law and Charles Warboys is a statutory director of Central Bedfordshire Council. No remuneration or expenses were paid to these directors during the year by the company.

7 Interest payable and similar expenses

	2017 £000	2016 £000
Interest on bank overdrafts and loans	15	14

8 Taxation

	2017	2016
	£000	£000
Current tax		
UK corporation tax on profits for the current period	47	1

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:

	2017	2016
	£000	£000
Profit before taxation	268	6
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	54	1
Tax effect of expenses that are not deductible in determining taxable profit	1	-
Change in unrecognised deferred tax assets	(7)	-
Deferred tax adjustments in respect of prior years	(1)	-
Taxation charge for the year	47	1

9 Restatement of comparative period

The figures for the comparative period's profit and loss account have been restated in order to ensure consistency with the current reporting periods analysis of the result for the year. This restatement has had no effect on the overall result for the current or comparative reporting period.

10 Tangible fixed assets

	Fixtures, fittings & equipment	Computer equipment	Total
	£000	£000	£000
Cost			
At 1 April 2016	-	1	1
Additions	14	40	54
At 31 March 2017	14	41	55
Depreciation and impairment			
At 1 April 2016	-	-	-
Depreciation charged in the year	4	11	15
At 31 March 2017	4	11	15
Carrying amount			
At 31 March 2017	10	30	40
At 31 March 2016	-	1	1

11 Debtors

	2017	2016
Amounts falling due within one year:	£000	£000
Trade debtors	1,139	530
Amounts owed by group undertakings	2,957	1,475
Other debtors	1,671	466
Prepayments and accrued income	987	45
	6,754	2,516

12 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	685	149
Amounts due to group undertakings	2,647	1,683
Corporation tax	48	1
Other taxation and social security	501	482
Other creditors	123	67
Accruals and deferred income	146	179
	4,150	2,561

13 Creditors: amounts falling due after more than one year

	Notes	2017 £000	2016 £000
Other borrowings	14	950	950

14 Loans and overdrafts

	2017 £000	2016 £000
Loans from group undertakings	950	950
Payable after one year	950	950

The company has benefitted from an overdraft facility with Northamptonshire County Council at 1.62% pa.

The total available overdraft facility is £1,000,000 of which £950,000 has been drawn down.

15 Provisions for liabilities

	2017 £000	2016 £000
	1,671	466

Movements on provisions:

	£000
At 1 April 2016	466
Other movements	1,205
At 31 March 2017	1,671

The provisions for liabilities relate to the pension fund liability of £1,671,000 (2016: £466,000).

16 Share capital

	2017	2016
	£	£
Authorised		
150 Ordinary shares of £1 each	150	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Related party transactions

The related parties involved include three councils who jointly operate LGSS Law Limited; Cambridgeshire County Council, Northamptonshire County Council and Central Bedfordshire Borough Council. The transactions were as follows:

During the year, the total sales amounted to £7,318,000 (2016 - £4,393,000). At the year end, the total debtors amounted to £2,957,000 (2016 - £1,476,000).

During the year, £26,000 (2016 - £nil) was invoiced to First for Wellbeing Limited, a company wholly owned by Northamptonshire County Council.

During the year, the total purchases amounted to £539,000 (2016 - £464,000). At the year end, the total creditors amounted to £514,000 (2016 - £464,000).

The shareholders also settled supplier invoices on the company's behalf which amounted to £2,123,000 (2016 - £1,213,000).

Northamptonshire County Council provided LGSS Law Limited with an overdraft facility of £1,000,000 of which £950,000 (2016 - £950,000) has been drawn down.

18 Retirement Benefits

Retirement Benefit Schemes

LGSS Law Limited staff are entitled to join the Local Government Pension Scheme (LGPS) which is a defined benefit plan.

Former employees of Northamptonshire County Council are members of the Northamptonshire County Council LGPS. Former employees of the Central Bedfordshire Council are members of the Bedfordshire County Council LGPS. All of the employees who join the scheme are members of the Cambridgeshire County Council LGPS.

The Net Pension Liability is guaranteed by the respective Local Authorities and not the company.

Details of the funds and their treatments in these financial statements are as follows:

Cambridgeshire Pension Fund

The major assumptions used by the actuary to calculate scheme liabilities under FRS 102 Section 28 "Employee Benefits" are best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The key assumptions (expressed as weighted averages) at the year end were as follows:

	2017	2016
Discount rate	2.6%	3.6%
Salary increase rate	2.7%	4.2%
Pension increase rate	2.6%	2.2%

The last full actuarial valuation was performed on 31 March 2013.

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 22.4 years (male), 24.4 years (female)
- Future retiree upon reaching 65: 24.0 years (male), 26.3 years (female)

Amounts recognised in the profit and loss account	**2017 £'000**	**2016 £'000**
Current service cost	-417	-341
Net interest on defined benefit liability	-11	-19
Net interest on local authority guarantee	11	19
	-417	-341

Amounts taken to other comprehensive income	**2017 £'000**	**2016 £'000**
Return on scheme assets excluding interest income	646	-159
Actuarial changes related to pension scheme	-738	526
Actuarial changes related to local authority guarantee	92	-367
Actuarial loss / (gain)	-	-

The amounts included in the balance sheet arising from the company's obligations in respect of this defined benefit pension plan are as follows:	**2017 £'000**	**2016 £'000**
Present value of defined benefit obligations	-4,837	-3,407
Fair value of plan assets	4,410	2,887
Fair value of local authority guarantee	427	520
	-	-

Movement in the present value of defined benefit obligations	**2017 £'000**	**2016 £'000**
Liability at 1 April	-3,439	-3,407
Current service cost	-417	-341
Interest expense	-133	-120
Changes in financial assumptions	-738	526
Contributions by member	-132	-97
Benefits paid	22	-
Liability at 31 March	-4,887	-3,439

The defined benefit obligations arise from plans which are wholly or partly funded.

Movement in the fair value of plan assets	**2017 £'000**	**2016 £'000**
Fair value of assets at 1 April	3,155	2,887
Interest income	122	101
Return on plan assets (excluding amounts included in net interest)	646	-159
Contributions by employer	377	229
Contributions by members	132	97
Benefits paid	-22	-
At 31 March	4,410	3,155

Northamptonshire Pension Fund

The major assumptions used by the actuary to calculate scheme liabilities under FRS 102 Section 28 "Employee Benefits" are best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The key assumptions (expressed as weighted averages) at the year end were as follows:

	2017	2016
Discount rate	2.7%	3.6%
Salary increase rate	2.7%	4.2%
Pension increase rate	2.4%	2.2%

The last full actuarial valuation was performed on 31 March 2013.

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male), 24.2 years (female)
- Future retiree upon reaching 65: 23.9 years (male), 26.1 years (female)

Amounts recognised in the profit and loss account	**2017 £'000**	**2016 £'000**
Current service cost	-191	-284
Net interest on defined benefit liability	-7	-19
Net interest on local authority guarantee	7	19
	-191	-284

Amounts taken to other comprehensive income	**2017 £'000**	**2016 £'000**
Return on scheme assets excluding interest income	324	-79
Actuarial changes related to pension scheme	-425	537
Actuarial changes related to local authority guarantee	-101	-458
Actuarial loss / (gain)	-	-

The amounts included in the balance sheet arising from the company's obligations in respect of this defined benefit pension plan are as follows:	**2017 £'000**	**2016 £'000**
Present value of defined benefit obligations	-3,768	-3,071
Fair value of plan assets	3,474	2,525
Fair value of local authority guarantee	294	546
	-	-

Movement in the present value of defined benefit obligations	**2017 £'000**	**2016 £'000**
Liability at 1 April	-2,989	-3,071
Current service cost	-191	-284
Interest expense	-112	-107
Changes in financial assumptions	-425	537
Contributions by member	-54	-64
Benefits paid	3	-
Liability at 31 March	-3,768	-2,989

The defined benefit obligations arise from plans which are wholly or partly funded.

Movement in the fair value of plan assets	**2017 £'000**	**2016 £'000**
Fair value of assets at 1 April	2,807	2,525
Interest income	105	88
Return on plan assets (excluding amounts included in net interest)	324	-79
Contributions by employer	187	209
Contributions by members	54	64
Benefits paid	-3	-
At 31 March	3,474	2,807

Central Bedfordshire Pension Fund

The major assumptions used by the actuary to calculate scheme liabilities under FRS 102 Section 28 “Employee Benefits” are best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The key assumptions (expressed as weighted averages) at the year end were as follows:

	2017
Discount rate	2.6%
Salary increase rate	2.7%
Pension increase rate	2.4%

22 Cash generated from operations

	2017 £000	2016 £000
Profit for the year after tax	221	5
Adjustments for:		
Taxation charged	47	1
Finance costs	15	14
Depreciation and impairment of tangible fixed assets	15	-
Increase in provisions	1,205	466
Movements in working capital:		
(Increase) in debtors	(4,238)	(2,516)
Increase in creditors	1,542	2,560
Cash (absorbed by)/generated from operations	(1,193)	530

The last full actuarial valuation was performed on 31 March 2016.

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 22.4 years (male), 24.5 years (female)
- Future retiree upon reaching 65: 24.0 years (male), 26.2 years (female)

Amounts recognised in the profit and loss account	**2017** **£'000**
Current service cost	-215
Net interest on defined benefit liability	-16
Net interest on local authority guarantee	16
	-215

Amounts taken to other comprehensive income	**2017** **£'000**
Return on scheme assets excluding interest income	381
Actuarial changes related to pension scheme	-838
Actuarial changes related to local authority guarantee	457
Actuarial loss / (gain)	-

The amounts included in the balance sheet arising from the company's obligations in respect of this defined benefit pension plan are as follows:	**2017** **£'000**
Present value of defined benefit obligations	-3,969
Fair value of plan assets	3,019
Fair value of local authority guarantee	950
	-

Movement in the present value of defined benefit obligations	**2017 £'000**
Liability acquired following transfer of undertakings	-2,765
Current service cost	-215
Interest expense	-98
Changes in financial assumptions	-838
Contributions by member	-53
Liability at 31 March	-3,969

The defined benefit obligations arise from plans which are wholly or partly funded.

Movement in the fair value of plan assets	**2017 £'000**
Fair value of assets acquired following transfer of undertakings	2,298
Interest income	82
Return on plan assets (excluding amounts included in net interest)	381
Contributions by employer	205
Contributions by members	53
At 31 March	3,019