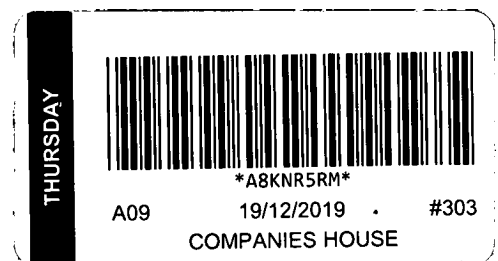


Company Registration No. 09067468 (England and Wales)



**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**



# LGSS LAW LIMITED

## COMPANY INFORMATION



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<b>Directors</b>	Mr C Warboys Mr T Kelly Mrs D Carter-Hughes Professor S Mayson Mr J Smith	(Appointed 30 May 2018) (Appointed 8 April 2019) (Appointed 22 July 2019)
<b>Company number</b>	09067468	
<b>Registered office and Huntingdon office</b>	Scott House 5 George Street Huntingdon PE29 3AD	
<b>Cambridge office</b>	Shire Hall Castle Hill Cambridge CB3 0AP	
<b>Northampton office</b>	One Angel Street Angel Street Northampton NN1 1ED	
<b>Sheffield office</b>	Priory House Monks Walk Chicksands Sheffield SG17 5TQ	
<b>Auditor</b>	Ensors Accountants LLP Warwick House Ermine Business Park Spitfire Close Huntingdon Cambs PE29 6XY	

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The directors present the strategic report for the year ended 31 March 2019.

**Executive Director foreword to the Annual Report for the year ended 31 March 2019**

**Business model**

LGSS Law Ltd provides an innovative model for the delivery of legal services to clients within the public and not-for-profit sectors.

The improvements for clients result from increased economies of scale which enable higher productivity, spreading overheads and the potential to generate financial surplus by trading spare capacity.

**The challenge**

Local Authority budgets continue to face increasing pressure over the coming years and they are seeking to derive better value for money from their legal spend; better legal services for the same or lower cost.

LGSS Law Ltd addresses this challenge by implementing a commercial model in its performance management, culture and processes whilst retaining shareholder ownership and an understanding of the public sector and political environment.

**Management and governance**

During the year, the following management roles were created and incumbents appointed:

- Non-Executive Chairman
- Executive Director (Finance and Operations)
- Executive Director (Legal Services) - interim appointment

In addition, each shareholder takes a Non-Executive Director seat on the Board.

**Principal risks and uncertainties**

*Revenue and costs:* the company produces detailed budgets and reviews results against budget on a regular basis.

*Operational risks:* the company maintains and regularly reviews a risk register.

*Compliance with regulation and standards:* the company reviews compliance with regulations on a regular basis investigating and taking corrective action as needed. The company is regulated by the Solicitors Regulation Authority and holds the Law Society Lexel accreditation.

*Client and supplier management:* the company has procedures in place to manage relationships with key clients and suppliers.

*People management:* the company has extensive people management procedures, covering recruitment, retention and development.

**Liquidity risk**

The company reviews cash balances on a daily basis and produces regular cash flow analyses.

# LGSS LAW LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019



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### Growth

Growth will come from:

- Development of higher-margin lines of business
- Increasing the efficiency of fee-earners to handle greater volumes of work
- Increasing headcount in response to higher workload volumes

### Financial results

Revenue declined from £8.7m to £7.8m; loss for the year increased from £300k to £1.2m. During the year, the company implemented new and more rigorous procedures to manage revenue and costs with a view to achieving profitability going forward.

On behalf of the board

*D Carter-Hughes*

Mrs D Carter-Hughes

Director

*9th December 2019*

# LGSS LAW LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2019**



The directors present their annual report and financial statements for the year ended 31 March 2019.

### **Principal activities**

The principal activity of the company is to deliver and supply timely, flexible and effective legal services to the public sector and not for profit clients including 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:

Mr Q Baker	(Resigned 14 May 2018)
Mr C Warboys	
Mr M McLaughlin	(Resigned 1 October 2018)
Mr T Kelly	
Mrs D Carter-Hughes	(Appointed 30 May 2018)
Mr T Lewis	(Appointed 4 June 2018 and resigned 12 July 2019)
Professor S Mayson	(Appointed 8 April 2019)
Mr J Smith	(Appointed 22 July 2019)

### **Financial instruments**

#### ***Treasury operations and financial instruments***

The company's principal financial instruments include debt and loans from participating interests, 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.

#### ***Liquidity risk***

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

#### ***Credit risk***

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

### **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**

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

# LGSS LAW LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019



### 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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

*D Carter-Hughes*

Mrs D Carter-Hughes

Director

Date: *9th December 2019*

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2019**



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.



### **Opinion**

We have audited the financial statements of LGSS Law Limited (the 'company') for the year ended 31 March 2019 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 March 2019 and of its loss 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**

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

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

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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.

**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.

**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.

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

**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.

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

**11 December 2019**  
Warwick House  
Ermine Business Park  
Spitfire Close  
Huntingdon  
Cambs  
PE29 6XY

**LGSS LAW LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £	2018 £
Turnover	3	7,825,722	8,702,467
Cost of sales		(6,030,748)	(6,155,471)
<b>Gross profit</b>		<b>1,794,974</b>	<b>2,546,996</b>
Administrative expenses		(3,007,711)	(2,810,874)
<b>Operating loss</b>	4	<b>(1,212,737)</b>	<b>(263,878)</b>
Interest payable and similar expenses	8	(14,456)	(15,578)
<b>Loss before taxation</b>		<b>(1,227,193)</b>	<b>(279,456)</b>
Tax on loss	9	17,917	(20,757)
<b>Loss for the financial year</b>		<b>(1,209,276)</b>	<b>(300,213)</b>

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 2019**

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	2019 £	2018 £
Loss for the year	(1,209,276)	(300,213)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(1,209,276)</u>	<u>(300,213)</u>

# LGSS LAW LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2019



	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	10		18,323		29,061
<b>Current assets</b>					
Debtors	12	6,453,566		6,256,699	
Cash at bank and in hand		2,202,564		1,229,461	
		8,656,130		7,486,160	
<b>Creditors: amounts falling due within one year</b>	13	(5,093,711)		(4,521,203)	
<b>Net current assets</b>			3,562,419		2,964,957
<b>Total assets less current liabilities</b>			3,580,742		2,994,018
<b>Creditors: amounts falling due after more than one year</b>	14		(1,275,000)		(950,000)
<b>Provisions for liabilities</b>	16		(3,589,000)		(2,118,000)
<b>Net liabilities</b>			(1,283,258)		(73,982)
<b>Capital and reserves</b>					
Called up share capital	18		150		150
Profit and loss reserves			(1,283,408)		(74,132)
<b>Total equity</b>			(1,283,258)		(73,982)

The financial statements were approved by the board of directors and authorised for issue on ~~9th December 2019~~ and are signed on its behalf by:

*D Carter-Hughes*

Mrs D Carter-Hughes  
Director

Company Registration No. 09067468

**LGSS LAW LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2019**

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2017	150	226,081	226,231
Year ended 31 March 2018:			
Loss and total comprehensive income for the year	-	(300,213)	(300,213)
Balance at 31 March 2018	150	(74,132)	(73,982)
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(1,209,276)	(1,209,276)
Balance at 31 March 2019	150	(1,283,408)	(1,283,258)

# LGSS LAW LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019



	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	651,327		1,114,778	
Interest paid		(14,456)		(15,578)	
Income taxes refunded/(paid)		17,990		(68,751)	
<b>Net cash inflow from operating activities</b>		<u>654,861</u>		<u>1,030,449</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(6,758)		(3,694)	
<b>Net cash used in investing activities</b>		<u>(6,758)</u>		<u>(3,694)</u>	
<b>Financing activities</b>					
Proceeds from borrowings		325,000		-	
<b>Net cash generated from/(used in) financing activities</b>		<u>325,000</u>		<u>-</u>	
<b>Net increase in cash and cash equivalents</b>		<u>973,103</u>		<u>1,026,755</u>	
Cash and cash equivalents at beginning of year		1,229,461		202,706	
<b>Cash and cash equivalents at end of year</b>		<u><u>2,202,564</u></u>		<u><u>1,229,461</u></u>	

**1 Accounting policies**

**Company information**

LGSS Law Limited is a private company limited by shares incorporated in England and Wales. The registered office is Scott House, 5 George Street, Huntingdon, PE29 3AD. The company registration number is 09067468.

**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, and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

**1.2 Going concern**

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

At 31 March 2019, the company's balance sheet was in a net liability position following a second period of losses. Furthermore, the company continues to be reliant on the support of its shareholders in the form of loans, overdrafts and trade payables balances. However, the shareholders have agreed to subordinate all existing loans, overdrafts and other amounts payable which, together with forecasts showing an improved position over the next twelve months, has allowed the Directors to have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

**1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

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, 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 it is probable will be recovered.

**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



**1 Accounting policies****(Continued)**

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.

**1.5 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 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.

**1.7 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.

**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.

**1 Accounting policies****(Continued)*****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 participating interests 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 transaction 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.

***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 Accounting policies****(Continued)****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.

**1.11 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 number of group wide defined benefit pension plans 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**

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

**Bad debt provision**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the aging profile of debtors, whether covered by insurance and historical experience.

**Depreciation**

The company estimates the rates of depreciation used to write down the different classes of assets the company owns. This is based on prior experience of asset lives while taking into account any additional circumstances. Once fully depreciated over its useful life the asset should be stated at its residual value or £nil if there is no residual value.

**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.

**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**

	2019	2018
	£	£
<b>Turnover analysed by class of business</b>		
Fee Income	7,825,722	8,702,467

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

**4 Operating loss**

	2019	2018
	£	£
Operating loss for the year is stated after charging:		
Depreciation of owned tangible fixed assets	17,496	14,683

**LGSS LAW LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2019****5 Auditor's remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	9,800	10,865
<b>For other services</b>		
All other non-audit services	17,950	20,135

**6 Employees**

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

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Directors	4	4
Administrative	126	120
	130	124

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	6,268,761	6,345,453
Social security costs	446,171	403,789
Pension costs	841,185	797,611
	7,556,117	7,546,853

**7 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	269,277	110,993

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	105,526	110,993

**8 Interest payable and similar expenses**

	2019 £	2018 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	14,456	15,578

**9 Taxation**

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	(74)
Adjustments in respect of prior periods	(17,917)	20,831
<b>Total current tax</b>	(17,917)	20,757

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

	2019 £	2018 £
Loss before taxation	(1,227,193)	(279,456)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(233,167)	(53,097)
Tax effect of expenses that are not deductible in determining taxable profit	23,679	11,765
Tax effect of utilisation of tax losses not previously recognised	-	70
Adjustments in respect of prior years	(17,917)	20,757
Deferred tax adjustments in respect of prior years	37,618	4,343
Deferred tax not recognised	171,870	36,919
<b>Taxation (credit)/charge for the year</b>	(17,917)	20,757

# LGSS LAW LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019



### 10 Tangible fixed assets

	Fixtures, fittings & equipment £	Computer equipment £	Total £
<b>Cost</b>			
At 1 April 2018	17,717	41,017	58,734
Additions	1,020	5,738	6,758
At 31 March 2019	18,737	46,755	65,492
<b>Depreciation and impairment</b>			
At 1 April 2018	7,935	21,738	29,673
Depreciation charged in the year	4,684	12,812	17,496
At 31 March 2019	12,619	34,550	47,169
<b>Carrying amount</b>			
At 31 March 2019	6,118	12,205	18,323
At 31 March 2018	9,782	19,279	29,061

### 11 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	5,637,077	5,396,962
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	4,750,910	4,359,441

### 12 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	179,443	377,008
Corporation tax recoverable	-	74
Amounts owed by participating interests	1,868,634	2,900,372
Other debtors	3,589,000	2,119,582
Prepayments and accrued income	816,489	859,663
	6,453,566	6,256,699

**13 Creditors: amounts falling due within one year**

	2019 £	2018 £
Trade creditors	387,681	584,993
Amounts owed to participating interests	4,119,031	3,457,730
Taxation and social security	342,801	161,762
Other creditors	91,924	96,427
Accruals and deferred income	152,274	220,291
	<u>5,093,711</u>	<u>4,521,203</u>

**14 Creditors: amounts falling due after more than one year**

	Notes	2019 £	2018 £
Other borrowings	15	<u>1,275,000</u>	<u>950,000</u>

**15 Loans and overdrafts**

	2019 £	2018 £
Loans from participating interests	<u>1,275,000</u>	<u>950,000</u>
Payable after one year	<u>1,275,000</u>	<u>950,000</u>

The company has benefitted from overdraft facilities with Northamptonshire County Council and Cambridgeshire County Council at 1.62% pa and 1.48% pa respectively.

The total available overdraft facility is £1,499,000 of which £1,275,000 has been drawn down.

**16 Provisions for liabilities**

	2019 £	2018 £
Defined benefit pension fund	<u>3,589,000</u>	<u>2,118,000</u>



**16 Provisions for liabilities**
**(Continued)**

Movements on provisions:

	<b>Defined benefit pension fund £</b>
At 1 April 2018	2,118,000
Movement in the year	1,471,000
At 31 March 2019	<u>3,589,000</u>

The provisions for liabilities relate to the pension fund liability of £3,589,000 (2018: £2,118,000).

**17 Retirement benefit schemes**

	<b>2019 £</b>	<b>2018 £</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>841,185</u>	<u>797,611</u>

**18 Share capital**

	<b>2019 £</b>	<b>2018 £</b>
<b>Ordinary share capital</b>		
<b>Authorised</b>		
150 Ordinary shares of £1 each	<u>150</u>	<u>150</u>
<b>Issued and fully paid</b>		
150 Ordinary shares of £1 each	<u>150</u>	<u>150</u>

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.

**19 Related party transactions**
**Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	<b>2019 £</b>	<b>2018 £</b>
Aggregate compensation	<u>269,277</u>	<u>110,993</u>

**19 Related party transactions****(Continued)**

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 £7,349,630 (2018: £7,956,117) At the year end, the total debtors amounted to £1,868,634 (2018: £2,900,372).

During the year, the total purchases amounted to £613,024 (2018: £1,219,796) which included rent of £265,029 (2018: £188,884). At the year end, total creditors amounted to £4,119,031 (2018: £3,457,730).

During the year, the company incurred recharges from its shareholders totalling £275,139 (2018: £412,707). The recharges from the individual shareholders amounted to £137,570 from Cambridgeshire County Council and £137,569 from Northamptonshire County Council.

During the year Cambridgeshire County Council provided LGSS Law Limited with an overdraft facility of £499,000 of which £375,000 has been drawn down.

During the prior year Northamptonshire County Council provided LGSS Law Limited with an overdraft facility of £1,000,000 of which £950,000 (2018: £950,000) has been drawn down.

**20 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:

	<b>2019</b>	<b>2018</b>
Discount rate	2.4%	2.7%
Salary increase rate	2.8%	2.7%
Pension increase rate	2.5%	2.4%

The last full actuarial valuation was performed on 31 March 2019.

In valuing the liabilities of the pension fund at 31 March 2019, 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)

<i>Amounts recognised in the profit and loss account</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Current service cost	(869)	(864)
Net interest on defined benefit liability	(25)	(16)
Net interest on local authority guarantee	25	16
	<b>(869)</b>	<b>(864)</b>

<i>Amounts taken to other comprehensive income</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Return on scheme assets excluding interest income	309	(81)
Actuarial changes related to pension scheme	(748)	147
Actuarial changes related to local authority guarantee	439	(66)
<b>Actuarial loss / (gain)</b>	<b>-</b>	<b>-</b>

<i>The amounts included in the balance sheet arising from the company's obligations in respect of this defined benefit pension plan are as follows:</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Present value of defined benefit obligations	(7,698)	(5,789)
Fair value of plan assets	6,101	5,026
Fair value of local authority guarantee	1,597	763
	<b>-</b>	<b>-</b>

<i>Movement in the present value of defined benefit obligations</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Liability at 1 April	(5,789)	(4,837)
Current service cost	(869)	(864)
Interest expense	(169)	(138)
Changes in financial assumptions	(748)	147
Contributions by member	(157)	(158)
Benefits paid	34	61
<b>Liability at 31 March</b>	<b>(7,698)</b>	<b>(5,789)</b>

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

<i>Movement in the fair value of plan assets</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Fair value of assets at 1 April	5,026	4,410
Interest income	144	122
Return on plan assets (excluding amounts included in net interest)	309	(81)
Contributions by employer	499	478
Contributions by members	157	158
Benefits paid	(34)	(61)
<b>At 31 March</b>	<b>6,101</b>	<b>5,026</b>

**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:

	<b>2019</b>	<b>2018</b>
Discount rate	2.5%	2.7%
Salary increase rate	2.7%	2.6%
Pension increase rate	2.4%	2.3%

The last full actuarial valuation was performed on 31 March 2019.

In valuing the liabilities of the pension fund at 31 March 2019, 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)

<i>Amounts recognised in the profit and loss account</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Current service cost	(372)	(308)
Net interest on defined benefit liability	(11)	(10)
Net interest on local authority guarantee	11	10
	<b>(372)</b>	<b>(308)</b>

<i>Amounts taken to other comprehensive income</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Return on scheme assets excluding interest income	236	(21)
Actuarial changes related to pension scheme	(408)	117
Actuarial changes related to local authority guarantee	172	(96)
<b>Actuarial loss / (gain)</b>	<b>-</b>	<b>-</b>

<i>The amounts included in the balance sheet arising from the company's obligations in respect of this defined benefit pension plan are as follows:</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Present value of defined benefit obligations	(5,093)	(4,123)
Fair value of plan assets	4,442	3,789
Fair value of local authority guarantee	651	334
	-	-

<i>Movement in the present value of defined benefit obligations</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Liability at 1 April	(4,123)	(3,768)
Current service cost	(372)	(308)
Interest expense	(117)	(107)
Changes in financial assumptions	(408)	117
Contributions by member	(77)	(61)
Benefits paid	4	4
<b>Liability at 31 March</b>	<b>(5,093)</b>	<b>(4,123)</b>

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

<i>Movement in the fair value of plan assets</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Fair value of assets at 1 April	3,789	3,474
Interest income	106	97
Return on plan assets (excluding amounts included in net interest)	236	(21)
Contributions by employer	238	182
Contributions by members	77	61
Benefits paid	(4)	(4)
<b>At 31 March</b>	<b>4,442</b>	<b>3,789</b>

**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:

	<b>2019</b>	<b>2018</b>
Discount rate	2.4%	2.7%
Salary increase rate	2.7%	2.7%
Pension increase rate	2.4%	2.4%

The last full actuarial valuation was performed on 31 March 2019.

In valuing the liabilities of the pension fund at 31 March 2019, 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 years (male), 26.2 years (female)

<i>Amounts recognised in the profit and loss account</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Current service cost	(205)	(247)
Net interest on defined benefit liability	(26)	(26)
Net interest on local authority guarantee	26	26
	<b>(205)</b>	<b>(247)</b>

<i>Amounts taken to other comprehensive income</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Return on scheme assets excluding interest income	116	(58)
Actuarial changes related to pension scheme	(299)	103
Actuarial changes related to local authority guarantee	183	(45)
<b>Actuarial loss / (gain)</b>	<b>-</b>	<b>-</b>

<i>The amounts included in the balance sheet arising from the company's obligations in respect of this defined benefit pension plan are as follows:</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Present value of defined benefit obligations	(4,738)	(4,237)
Fair value of plan assets	3,397	3,216
Fair value of local authority guarantee	1,341	1,021
	-	-

<i>Movement in the present value of defined benefit obligations</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Liability at 1 April	(4,237)	(3,969)
Current service cost	(199)	(247)
Interest expense	(113)	(107)
Changes in financial assumptions	(299)	103
Contributions by member	(37)	(46)
Benefits paid	147	29
<b>Liability at 31 March</b>	<b>(4,738)</b>	<b>(4,237)</b>

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

<i>Movement in the fair value of plan assets</i>	<b>2019 £'000</b>	<b>2018 £'000</b>
Fair value of assets at 1 April	3,216	3,019
Interest income	87	81
Return on plan assets (excluding amounts included in net interest)	116	(58)
Administration expenses	(6)	-
Contributions by employer	94	157
Contributions by members	37	46
Benefits paid	(147)	(29)
<b>At 31 March</b>	<b>3,397</b>	<b>3,216</b>



**LGSS LAW LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019****21 Cash generated from operations**

	2019 £	2018 £
Loss for the year after tax	(1,209,276)	(300,213)
<b>Adjustments for:</b>		
Taxation (credited)/charged	(17,917)	20,757
Finance costs	14,456	15,578
Depreciation and impairment of tangible fixed assets	17,496	14,683
Increase in provisions	1,471,000	447,000
<b>Movements in working capital:</b>		
(Increase)/decrease in debtors	(196,866)	496,550
Increase in creditors	572,508	372,428
(Decrease)/increase in income tax position	(74)	47,995
<b>Cash generated from operations</b>	<u>651,327</u>	<u>1,114,778</u>