Company Registration No. 09067468 (England and Wales)

LGSS Law Ltd.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

LGSS LAW LIMITED

COMPANY INFORMATION

Directors	Mr C Warboys	
	Mr M McLaughlin	(Appointed 19 March 2018)
	Mr T Kelly	(Appointed 19 March 2018)
	Mrs D Carter-Hughes	(Appointed 30 May 2018)
	Mr T Lewis	(Appointed 4 June 2018)
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	

LGSS LAW LIMITED

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LGSS LAW LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present the strategic report for the year ended 31 March 2018.

Executive Director foreword to the Annual Report for the year ended 31 March 2018

The establishment of LGSS Law Ltd has provided a new model for the delivery of high quality and cost effective legal services to clients within the public and not for profit sectors.

This model delivers 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 by trading spare capacity.

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 its experience and specialist knowledge within the local government, housing and health sectors.

The geographical focus is within the East of England, East Midlands and surrounding areas. 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.

In summary Local Authorities are seeking better, more business-like legal services for the same or lower cost. This is a big challenge in the current market where the current model of in-house provision may not be able to deliver the required service levels. Often when the real cost of such in-house teams is analysed the figures reveal that the services are not cost effective due to the need for augmentation through purchasing expensive external commercial providers, and the requirement for specialist legal advice.

The social enterprise model developed by LGSS Law Ltd 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, and an understanding of public sector legal work, to create a new alternative for organisations in the public sector.

Principal risks and uncertainties

Economic downturn - The company operates in a sector that is under considerable pressure to reduce costs, as outlined above. This remains a trading risk, alongside the uncertainties over Brexit. The company is focussed on enhancing client relationships across all its customer base.

Liquidity Risk

The company manages its cash and borrowing requirements to maximise interest outcome 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.

Senior Leadership and governance

An Interim Executive Director has been appointed from within the existing Leadership Team to cover this role whilst a recruitment process is undertaken for the permanent position.

In addition, in June 2018, a new post was created for the Executive Director Finance and Operations to manage the back office functions of LGSS Law Ltd. This is a new role to the company and will significantly strengthen the corporate leadership, whilst enabling the Interim Executive Director to focus on the professional legal practice side of the business.

In addition to the above, a new Head of Children's Social Care Law and a new Head of Health and Adult Social Care have taken on permanent positions during the 2017/18 financial year and interim appointments have been made to the Head of Litigation and Finance Manager posts.

The above changes have seen a new group of managers coming in with ideas and experience which will build upon the existing foundations to further develop the business in the coming years.

Service Improvements

It has been recognised that retention of existing customers & obtaining positive feedback is important in making LGSS Law Ltd a success. To provide a customer focused legal service, Business Partner roles were allocated to senior members of LGSS Law Ltd (Management Team and Principal Lawyers) to work with the client to ensure that any issues are addressed through a single point of contact and the contracts are reviewed regularly to ensure they are still fit for purpose. The Business Partner has a counterpart within the client organisation and regular meetings take place to discuss issues or to service plan for future months.

New Opportunities

LGSS Law Ltd has been working closely with neighbouring local authorities to identify what legal support and assistance it could offer going forwards to assist their current internal legal teams. This has resulted in Ipswich Borough Council contracting with LGSS Law Ltd for planning legal advice, both attendance at planning committee and developer agreement work. In addition Corby Borough Council has recently passed over a number of property instructions to LGSS Law Ltd due to a lack of in house capacity, with an indication that more instructions in property and contracts will come forward in due course.

Further, many new instructions have been received from a number of parish councils within the local authority areas of our shareholder councils, whilst many of these are one off instructions there is volume in such work with potential for instructions from other similar clients.

LGSS Law Ltd is also ensuring that it is actively involved in discussions taking place between the Northamptonshire local authorities following the recommendations from central government for two unitary authorities to be created within the county.

Growth in 2018/19

As a firm our objective is to continue to provide a seamless legal service to our shareholders and not for profit clients and to continue to grow the business to ensure that benefits can be delivered to our shareholders in terms of dividends and value for money.

In order to achieve this, during 2018/19 LGSS Law Ltd will:-

- Develop the role of Executive Director Finance and Operations and the Interim Executive Director following the appointment of two new post holders.
- Continue to undertake the recruitment of a permanent Executive Director to provide stability and focus for the company.
- Continue to undertake the recruitment of a permanent part time Non-Executive Chairman.
- Work closely with its employees during this period, with the introduction of a new Leadership Team and two new Executive Directors, to ensure that work continues as normal and staff feel engaged and motivated.
- Review the current contracts it holds with its shareholder clients and the Service Level Agreements in place to ensure that these are reviewed regularly and are still fit for purpose.
- Look to win tender opportunities and enter into further framework or service arrangements to increase its share of external work.
- Review its internal systems and policies in advance of its 3 year Lexcel review and seek to update and develop these where necessary.
- Retain its Lexcel Accreditation with it being the first review undertaken considering practices across all four branch offices.

On behalf of the board

D Carter-Hughes

Mrs D Carter-Hughes
Director
6 August 2018

LGSS LAW LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

The directors present their annual report and financial statements for the year ended 31 March 2018.

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 J Kane	(Resigned 7 February 2018)
Mr M Bowmer	(Resigned 14 March 2018)
Mr M McLaughlin	(Appointed 19 March 2018)
Mr T Kelly	(Appointed 19 March 2018)
Mrs D Carter-Hughes	(Appointed 30 May 2018)
Mr T Lewis	(Appointed 4 June 2018)

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.

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.

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
6 August 2018

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LGSS LAW LIMITED

Opinion

We have audited the financial statements of LGSS Law Limited (the 'company') for the year ended 31 March 2018 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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.

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

Chartered Accountants
Statutory Auditor

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

Date: 17 August 2018

LGSS LAW LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	**3**	8,702,467	8,202,327
Cost of sales		(6,155,471)	(5,828,364)
Gross profit		2,546,996	2,373,963
Administrative expenses		(2,810,874)	(2,091,423)
Operating (loss)/profit	**4**	(263,878)	282,540
Interest payable and similar expenses	**7**	(15,578)	(15,390)
(Loss)/profit before taxation		(279,456)	267,150
Tax on loss/profit	**8**	(20,757)	(46,512)
(Loss)/profit for the financial year		(300,213)	220,638

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 2018

	2018	2017
	£	£
(Loss)/profit for the year	(300,213)	220,638
Other comprehensive income	-	-
Total comprehensive income for the year	(300,213)	220,638

LGSS LAW LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	9		29,061		40,051
Current assets					
Debtors	11	6,256,699		6,753,249	
Cash at bank and in hand		1,229,461		202,706	
		7,486,160		6,955,955	
Creditors: amounts falling due within one year	12	(4,521,203)		(4,148,775)	
Net current assets			2,964,957		2,807,180
Total assets less current liabilities			2,994,018		2,847,231
Creditors: amounts falling due after more than one year	13		(950,000)		(950,000)
Provisions for liabilities	15		(2,118,000)		(1,671,000)
Net (liabilities)/assets			(73,982)		226,231
Capital and reserves					
Called up share capital	16		150		150
Profit and loss reserves			(74,132)		226,081
Total equity			(73,982)		226,231

The financial statements were approved by the board of directors and authorised for issue on 6 August 2018 and are signed on its behalf by:

DCarter-Hughes

Mrs D Carter-Hughes
Director

Company Registration No. 09067468

LGSS LAW LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2016		100	5,443	5,543
Year ended 31 March 2017:				
Profit and total comprehensive income for the year		-	220,638	220,638
Issue of share capital	**16**	50	-	50
Balance at 31 March 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)

LGSS LAW LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24		1,114,778		(1,193,056)
Interest paid			(15,578)		(15,390)
Income taxes paid			(68,751)		-
Net cash inflow/(outflow) from operating activities			1,030,449		(1,208,446)
Investing activities					
Purchase of tangible fixed assets		(3,694)		(53,795)	
Net cash used in investing activities			(3,694)		(53,795)
Financing activities					
Proceeds from issue of shares		-		50	
Net cash (used in)/generated from financing activities			-		50
Net increase/(decrease) in cash and cash equivalents			1,026,755		(1,262,191)
Cash and cash equivalents at beginning of year			202,706		1,464,897
Cash and cash equivalents at end of year			1,229,461		202,706

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. 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 2018, the company's balance sheet was in a net liability position following a period of losses. Furthermore, the company continues to be reliant on the support of its shareholders in the form of loans and overdrafts. However, the shareholders have agreed to subordinate all existing loans and overdrafts 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 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 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.

1 Accounting policies **(Continued)**

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.

1.5 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.

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 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.

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.

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

	2018	2017
	£	£
Turnover analysed by class of business		
Fee Income	8,702,467	8,202,327

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

4 Operating (loss)/profit

	2018	2017
Operating (loss)/profit for the year is stated after charging:	£	£
Depreciation of owned tangible fixed assets	14,683	14,678

5 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	10,865	10,500
For other services		
All other non-audit services	20,135	25,500

6 Employees

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

	2018	2017
	Number	Number
Directors	4	4
Administrative	120	98
	124	102

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	6,345,453	5,725,840
Social security costs	403,789	329,480
Pension costs	797,611	794,658
	7,546,853	6,849,978

Mr Q Baker was the only director who was employed and remunerated by LGSS Law Ltd.

Mr M McLaughlin, Mr C Warboys and Mr T Kelly are statutory directors of LGSS Law Ltd.

No remuneration or expenses were paid to any other directors during the year by the company.

7 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	15,578	15,390

8 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	(74)	46,512
Adjustments in respect of prior periods	20,831	-
Total current tax	20,757	46,512

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

	2018	2017
	£	£
(Loss)/profit before taxation	(279,456)	267,150
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(53,097)	53,430
Tax effect of expenses that are not deductible in determining taxable profit	11,765	942
Tax effect of utilisation of tax losses not previously recognised	70	-
Adjustments in respect of prior years	20,757	1,871
Deferred tax adjustments in respect of prior years	4,343	-
Deferred tax not recognised	36,919	10,663
Other	-	(20,394)
Taxation charge for the year	20,757	46,512

9 Tangible fixed assets

	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£
Cost			
At 1 April 2017	14,023	41,017	55,040
Additions	3,694	-	3,694
At 31 March 2018	17,717	41,017	58,734
Depreciation and impairment			
At 1 April 2017	3,506	11,484	14,990
Depreciation charged in the year	4,429	10,254	14,683
At 31 March 2018	7,935	21,738	29,673
Carrying amount			
At 31 March 2018	9,782	19,279	29,061
At 31 March 2017	10,517	29,534	40,051

10 Financial instruments

	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,396,962	5,766,515
Carrying amount of financial liabilities		
Measured at amortised cost	4,359,441	3,600,368

11 Debtors

	2018	2017
Amounts falling due within one year:	£	£
Trade debtors	377,008	1,138,515
Corporation tax recoverable	74	-
Amounts owed by group undertakings	2,900,372	2,957,000
Other debtors	2,119,582	1,671,000
Prepayments and accrued income	859,663	986,734
	6,256,699	6,753,249

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	584,993	683,585
Amounts due to group undertakings	3,457,730	2,647,373
Corporation tax	-	47,921
Other taxation and social security	161,762	500,486
Other creditors	96,427	123,137
Accruals and deferred income	220,291	146,273
	4,521,203	4,148,775

13 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Other borrowings	14	950,000	950,000

14 Loans and overdrafts

	2018 £	2017 £
Loans from group undertakings	950,000	950,000
Payable after one year	950,000	950,000

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

	2018 £	2017 £
Defined benefit pension fund	2,118,000	1,671,000

15 Provisions for liabilities **(Continued)**

Movements on provisions:

	Defined benefit pension fund £
At 1 April 2017 and 31 March 2018	2,118,000

The provisions for liabilities relate to the pension fund liability of £2,118,000 (2017: £1,671,000).

16 Share capital

	2018 £	2017 £
Ordinary share capital		
Authorised		
150 Ordinary shares of £1 each	150	150
Issued and fully paid		
150 Ordinary shares of £1 each	150	150
	150	150

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

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2018 £	2017 £
Aggregate compensation	110,993	107,994

17 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 £7,956,117 (2017 - £7,318,000) At the year end, the total debtors amounted to £2,900,372 (2017 - £2,957,000).

During the year, the total purchases amounted to £3,076,667 (2017 - £539,000) which included rent of £188,884 (2017: £180,435). At the year end, total creditors amounted to £3,457,730 (2017 - £514,000).

During the year, the company incurred intercompany recharges from its shareholders totalling £412,707 (2017: £77,090). The charges from the individual shareholders amounted to £241,710 from Cambridgeshire County Council and £170,997 from Northamptonshire County Council respectively.

The shareholders also settled supplier invoices on the company's behalf which amounted to £579,767 (2017 - £2,123,000).

Northamptonshire County Council provided LGSS Law Limited with an overdraft facility of £1,000,000 of which £950,000 (2017 - £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:

	2018	2017
Discount rate	2.7%	2.6%
Salary increase rate	2.7%	2.7%
Pension increase rate	2.4%	2.4%

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

In valuing the liabilities of the pension fund at 31 March 2018, 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	**2018** **£'000**	**2017** **£'000**
Current service cost	(864)	(417)
Net interest on defined benefit liability	(16)	(11)
Net interest on local authority guarantee	16	11
	(864)	**(417)**

LGSS Law Ltd.

Amounts taken to other comprehensive income	**2018 £'000**	**2017 £'000**
Return on scheme assets excluding interest income	(81)	646
Actuarial changes related to pension scheme	147	(738)
Actuarial changes related to local authority guarantee	(66)	92
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:	**2018 £'000**	**2017 £'000**
Present value of defined benefit obligations	(5,789)	(4,837)
Fair value of plan assets	5,026	4,410
Fair value of local authority guarantee	763	427
	-	-

Movement in the present value of defined benefit obligations	**2018 £'000**	**2017 £'000**
Liability at 1 April	(4,837)	(3,439)
Current service cost	(864)	(417)
Interest expense	(138)	(133)
Changes in financial assumptions	147	(738)
Contributions by member	(158)	(132)
Benefits paid	61	22
Liability at 31 March	**(5,789)**	**(4,837)**

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

Movement in the fair value of plan assets	**2018 £'000**	**2017 £'000**
Fair value of assets at 1 April	4,410	3,155
Interest income	122	122
Return on plan assets (excluding amounts included in net interest)	(81)	646
Contributions by employer	478	377
Contributions by members	158	132
Benefits paid	(61)	(22)
At 31 March	**5,026**	**4,410**

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:

	2018	2017
Discount rate	2.7%	2.7%
Salary increase rate	2.6%	2.7%
Pension increase rate	2.3%	2.4%

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

In valuing the liabilities of the pension fund at 31 March 2018, 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	**2018 £'000**	**2017 £'000**
Current service cost	(308)	(191)
Net interest on defined benefit liability	(10)	(7)
Net interest on local authority guarantee	10	7
	(308)	**(191)**

Amounts taken to other comprehensive income	**2018 £'000**	**2017 £'000**
Return on scheme assets excluding interest income	(21)	324
Actuarial changes related to pension scheme	117	(425)
Actuarial changes related to local authority guarantee	(96)	101
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:	**2018 £'000**	**2017 £'000**
Present value of defined benefit obligations	(4,123)	(3,768)
Fair value of plan assets	3,789	3,474
Fair value of local authority guarantee	334	294
	-	-

Movement in the present value of defined benefit obligations	**2018 £'000**	**2017 £'000**
Liability at 1 April	(3,768)	(2,989)
Current service cost	(308)	(191)
Interest expense	(107)	(112)
Changes in financial assumptions	117	(425)
Contributions by member	(61)	(54)
Benefits paid	4	3
Liability at 31 March	**(4,123)**	**(3,768)**

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

Movement in the fair value of plan assets	**2018 £'000**	**2017 £'000**
Fair value of assets at 1 April	3,474	2,807
Interest income	97	105
Return on plan assets (excluding amounts included in net interest)	(21)	324
Contributions by employer	182	187
Contributions by members	61	54
Benefits paid	(4)	(3)
At 31 March	**3,789**	**3,474**

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:

	2018	2017
Discount rate	2.7%	2.6%
Salary increase rate	2.7%	2.7%
Pension increase rate	2.4%	2.4%

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

In valuing the liabilities of the pension fund at 31 March 2018, 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)

Amounts recognised in the profit and loss account	**2018 £'000**	**2017 £'000**
Current service cost	(247)	(215)
Net interest on defined benefit liability	(26)	(16)
Net interest on local authority guarantee	26	16
	(247)	**(215)**

Amounts taken to other comprehensive income	**2018 £'000**	**2017 £'000**
Return on scheme assets excluding interest income	(58)	381
Actuarial changes related to pension scheme	103	(838)
Actuarial changes related to local authority guarantee	(45)	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:	**2018 £'000**	**2017 £'000**
Present value of defined benefit obligations	(4,237)	(3,969)
Fair value of plan assets	3,216	3,019
Fair value of local authority guarantee	1,021	950
	-	-

Movement in the present value of defined benefit obligations	**2018 £'000**	**2017 £'000**
Liability at 1 April	(3,969)	(2,765)
Current service cost	(247)	(215)
Interest expense	(107)	(98)
Changes in financial assumptions	103	(838)
Contributions by member	(46)	(53)
Benefits paid	29	-
Liability at 31 March	**(4,237)**	**(3,969)**

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

Movement in the fair value of plan assets	**2018 £'000**	**2017 £'000**
Fair value of assets at 1 April	3,019	2,298
Interest income	81	82
Return on plan assets (excluding amounts included in net interest)	(58)	381
Contributions by employer	157	205
Contributions by members	46	53
Benefits paid	(29)	-
At 31 March	**3,216**	**3,019**

24 Cash generated from operations

	2018	2017
	£	£
(Loss)/profit for the year after tax	(300,213)	220,638
Adjustments for:		
Taxation charged	20,757	46,512
Finance costs	15,578	15,390
Depreciation and impairment of tangible fixed assets	14,683	14,678
Increase in provisions	447,000	1,205,000
Movements in working capital:		
Decrease/(increase) in debtors	496,550	(4,236,556)
Increase in creditors	372,428	1,587,794
Increase/(decrease) in income tax position	47,995	(46,512)
Cash generated from/(absorbed by) operations	1,114,778	(1,193,056)