Financial statements
UKLS Acquisitions Limited

# For the Year Ended 31 March 2017



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**Company No.** 09117397

# Company information

| | |
|---|---|
| Company registration number | 09117397 |
| Registered office | Grant Hall<br>Parsons Green<br>St Ives<br>Cambridgeshire<br>PE27 4AA |
| Directors | D A Knottenbelt<br>G M Pritchard<br>N A Berry |
| Secretary | N A Berry |
| Bankers | HSBC Plc<br>Market Hill<br>St Ives<br>Cambridgeshire<br>PE27 5AP |
| Statutory auditor | PricewaterhouseCoopers LLP<br>Cornwall Court<br>19, Cornwall Street<br>Birmingham<br>B3 2DT |

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# Strategic report

The Directors present their strategic report of the Company and its subsidiaries ("the Group") for the year ended 31 March 2017.

Principal activity
The Group's principal activity is the provision of legal and property services to corporate clients as well as direct to individual consumers. The services include residential property conveyancing, probate and deceased estate administration and the bulk sale and management of residential properties. The Group has developed proprietary software which gives it a competitive advantage in the market and has a strong, customer focused corporate culture driven by the principles of 'treating the customer fairly'.

Business review
During the period under review, the business demonstrated continued resilience in the face of further decline in the volume of UK housing transactions resulting from the 'Brexit' vote. A strong customer service ethos meant the Group was able to grow market share again this year and the business is planning for further growth in the future.

On 21 September 2016, the group acquired the entire shareholdings of both JS Law Limited and JSL Legal Services Limited, both of which comprise a high volume residential conveyancing and search business. Consideration for the business was £3.2 million, where cash payments of £1.9 million were paid on or shortly after the acquisition date and the remaining £1.3 million has been deferred. The acquisition was effected as part of a wider strategy to increase market share and grow volume within the residential conveyancing market.

On 18 October 2016, the group acquired Lifecycle Bereavement Services Limited from Lifecycle Marketing (Mother and Baby) Limited for initial consideration of £1, with further payments of up to £0.4 million deferred over three years from the acquisition date. The acquired death notification service is anticipated to generate sales leads for the group's probate business.

On 19 October 2016, following a restructure of the UKLS Topco Limited group, ownership of Quality Solicitors Organisation Limited was transferred to Move with Us Limited, a subsidiary of the group.

**Financial performance**
Turnover for the Group was £56.2 million (2016: £56.9 million) of which £38.9 million (2016: £36.7 million), or 69% (2016: 64%), related to Legal Services and £17.4 million (year ended 31 March 2016: £20.2 million), or 31% (year ended 31 March 2016: 36%), to Property Services. Legal Services includes conveyancing, probate and deceased estate administration and the Move with Us network of estate agents (which supply residential conveyancing leads to the Group). Property Services includes the bulk sale and management of residential property on behalf of new homes developers, mortgage book owners and executors and administrators of deceased estates.

Administrative expenses of £38.8million (2016: £18.4 million) include £22.5 million of exceptional costs (2016: £3.3 million) and £4.4 million of amortisation and depreciation (2016: £4.6 million), of which £3.2 million relates to amortisation of intangible assets recognised upon acquisitions (2016: £3.6 million).

Group adjusted EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) for the year was £5.8 million (2016: £5.8 million) and is stated before exceptional items. The operating loss for the year including exceptional items was £21.2 million (2016: £2.2 million).

The net cash balance at 31 March 2017 was £2.5 million (2016: £6.0 million). The decrease in cash can mostly be attributed to the acquisition of JS Law Limited and JSL Legal Services Limited and investment in new technology to win market share and increase the efficiency of the business. Loans and borrowings comprised a loan from the parent company of £48.0 million (2016: £44.5 million), including compounded interest, and bank loans with a carrying amount of £21.6 million (2016: £23.0 million).

**Exceptional items**
The Group recognised a cost of £22.5 million (2016: £3.3 million) arising from exceptional items. This primarily relates to impairments in the group's Probate business, which was loss making in the period, amounting to £20.2 million. Exceptional operating costs of £2.3 million (2016: £0.6 million) were also recognised in the year. Refer note 7 of the financial statements for a further description of these items.

**Discontinued operations**
Discontinued operations comprise the results of group subsidiary Secure Home Purchase Limited, which entered voluntary liquidation during the previous financial year. The liquidator expects to finalise the process in the near future. Refer to note 24 of the financial statements for a further description of discontinued operations.

# Strategic report (continued)

**Group performance**
The Board and management use the following Key Performance Indicators (KPIs) to monitor the success of the business:

| | Unit | | Year ended 31 March 2017 | Year ended 31 March 2016 |
|---|---|---|---|---|
| **Financial KPIs** | | | | |
| Revenue for the year | millions | | £56.2 | £56.9 |
| Gross margin | per cent | | 31.3% | 28.5% |
| Adjusted EBITDA | millions | | £5.8 | £5.8 |
| Operating profit (before exceptional costs) | millions | | £1.4 | £1.1 |
| Operating margin (before exceptional costs) | per cent | | 2.4% | 1.9% |

In the context of what was a difficult year in residential property markets management are satisfied with the performance in the year and expect revenue and EBITDA growth in the next twelve months.

**Segment performance**
As referred to above, the Group is organised into two main business units:

- Legal Services – provision of legal services, primarily conveyancing, via a panel of third party firms and the group's own in-house conveyancers DC Law and JS Law, and Probate and estate administration services.
- Property Services – outsourced residential sales and ancillary services on behalf of developers, lenders, and executors and administrators of deceased estates

Strategy
The Company intends to build a substantial property-related legal services business through organic growth, the acquisition of other relevant businesses and the development and application of technology. It believes that by offering high levels of customer service, supported by user-friendly technology into what has traditionally been a market with poor levels of customer service and traditional practices it can win increased market share and deliver growth to its investors.

Risks and uncertainties
The list below sets out the most significant risks to the achievement of the Group's business goals. The list does not include all risks that the Group faces and it does not list the risks in any order of priority.

***Economic environment***
There are increased levels of economic uncertainty in both the property market, a key market for the Group, and the wider economy following the UK's decision, made in June 2016, to leave the European Union. It is still too early to determine the full impact 'Brexit' may have on the group, however, management are confident there is sufficient resilience within the Group's business model to allow it to continue to trade profitably through any economic downturn.

***Credit risk***
In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the Directors on a regular basis in conjunction with debt ageing and collection history. Credit risk is also mitigated through the distribution of customers within various market sectors.

***Regulation***
The Group's activities are subject to certain regulation.

The licensed conveyancing and grants of probate activities of the Group are regulated by the Council of Licensed Conveyancers (CLC). The Group is subject to periodic inspections by the CLC and a professional services firm reports to the CLC on a stipulated set of criteria on an annual basis. The Group ensures it has policies and procedures in place to ensure compliance with all CLC regulations.

The Group's estate agency activities are subject to the requirements of the Estate Agents Act 1979 and the National Association of Estate Agents (NAEA) Rules of Conduct. Deposits received through the Group's property management activities are logged with the Tenancy Deposit Scheme. This legal and governance framework, together with the Group's membership of The Property Ombudsman (TPO) scheme, ensure that the Group follows best practice with regard to matters such as the mis-description of property and the holding of client monies. The Group also encourages partners within its estate agent network to be members of the NAEA and TPO scheme.

# Strategic report (continued)

***Regulation (continued)***
As well as market-specific regulation, the Group is governed by strict health and safety and data protection legislation. The Board takes its responsibilities very seriously and recognises that any breach of regulation could cause reputational and financial damage to the Group and has policies and procedures in place to manage these risks.

***Employee engagement and retention***
The continued success of the Group relies heavily on its investment in the training and development of its employees. The Group's employment policies and remuneration and benefit packages are designed to be competitive, as well as providing employees with fulfilling career opportunities. The Group continually engages with employees across the business and operates staff forums to ensure that it communicates with staff at every level in the organisation.

***Information technology (IT)***
Service to our customers is heavily dependent upon the IT systems which support the business. The Group is exposed to the risk of failure in the IT systems upon which it relies. The Group has appropriate controls in place to mitigate the risk of such failure, including systems back-up procedures and disaster recovery plans as well as appropriate virus protection and network security controls.

**Corporate Social Responsibility**
The Board has overall responsibility for establishing the Group's Corporate Social Responsibility (CSR) policy. The Group recognises that its business operations and conduct have an impact on the environment, community and its employees. It therefore takes its corporate social responsibility very seriously. It is committed to ensuring ethical behaviour, a high regard for health and safety, care for the environment and ethical sourcing and aims to integrate socially responsible behaviour into its core values and all its activities.

**Community**
The Group continues to encourage all its employees to devote time and fundraising efforts to charitable causes of particular importance to them as individuals. In the period its employees continued to engage with and support their local communities through charitable activities and contributions.

**Environment**
The Group recognises that its operations will have an impact on the environment. Concern for the environment will be a fundamental part of decision making in all aspects of the company's activities, including capital investment and in the allocation of resources. The Group will:

1. Operate in ways that contribute to lowering energy and fuel usage, reducing carbon emissions, and reducing and recycling waste;
2. Ensure, as a minimum, compliance with all applicable legal requirements, as well as meeting or exceeding other requirements appropriate to the company's activities;
3. Recognise its key stakeholders' environmental policies and credentials as part of the process for evaluation and selection;
4. Consider key suppliers' environmental policies and credentials as part of the process for evaluation and selection;
5. Monitor and report, internally and externally, the environmental impact of the Group's operations;
6. Strive for continuous environmental improvement through the setting and reviewing of objectives and targets;
7. Ensure that all producers of electrical equipment comply with the WEEE Regulations.

**Health and safety**
The Group considers the effective management of health and safety to be an integral part of managing its business. The Group's on-going policy on health and safety is to provide adequate control of the health and safety risks arising from work activities through consultation with, and training of, its employees. The Group will maintain safe and healthy working conditions for employees, visitors and contractors, and keep its policy on health and safety up-to-date with regular reviews and updates to the policy as and when required.

ON BEHALF OF THE BOARD

N Berry
Director
4 August 2017

# Report of the Directors

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Daan Knottenbelt
Gary Pritchard
Nigel Berry

*Directors' Qualifying Third Party Indemnity Provisions*
The Group had qualifying third party indemnity provisions for the benefit of the Directors in force from the start of the financial year to the date of this report, subject to the conditions set out in the Companies Act 2006. The Group has put in place 'Directors & Officers Liability' insurance to cover for this liability.

Dividends
The Directors have not proposed a dividend for the year ended 31 March 2017 (2016: £nil).

Future developments
The Group will continue to focus on broadening its service proposition to its existing markets, finding new channels to market and on securing new acquisitions.

Going concern
The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. As at 31 March 2017, the Group had drawn down £25.0 million from a banking facility with HSBC and held net debt (excluding intercompany loans) of £19.6 million (2016: £17.7 million). Refer to note 22.3 for a further discussion of the Group's liquidity risk.

After assessing the forecasts and liquidity of the business for the next financial period the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In addition the Group has received confirmation from its ultimate parent Palamon Auxiliary Partnership 2013 fund, managed by Palamon Capital Partners LP, that they do not intend to recall or request payment of its shareholder loan notes within UKLS Acquisitions Limited within the next 12 months and has given its intention to providing continuing support to the Group for at least the next 12 months.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Corporate Governance
*The Board*
The Board meets approximately monthly during the year. Its primary role is to provide the effective and entrepreneurial leadership necessary to enable the Group's business objectives to be met and to review the overall strategic development of the Group as a whole. The Board reviews performance at Board meetings and by a detailed monthly management report, which includes the performance of each operating segment against the monthly and annual plan and covers all the key performance indicators featured in this report.

*Internal Controls*
The Board of directors has overall responsibility for the Group's systems of internal controls and for reviewing their effectiveness. An on-going process has been established for identifying, managing and evaluating the risks faced by the Group, including reputational risk. This process has been in place for the full financial year ended 31 March 2017 and up to the date on which the financial statements were approved and is regularly reviewed by the Board.

These systems are designed to manage rather than eliminate business risk; safeguard the Group's assets against material misstatement or loss; fairly report the Group's performance and position, and to ensure compliance with relevant legislation, regulation and best practice, including that related to social, environmental and ethical matters. The systems provide reasonable, not absolute, assurance against material misstatement or loss and are regularly reviewed by the Board to deal with changing circumstances.

Summaries of the key financial risks inherent in the Group's business are given in the Performance Review on pages 2 and 3 and in note 22.

# Report of the Directors (continued)

The Group operates a management structure with delegated authority levels and functional reporting lines and accountability. It also operates a budgeting and financial reporting system which compares actual performance to budget and to the previous period on a monthly basis. In addition, the directors receive regular information on sales activity and on key performance data. All capital expenditure and other purchases are subject to appropriate authorisation procedures.

*People*
The Group's people are its largest resource and most highly valued asset. The Group's ability to respond to market change and innovate with its services is due in no small measure to the talent it has assembled. The Group continues to develop its people through challenge and training to ensure this capability is retained.

The Group has a strong customer focussed corporate culture driven by the principle of 'treating the customer fairly'. It is promoted and reinforced by an open and honest communication environment and by investment in ensuring that all employees have a profound understanding of the Group's core values and goals. This is achieved through a combination of a rigorous selection process, thorough induction programme, on-going coaching and mentoring, and cross-functional team building events involving all employees.
Staff opinions are frequently sought via both formal and informal routes including regular staff forums, dialogue with senior managers and employee online surveys.

The Group ensures that employees are kept informed of its affairs via information distributed by e-mail, intranet and in dialogue with management at presentations made to all staff. Group employees are encouraged to discuss strategic, operational and business issues within their teams and with their management. The Staff Forum provides staff with an opportunity to both understand their contribution to the business in the context of the financial and economic factors affecting the Group's performance and to raise issues and concerns to management on a regular basis.

Recognising and rewarding exceptional performance is key for the Group, which operates bonus plans that reward certain employees as a percentage of their salary. Participation in the bonus schemes operated by the Group is open to key employees and those with sales and other roles that can be directly linked through business performance.

The Group has a strong commitment to equality of opportunity in all its employment policies, practices and procedures. Its staff are a vital part of the success and growth of the Group and every effort is made to select, recruit, train and promote the best candidates based on suitability for the job, to treat all employees and applicants fairly regardless of race, sex, marital status, nationality, ethnic origin, age, disability, religious belief or sexual orientation, and to ensure that no employee suffers harassment or intimidation.

It is the Group's policy to provide employment and to make reasonable adjustment to accommodate disabled persons wherever the requirements of the organisation will allow and if applications for employment are received from suitable individuals. If existing employees become disabled, every reasonable effort will be made to ensure that their employment with the Group can continue on a worthwhile basis with career opportunities available to them.

Statement of director's responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

# Report of the Directors (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors
Each of the Directors at the time when this Report of the directors is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors
PricewaterhouseCoopers LLP offer themselves for reappointment as auditors in accordance with section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD

N A Berry
Director

4 August 2017

# *Independent auditors' report to the members of UKLS Acquisitions Limited*

## Report on the group financial statements

### Our Opinion

In our opinion, UKLS Acquisitions Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 March 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual report and financial statements ("Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 31 March 2017;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

## Other matter

We have reported separately on the parent company financial statements of UKLS Acquisitions Limited for the year ended 31 March 2017.

Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
11 August 2017

# Consolidated Statement of Comprehensive Income

| | Note | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **56,203** | 56,873 |
| Cost of sales | | **(38,610)** | (40,622) |
| Gross profit | 3 | **17,593** | 16,251 |
| Administrative expenses | | **(38,760)** | (18,411) |
| **Operating loss** | | **(21,167)** | (2,160) |
| Analysed as: | | | |
| Gross profit | | **17,593** | 16,251 |
| Other administrative expenses | | **(11,792)** | (10,497) |
| **Adjusted EBITDA** | | **5,801** | 5,754 |
| Depreciation | 6 | **(530)** | (405) |
| Amortisation of other intangible assets | 6 | **(719)** | (645) |
| Amortisation of acquired intangible assets | 6 | **(3,183)** | (3,586) |
| Exceptional items | 7 | **(22,536)** | (3,278) |
| **Operating loss** | | **(21,167)** | (2,160) |
| Finance income | 5 | **14** | 9 |
| Finance costs | 5 | **(5,120)** | (4,797) |
| **Loss before tax** | 6 | **(26,273)** | (6,948) |
| Taxation | 8 | **1,029** | 1,191 |
| **Loss for the year from continuing operations** | | **(25,244)** | (5,757) |
| Loss for the year from discontinued operations | 24 | **(1)** | (343) |
| **Loss for the year and total comprehensive expense attributable to the owners of the parent** | | **(25,245)** | (6,100) |
| **Other Comprehensive Loss** | | | |
| Impact of changes in UK tax rate on deferred tax | | (26) | - |
| **Total Comprehensive Loss for the year attributable to the owners of the parent** | | **(25,271)** | (6,100) |

# Consolidated Statement of Financial Position

| | Note | As at 31 March 2017 £'000 | As at 31 March 2016 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 956 | 1,101 |
| Goodwill | 9 | 28,919 | 42,994 |
| Other intangible assets | 10 | 12,450 | 16,935 |
| | | 42,325 | 61,030 |
| **Current assets** | | | |
| Inventories | 12 | - | 370 |
| Trade and other receivables | 13 | 12,009 | 10,284 |
| Cash and cash equivalents | | 2,542 | 6,045 |
| | | 14,551 | 16,699 |
| **Total assets** | | 56,876 | 77,729 |
| **Current liabilities** | | | |
| Borrowings | 16 | 1,442 | 1,362 |
| Trade and other payables | 14 | 20,969 | 18,314 |
| Deferred consideration | 7,16,19 | 1,139 | 614 |
| Provisions | 15 | 100 | 158 |
| Income tax payable | | 156 | 236 |
| | | 23,806 | 20,684 |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 68,186 | 66,061 |
| Deferred tax liabilities | 8 | 1,935 | 2,764 |
| | | 70,121 | 68,825 |
| **Total liabilities** | | 93,927 | 89,509 |
| **Net liabilities** | | (37,051) | (11,780) |
| **Equity** | | | |
| Share capital | 17 | - | - |
| Share premium | | 773 | 773 |
| Accumulated losses | | (37,824) | (12,553) |
| **Total equity** | | (37,051) | (11,780) |

The financial statements on pages 10 to 44 were approved by the directors on 4 August 2017 and are signed on their behalf by:

N A Berry (Director)

# Consolidated Statement of Cash Flows

| | Notes | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | **(26,273)** | (6,948) |
| Amortisation of other intangible assets | 6 | **3,902** | 4,231 |
| Depreciation of property, plant and equipment | 6 | **530** | 405 |
| Interest income | 5 | **(14)** | (9) |
| Interest expense | 5 | **5,120** | 4,797 |
| Impairment of financial asset | 6 | **768** | - |
| Impairment of goodwill | 9 | **16,725** | - |
| Impairment of intangible assets | 10 | **3,506** | 3,649 |
| Adjustment to deferred consideration | | **-** | (972) |
| Provision for restructuring costs | | **323** | - |
| Increase in trade and other receivables | | **(1,850)** | (879) |
| Increase in trade and other payables | | **718** | 985 |
| Tax (payments)/receipts | | **(449)** | 842 |
| Cash flow from discontinued operations | | **450** | 469 |
| Cash flow from operating activities | | **3,456** | 6,570 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(219)** | (534) |
| Purchase of intangible assets | | **(1,812)** | (491) |
| Acquisition of subsidiary (net of cash) | 19 | **(1,585)** | - |
| Acquisition of business | 19 | **-** | (3,043) |
| Interest received | | **14** | 9 |
| Cash flow from discontinued operations | 24 | **(450)** | (1,760) |
| Cash flow from investing activities | | **(4,052)** | (5,819) |
| **Financing activities** | | | |
| Loans granted by Parent Company | | **-** | 3,000 |
| Repayment of loans and other borrowings | | **(1,520)** | (1,040) |
| Interest paid | | **(1,387)** | (1,302) |
| Cash flow from financing activities | | **(2,907)** | 658 |
| **Net (decrease) /increase in cash and cash equivalents** | | **(3,503)** | 1,409 |
| Cash and cash equivalents at beginning of the year | | **6,045** | 4,636 |
| **Cash and cash equivalents at end of the year** | | **2,542** | 6,045 |

# Consolidated Statement of changes in equity

for the year ended 31 March 2017

| | Share capital £'000 | Share premium £'000 | Accumulated losses £'000 | Total equity £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2015** | - | 773 | **(6,453)** | **(5,680)** |
| Loss for the year | - | - | (6,100) | (6,100) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive expense** | - | - | **(6,100)** | **(6,100)** |
| **Balance at 31 March 2016** | - | 773 | **(12,553)** | **(11,780)** |
| Loss for the year | - | - | (25,245) | (25,245) |
| Other comprehensive income | - | - | (26) | (26) |
| **Total comprehensive expense** | - | - | **(25,271)** | **(25,271)** |
| **Balance at 31 March 2017** | - | 773 | **(37,824)** | **(37,051)** |

# Notes to the consolidated financial statements

1 General information and statement of compliance with IFRS

The company is a private company incorporated and domiciled in England. The address of UKLS Acquisitions Limited's registered office and its principal place of business is Grant Hall, Parsons Green, St Ives, Cambridgeshire PE27 4AA.

The consolidated financial statements of the Group have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC), as well as The Companies Act 2006 as applicable to companies using IFRS.

The consolidated financial statements incorporate the financial statements of UKLS Acquisitions Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 March 2017. Comparatives are presented for the year ended 31 March 2016. The financial statements and supporting disclosure notes are presented in thousands (denoted by £'000) unless otherwise indicated.

2 Summary of accounting policies

2.1 Overall considerations

The consolidated financial statements have been prepared on the historical cost basis or financial assets and financial liabilities held at fair value through profit and loss. Historical cost is generally based on the fair value given in exchange for goods and services.

These accounting policies have been used consistently throughout all periods presented in the financial statements.

The consolidated financial statements are presented in pounds sterling (£), which is also the functional currency of the parent company.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarised below.

2.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 March 2017. Subsidiaries are all entities over which the Group has control. Control is achieved where the Company has power over the investee, is exposed and has right to, the variable returns from its involvement with the investee and had the ability to use its power to affect its return from that entity. All subsidiaries have a reporting date of 31 March.

Intragroup transactions and balances between Group companies are eliminated on consolidation and there are no unrealised gains or losses on these transactions.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.3 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. As at 31 March 2017, the Group had drawn down £25 million from a banking facility with HSBC and held net debt (excluding intercompany loans) of £19.8 million (2016: £17.7 million). Refer to note 22.3 for a further discussion of the Group's liquidity risk.

After assessing the forecasts and liquidity of the business for the next financial period the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In addition the Group has received confirmation from its ultimate parent Palamon Auxiliary Partnership 2013 fund, managed by Palamon Capital Partners LP, that they do not intend to recall or request payment of its shareholder loan notes within UKLS Acquisitions Limited within the next 12 months and has given its intention to providing continuing support to the Group for at least the next 12 months.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

# Notes to the consolidated financial statements (continued)

2.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value on the acquisition date and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Revenue

Revenue comprises the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

The Group recognises revenue at the time it provides the goods or services, providing it is also probable that economic benefit will flow to the Group.

Revenue arising within the Property Services business segment is recognised as follows:

*Law of Property Act ("LPA") services*

Revenue arising from LPA services is recognised at two separate stages; when an exit strategy report is completed for the lender and when the receivership is concluded. These stages reflect the delivery points for the service to the customer.

*Rental collection fees*

Income from rental collection fees is recognised when the rentals have been collected and forwarded to the lender (if under receivership) or property owner.

*Maintenance service fees*

Income from maintenance services is recognised upon confirmation from the Group's sub-contractor maintenance providers through written and photographic evidence that work has been completed.

Revenue arising within the Legal Services business segment is recognised as follows:

*Referral fees*

The Group receives referral fee income where the referral of a conveyancing case is made to a solicitor or licensed conveyancer. A proportion of revenue is recognised at the point of referral, based on management's judgement as to whether the underlying property transaction will complete and the balance of revenue is recognised on completion of the property transaction. Refer to Note 2.20 for further details.

# Notes to the consolidated financial statements (continued)

*Subscriptions*
Income from estate agents subscribing to the Group's estate agent network and internet services is recognised over the subscription period to which it relates (usually one year).

Probate case management fee
Standard fees are charged for cases, irrespective of the amount of time spent on the case. Fees are recognised as revenue on achieving certain milestones in progressing the case. Where fees are billed in advance of achieving certain milestones, they are deferred on the balance sheet. Refer to Note 2.20 for further details.

*Probate outsourced services*
Revenue from fees charged to financial services organisations for the provision of outsourced probate services is recognised over the period to which the fees relate.

*Interest on client accounts*
Interest received on Probate end to end estate management client account monies is recognised on a receivable basis and recorded as revenue.

Other income is recognised as follows:

*Interest and dividend income*
Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

2.6 Grant funding and government assistance
The group incur significant Research and Development expenditure qualifying for government assistance as defined by IAS 20. Under IAS 20 the group is allowed to recognise Research & Development Expenditure Credits (RDEC) based on IT infrastructure and Intellectual Property expenditure where both an advance in technology is sought and the outcome is uncertain, as defined under rules and guidelines HMRC administer. The government assistance can be recognised if there is reasonable assurance that:

a) The group will comply with the conditions attaching to them

b) The grants / assistance will be received

2.7 Goodwill
After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying amount being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

A previously recognised impairment loss with respect to goodwill is not reversed in later periods. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

The carrying amount of goodwill allocated to cash generating units is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

2.8 Intangible assets and research and development activities
Intangible assets comprise acquired and internally generated software and are carried at acquisition and directly associated cost respectively.

Costs directly associated with the production of identifiable and unique software products or systems that are considered likely to generate economic benefits, and are capable of operating in the manner intended by management are separately identified and capitalised. Directly attributable costs that are capitalised include employee costs and consultancy costs. Such intangible assets arising from development of software and/or systems are amortised, on a straight line basis, over their useful economic lives (not exceeding four years) from the date the product is available for use. Other expenditure, including software research development costs are expensed as incurred.

Capitalised development expenditure and purchased software is stated at cost less accumulated amortisation and impairment losses. Such assets are assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss

# Notes to the consolidated financial statements (continued)

recognised in the income statement. The amortisation charge for the asset is then adjusted to reflect the asset's revised carrying amount. Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Software licenses | - | 25% straight line |
| Development cost | - | 25% straight line |

Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in notes 2.12 and 2.20.

Amortisation has been included within 'administrative expenses'.

2.9 Other intangible assets

Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight line basis over their useful economic lives. Amortisation is shown within administrative expenses in the income statement. The useful economic lives of the intangible assets recognised on acquisition are as follows:

- Customer relationships recognised on acquisition: 5 to 7 years

2.10 Property, plant and equipment

Buildings, IT equipment and other equipment (comprising fixtures and fittings) are carried at acquisition cost or manufacturing cost less subsequent depreciation and impairment losses.

Buildings and IT equipment that are leasehold property are also included in property, plant and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Leasehold improvements | - | straight line over the length of the lease |
| Fixtures & fittings | - | 20% straight line |
| Office equipment | - | 20% straight line |
| Computer equipment | - | 25% straight line |

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'administrative expenses'.

2.11 Leased assets

In accordance with IAS 17 *Leases*, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

# Notes to the consolidated financial statements (continued)

2.12 Impairment testing of goodwill, other intangible assets and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

The carrying value of the property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment review is performed and the asset's recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of non-financial assets is the greater of their 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 an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2.13 Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

*Financial assets*
For the purpose of subsequent measurement, financial assets are classified as loans and receivables upon initial recognition.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs' or 'finance income', except for impairment of trade receivables which is presented within 'administrative expenses'.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Receivables that are not considered to be individually significant are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The percentage of the write down is then based on recent historical counterparty default rates for each individually significant receivable.

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

# Notes to the consolidated financial statements (continued)

*Financial liabilities*
The Group's financial liabilities include borrowings and trade and other payables.
Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

*Borrowings*
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

*Equity instruments*
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*Derivative financial instruments*
The Group has taken out a derivative financial instrument to cap the level of floating interest that it pays on its bank loans. Derivative financial instruments are initially recorded at fair value at the date a derivative contract is entered into and are subsequently re-measured to fair value at each balance sheet date.

2.14 Inventories
Inventories are properties held for resale. These are stated at the lower of cost and net realisable value. Cost includes the property acquisition cost and all expenses directly attributable to the purchase of property. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.15 Income taxes
Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise claims from, or those obligations to, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

2.16 Exceptional items
Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material non-recurring items of income or expense that have been shown separately due to the significance of their nature or amount.

# Notes to the consolidated financial statements (continued)

2.17 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. All shares are considered to be equity instruments.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Dividend distributions payable to equity shareholders are included in 'other liabilities' when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

2.18 Post-employment benefits and short-term employee benefits

The Group provides post-employment benefits for certain employees through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group may pay fixed contributions into an independent entity. The Group has no legal or constructive obligation to pay further contributions after its payment of the fixed contribution. Contributions to the plan are recognised as an expense in the period that relevant employee services are received.

2.19 Provisions

Provisions are recognised when the Group has a present obligation for a past event and where it is probable that this will result in an outflow of economic benefits and this can be reliably measured.

2.20 Accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods, if applicable.

Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

*Revenue recognition (referral fees)*

Referral fee income is initially recognised based on the activity status of the underlying transaction and the probability of the underlying transaction proceeding to completion and so generating a fee for the group in respect of the referral made. Management use historical conversion rates for referrals to calculate the revenue to initially be recognised.

*Revenue recognition (case management fees)*

A proportion of case management fees are recognised as revenue at the outset of the case, with further tranches recognised upon achieving certain key milestones within the case and on final payment to beneficiaries. The amount of revenue recognised at each milestone is applied consistently across all cases and is allocated in proportion to the associated costs actually incurred in comparison to the total costs management expect to incur in completing the case. Management reviews the historic cost profiling of cases on a quarterly basis to assess whether the profile of revenue recognition remains appropriate.

*Valuation of separately identifiable intangible assets*

As detailed in note 2.8, separately identifiable intangible assets are identified and amortised over defined periods. The Directors use an acknowledged valuation approach but this is reliant upon certain judgements which they determine are reasonable by reference to companies in similar industries.

*Trade receivables*

Trade receivables are stated net of a provision for bad and doubtful debts, based on the Group's best estimate of the likelihood of recovery on a specific basis. Details of the bad debt provision and trade receivables are provided in note 13.

# Notes to the consolidated financial statements (continued)

*Inventories*
Inventories are stated net of a provision for impairment, based on the Group's best estimate of the likelihood of recovery on a specific basis, and includes costs to sell.

*Capitalised development costs*
Internally generated software costs are capitalised when the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

*Impairment*
The Group follows the guidance of IAS 38 and IFRS3 to determine when intangible assets or goodwill are impaired. In making this judgement management take into account the following factors:
- Intangible assets (capitalised development costs) – obsolescence of certain technologies within the software product, and if the software product is no longer fit for the purpose it was developed for
- Goodwill and acquired intangible assets – the decline in future cash flows from potential adverse changes in the businesses acquired

2.21 Discontinued operations
Cash flows and operations that relate to a major component of the business or geographical region that have been disposed (that is sold or closed) or classified as held for sale are shown separately from continuing operations.

Where an operation is classified as discontinued, the post-tax results of that operation will be presented as a single line item on the face of the income statement and the cash flows from the discontinued operations will be split between continuing and discontinued operations on the face of the cash flow statement. Comparatives are restated to distinguish between continuing and discontinued operations.

2.22 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group
The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2016 and have not been early adopted:

*IFRS 2 (amended)* Amendments to clarify the classification and measurement of share-based payment transactions
*IFRS 4 (amended)* Amendments regarding the interaction of IFRS 4 and IFRS 9
*IFRS 9* Financial Instruments
*IFRS 15* Revenue from Contracts with Customers
*IFRS 16* Leases
*IAS 12* (amended) Amendments regarding the recognition of deferred tax assets for unrealised losses
*IAS 40 (amended)* Amendments to clarify transfers or property to, or from, investment property
Improvements to IFRSs (December 2016)
Amendments resulting from the disclosure initiative (January 2016)

The adoption of both IFRS 9 and IFRS 16 will impact both the measurements and disclosures of financial instruments and operating leases respectively. IFRS 15 will impact both the measurements and disclosures of revenue recognition. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed. The other standards and interpretations are not expected to have any significant impact on the financial statements when applied.

# Notes to the consolidated financial statements (continued)

3 Segment reporting

*Management currently identifies the Group's two service lines as separate operating segments as described below.* These operating segments are monitored and strategic decisions are made on the basis of the segment operating results.

The performance of the operating segments is assessed on a measurement of Adjusted EBITDA. The measurement basis excludes *depreciation, amortisation, non-recurring expenditure such as reorganisation and acquisition costs,* finance income and expense and income taxes. Management does not analyse the results of discontinued operations.

Management does not separately identify any assets or liabilities between segments and accordingly no such *disclosure is given in the segmental analysis.*

The operating segments are as follows:

**Property Services business**

- outsourced services to assist national and regional house builders in the selling of properties taken in part-exchange for new homes;
- repossession asset management services to a range of lenders and mortgage book owners including arranging the sale of repossessed properties;
- the sale of properties under probate sold by non-family executors, namely solicitors and other professional executors;
- strategic assessment on behalf of lenders and mortgage book owners of rental portfolios that fall into arrears; and
- management and maintenance of properties on behalf of a range of property owners.

**Legal Services business**

- subscription-based member network for independent regional estate agents;
- conveyancing services to consumers introduced through its member network via a managed panel of solicitors and licensed conveyancers;
- *supply of services relating to probate administration for deceased estates;* and
- supply of deceased case management services and outsourced services to financial services organisations.

Measurement policies used by the Group for segmental reporting under IFRS 8 are the same as those used in its financial statements.

Segment information for the year ended 31 March 2017 can be analysed as follows:

| **2017** | **Property Services £'000** | **Legal Services £'000** | **Total £'000** |
|---|---|---|---|
| **Revenue** | | | |
| Segment revenues | 17,356 | 38,847 | 56,203 |
| Segment cost of sales | (13,054) | (25,556) | (38,610) |
| Segment gross profit | 4,302 | 13,291 | 17,593 |
| Other administrative expenses | (2,537) | (9,255) | (11,792) |
| Adjusted EBITDA | 1,765 | 4,036 | 5,801 |
| Depreciation | (56) | (474) | (530) |
| Amortisation of other intangible assets | (124) | (595) | (719) |
| Amortisation of acquired intangible assets | (575) | (2,608) | (3,183) |
| Segment operating profit/(loss) | 1,010 | 359 | 1,369 |
| Net exceptional costs | | | (22,536) |
| Operating loss from continuing operations | | | (21,167) |

# Notes to the consolidated financial statements (continued)

Segment information for the year ended 31 March 2016 can be analysed as follows:

| 2016 | Property Services £'000 | Legal Services £'000 | Total £'000 |
|---|---|---|---|
| **Revenue** | | | |
| Segment revenues | 20,193 | 36,680 | 56,873 |
| Segment cost of sales | (15,269) | (25,353) | (40,622) |
| Segment gross profit | 4,924 | 11,327 | 16,251 |
| Other administrative expenses | (2,516) | (7,981) | (10,497) |
| Adjusted EBITDA | 2,408 | 3,346 | 5,754 |
| Depreciation | (56) | (349) | (405) |
| Amortisation of other intangible assets | (54) | (591) | (645) |
| Amortisation of acquired intangible assets | (517) | (3,069) | (3,586) |
| Segment operating profit / (loss) | 1,781 | (663) | 1,118 |
| Net exceptional costs | | | (3,278) |
| Operating loss from continuing operations | | | (2,160) |

Segment operating profit / (loss) represents operating profit earned by each segment, without allocation of exceptional costs incurred during the year.

The Group's revenue by significant category is as follows:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Revenue from the rendering of legal services | 17,356 | 35,927 |
| Revenue from the rendering of property services | 38,100 | 20,193 |
| Revenue arising from interest on client accounts | 747 | 753 |
| | 56,203 | 56,873 |

All of the revenue recorded by the Group is domiciled in the United Kingdom.

Revenue from none (2016: none) of the Group's customers individually exceeded 10% of total Group revenue during the year.

# Notes to the consolidated financial statements (continued)

4 Employees

4.1 Employee benefits expense and average number of people employed

Expenses recognised for employee benefits (including directors) are analysed below:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Wages and salaries | **17,824** | 17,977 |
| Social security costs | **1,699** | 1,630 |
| Other pension costs | **583** | 503 |
| | **20,106** | 20,110 |

The Group operates a defined contribution retirement benefit scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The monthly average number of staff (including directors) employed by the Group during the year amounted to:

| | Year ended 31 March 2017 No | Year ended 31 March 2016 No |
|---|---|---|
| Sales staff | **368** | 360 |
| Administration staff | **92** | 132 |
| Operations staff | **249** | 222 |
| | **709** | 714 |

4.2 Remuneration of Directors

The emoluments for Directors services is as follows:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Directors' emoluments | **2,297** | 2,310 |

Emoluments of highest paid director:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Total emoluments | **291** | 312 |

Two of the Company's Directors did not receive remuneration for their services to the Company (2016: two). None of the Directors accrued benefits under company pension schemes (2016: none).

# Notes to the consolidated financial statements (continued)

4.3 Remuneration of key management personnel

Apart from the board of directors there are a number of senior executives whose roles influence the ability of the Group to meet its strategic objectives. The remuneration of these senior executives includes the following expenses:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Short-term employee benefits | 245 | 495 |
| Post-employment benefits | 2 | 3 |
| | 247 | 498 |
| Number of senior executives at the Balance Sheet date | 2 | 6 |

5 Finance income and finance costs

Finance costs may be analysed as follows:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Interest on loans from Parent Company | 3,746 | 3,321 |
| Interest on bank loans | 1,152 | 1,267 |
| Amortisation of arrangement fee – new bank loan | 158 | 158 |
| Other finance costs | 64 | 34 |
| Fair value of derivative financial instrument | - | 17 |
| Finance costs | 5,120 | 4,797 |

Finance income may be analysed as follows:

| | Year ended 31 March 2016 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Interest income from cash and cash equivalents | 14 | 9 |

# Notes to the consolidated financial statements (continued)

6 Loss before tax

Loss before tax from continuing operations is stated after charging / (receiving):

| | Note | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|---|
| Depreciation of property, plant and equipment | 11 | 530 | 405 |
| Amortisation of intangible assets | 10 | 3,902 | 4,231 |
| Auditors' remuneration: | | | |
| Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements | | 7 | 7 |
| Fees payable to the Company's auditors for other services | | | |
| - The audit of the company's subsidiaries | | 129 | 98 |
| - Tax compliance service | | 52 | 45 |
| - Corporate finance | | - | 13 |
| - Tax advisory service | | 147 | 73 |
| - Other services | | 153 | - |
| Write-off of financial asset | | - | 136 |
| Write-off intercompany receivable | | 768 | - |
| Operating lease expense | 18 | 844 | 788 |
| Research & Development Expenditure Credit | | (94) | - |

# Notes to the consolidated financial statements (continued)

7 Exceptional items

| | Note | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|---|
| Impairment of intangible assets | 10 | 3,506 | 3,649 |
| Impairment of goodwill | 9 | 16,725 | - |
| Fair value adjustment to contingent consideration | 16,19,22 | - | (972) |
| Exceptional operating costs | | 2,305 | 601 |
| | | 22,536 | 3,278 |

**Year ended 31 March 2017**

Impairment of intangible assets and goodwill

The group's probate business was loss making in the period and there is some uncertainty as to the continued viability of the business to generate positive cash flows from its operating activities. Accordingly, management has concluded that the goodwill and intangible assets associated with the probate business are fully impaired and an impairment charge of £16,725,000 has been recognised within exceptional costs.

Exceptional operating costs

Included within exceptional operating costs were £0.3 million of acquisition related expenses, £0.8 million of costs incurred as part of restructuring programmes and the write-off of a financial asset (£0.8 million). A further £0.4 million of expenses were incurred on professional fees.

**Year ended 31 March 2016**

Impairment of intangible assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Accordingly, impairment charges totalling £3,649,000 have been recognised as exceptional costs during the year, relating to one asset no longer intended to be used by management (impairment charge of £649,000), a different asset for which the number of consumer leads expected to be generated had deteriorated subsequent to this being fair valued as part of the acquisition of Washbrook Capital Limited and its associated subsidiaries (impairment charge of £2,908,000) and a further asset that was no longer required following the loss of a customer (impairment charge of £92,000).

Contingent consideration

The fair value of a contingent consideration liability is equivalent to the expected cash flows arising from the realisation of certain assets within a group subsidiary, now disclosed as a discontinued operation, net of tax and other associated costs and is therefore valued with reference to this subsidiary's net assets. Management noticed a deterioration in the net assets of this subsidiary during the year and accordingly, a credit of £972,000 was recorded within exceptional costs in the income statement. This reduced the carrying amount of the liability to its fair value of £614,000.

Exceptional operating costs

Included within exceptional operating costs were £0.2 million of professional fees incurred as a result of the acquisition of the UK Probate service business, £0.3 million of costs incurred as part of certain restructuring programmes and the write-off of a financial asset (£0.1 million).

# Notes to the consolidated financial statements (continued)

8 Taxation

(a) Analysis of charge / (credit) in the year

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | 240 | 320 |
| Adjustment in respect of prior years | (204) | (65) |
| Current income tax charge | 36 | 255 |
| Deferred tax: | | |
| Current year | (1,603) | (1,376) |
| Adjustment in respect of prior years | 555 | 83 |
| Effect of changes in tax rate | (17) | (153) |
| Total deferred tax credit | (1,065) | (1,446) |
| **Income tax credit** | (1,029) | (1,191) |

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%).

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Loss before tax | (26,273) | (6,948) |
| Tax at UK corporation tax rate of 20% (2016: 20%) | 5,255 | 1,390 |
| Adjustments in respect of previous years | (351) | (18) |
| Expenses not deductible for tax purposes | (240) | (66) |
| Non-taxable income | - | 195 |
| Effects of other tax rates | 24 | 153 |
| Group relief | (468) | (438) |
| Exempt items | (364) | (25) |
| Amount written off investments | (2,792) | - |
| Deferred tax amount not recognised | (35) | - |
| Total income tax credit | 1,029 | 1,191 |

# Notes to the consolidated financial statements (continued)

Deferred tax liabilities
Deferred taxes arising from temporary differences can be summarised as follows:

| | **Acquired intangible assets** | **Property, plant and equipment** | **Other short term temporary differences** | **Total** |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **At 1 April 2015** | (3,399) | 210 | (250) | (3,439) |
| Adjustment to acquired assets | (154) | - | - | (154) |
| Acquisition of business | (600) | - | - | (600) |
| Credit to the income statement (continuing operations) | 1,462 | (210) | 194 | 1,446 |
| Credit to the income statement (discontinued operations) | - | - | (17) | (17) |
| Re-categorisation | (269) | - | 269 | - |
| **Balance at 31 March 2016** | **(2,960)** | **-** | **196** | **(2,764)** |
| Adjustment to acquired assets | | | | |
| Acquisition of business | (104) | - | (132) | (236) |
| Charge to the income statement (continuing operations) | | | 1,620 | 1,620 |
| Charge to the income statement (discontinued operations) | - | - | - | - |
| Re-categorisation | (555) | - | - | (555) |
| **Balance at 31 March 2017** | **(3,619)** | **-** | **1,684** | **(1,935)** |

As at 31 March 2017, the Group had unrecognised deferred tax assets of £3,055,365 relating to goodwill impairment losses recognised in the period (31 March 2016: £5,000).

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.
The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the net deferred tax liability by £38,700.

# Notes to the consolidated financial statements (continued)

9 Goodwill

| | Cost & carrying amount |
|---|---|
| | £'000 |
| At 1 April 2015 | 42,972 |
| Adjustment to goodwill on Washbrook acquisition | (578) |
| Acquisition of Probate business | 600 |
| At 31 March 2016 | 42,994 |
| Acquisition of JS Law Limited and JSL Legal Services Limited | 2,297 |
| Acquisition of Quality Solicitors Organisation Limited | 278 |
| Acquisition of Lifecycle Bereavement Services Limited | 75 |
| Impairment of goodwill relating to Probate | (16,725) |
| At 31 March 2017 | 28,919 |

The group's probate business was loss making in the period. Accordingly, management has concluded that the goodwill associated with the probate business is fully impaired and an impairment charge of £16,725,000 has been recognised within exceptional costs.

The amount of goodwill provisionally recognised on the acquisition of Washbrook Capital Limited was revised by *£0.6 million, due to changes in the fair value of net assets acquired, identified during the year ended 31 March 2016.*

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the business combinations in which the goodwill arises.

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| | £'000 | £'000 |
| Legal services | **20,397** | 34,479 |
| Property services | **8,522** | 8,515 |
| | **28,919** | 42,994 |

The Group tests the assets allocated to different cash generating units ('CGU') for impairment on an annual basis, or more frequently where there are indicators of possible impairment. Assets allocated to the Group's two identifiable CGUs include goodwill and other intangible assets.

The recoverable amount of each CGU is based on its estimated value in use, which is calculated by a discounted cash flow model derived from the most recent annual budget and longer range financial plans, covering the subsequent four financial years, presented to the board of directors. A terminal value is calculated for the period beyond the longer range financial plan, based on the expected cash flows in year five and a terminal growth rate of 2.5%, which is consistent with the historical long term growth rate of the UK economy.

Assumptions included within the cash flow forecast include those about revenue growth rates, based on management's estimates of available market size and likely market share, along with associated direct and indirect cost in line with volume and revenue growth.

**Sensitivity impairment testing**

The key assumption within the cash flow model is the discount rate. Management has used a discount rate of 10% for performing impairment calculations. This discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks.

Reasonably possible sensitivities in the discount rate have been considered and were the discount rate to increase beyond 13.3% (2016: 17.24%), then the carrying value of the Legal services CGU would exceed its recoverable amount.

The Directors have concluded that there are no cash generating units where reasonably possible changes in any of the other assumptions would cause the carrying amount of a CGU to exceed its recoverable amount.

# Notes to the consolidated financial statements (continued)

10 Other intangible assets

Carrying amounts for the reporting periods under review can be analysed as follows:

| | Acquired customer relationships £'000 | Brand names & trademarks £'000 | Development costs £'000 | Software licenses £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2015 | 20,462 | - | 2,414 | 202 | 23,078 |
| Additions | - | - | 423 | 68 | 491 |
| Acquisition of business | 3,000 | - | - | - | 3,000 |
| Adjustment to acquired assets | 732 | - | - | - | 732 |
| Re-classification | - | - | (185) | 185 | - |
| **At 31 March 2016** | 24,194 | - | 2,652 | 455 | 27,301 |
| Additions | - | - | 1,364 | 448 | 1,812 |
| Business combinations | 390 | 716 | 1 | 4 | 1,111 |
| **At 31 March 2017** | **24,584** | **716** | **4,017** | **907** | **30,224** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| At 1 April 2015 | 2,128 | - | 304 | 54 | 2,486 |
| Amortisation | 3,586 | - | 481 | 164 | 4,231 |
| Impairment | 2,908 | - | 741 | - | 3,649 |
| **At 31 March 2016** | **8,622** | **-** | **1,526** | **218** | **10,366** |
| Amortisation | 3,090 | 93 | 570 | 149 | 3,902 |
| Impairment | 2,793 | - | 713 | - | 3,506 |
| **At 31 March 2017** | **14,505** | **93** | **2,809** | **367** | **17,774** |
| | | | | | |
| **Net book amount** | | | | | |
| **At 31 March 2017** | **10,079** | **623** | **1,208** | **540** | **12,450** |
| At 31 March 2016 | 15,572 | - | 1,126 | 237 | 16,935 |

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Accordingly, impairment charges totalling £3,506,000 have been recognised as exceptional costs during the year ended 31 March 2017 (2016: £3,649,000), which relate to the following assets:

**Impairment charges in the year ended 31 March 2017**

The group's probate business was loss making in the period. Accordingly, management has concluded that the intangible assets associated with the probate business are fully impaired and an impairment charge of £3,506,000 has been recognised within exceptional costs.

**Impairment charges in the year ended 31 March 2016**

- One asset which management no longer intended to use (impairment charge of £649,000);
- One asset from which the number of consumer leads expected to be generated had significantly deteriorated subsequent to this being fair valued as part of the acquisition of Washbrook Capital Limited and its associated subsidiaries (impairment charge of £2,908,000) and;
- One asset that was no longer required following the loss of a customer (impairment charge of £92,000).

As at 31 March 2017, the Group had entered into contractual commitments to purchase other intangible assets amounting to £nil (2016: £nil).

The group does not have any individually material intangible assets (2016: one individually material intangible asset, with net book value of £772,000).

# Notes to the consolidated financial statements (continued)

11 Property, plant and equipment

The Group's property, plant and equipment comprise leasehold improvements, fixtures and fittings, office equipment and motor vehicles. The carrying amount can be analysed as follows:

| | Leasehold improvements £'000 | Fixtures & fittings £'000 | Office equipment £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2015 | 325 | 225 | 401 | 266 | 1,217 |
| Additions | 145 | 12 | 119 | 258 | 534 |
| At 31 March 2016 | 470 | 237 | 520 | 524 | 1,751 |
| Additions | 4 | 17 | 106 | 92 | 219 |
| Acquisition of subsidiary | 27 | 68 | 1 | 70 | 166 |
| **At 31 March 2017** | **501** | **322** | **627** | **686** | **2,136** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2015 | 33 | 47 | 90 | 75 | 245 |
| Depreciation | 92 | 61 | 118 | 134 | 405 |
| At 31 March 2016 | 125 | 108 | 208 | 209 | 650 |
| Depreciation | 150 | 119 | 112 | 149 | 530 |
| **At 31 March 2017** | **275** | **227** | **320** | **358** | **1,180** |
| **Net book amount** | | | | | |
| **At 31 March 2017** | **226** | **95** | **307** | **328** | **956** |
| At 31 March 2016 | 345 | 129 | 312 | 315 | 1,101 |

All depreciation charges are included within 'administrative expenses'.

As at 31 March 2017, the Group had entered into contractual commitments to purchase property, plant and equipment amounting to £nil (2016: £nil).

12 Inventories

Inventories recognised in the statement of financial position can be analysed as follows:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Property held for resale | - | 370 |

# Notes to the consolidated financial statements (continued)

13 Trade and other receivables

Trade and other receivables recognised in the statement of financial position can be analysed as follows:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Trade receivables, gross | **2,347** | 4,494 |
| Allowance for credit losses | **(409)** | (397) |
| Trade receivables, net | **1,938** | 4,097 |
| Other debtors | **962** | 815 |
| Amounts due from other group companies | **2,529** | 592 |
| Prepayments and accrued income | **6,580** | 4,780 |
| **Trade and other receivables** | **12,009** | 10,284 |

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

13.1 Movement in allowance for credit losses

The movement in the allowance for credit losses can be reconciled as follows:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Balance at the beginning of year | **397** | 295 |
| Acquisition of subsidiary | **21** | - |
| Additional provisions in the year | **182** | 192 |
| Released | **(129)** | (90) |
| Utilised | **(62)** | - |
| Balance at the end of the year | **409** | 397 |

The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired, is £nil.

13.2 Ageing of past due but not impaired trade receivables

| | Total £'000 | Neither past due nor impaired £'000 | Past due but not impaired 30-90 days £'000 | Past due but not impaired > 90 days £'000 |
|---|---|---|---|---|
| **As at 31 March 2017** | **1,938** | **952** | **635** | **351** |
| As at 31 March 2016 | 4,097 | 2,772 | 1,070 | 255 |

# Notes to the consolidated financial statements (continued)

14 Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows:

| | As at 31 March 2017 £'000 | As at 31 March 2016 £'000 |
|---|---|---|
| Trade payables | 3,181 | 2,699 |
| Accruals and deferred income | 9,029 | 9,011 |
| Other taxation and social security | 2,019 | 2,029 |
| Amounts due to other group companies | 3,424 | 2,227 |
| Other creditors | 3,316 | 2,348 |
| Total trade and other payables | 20,969 | 18,314 |

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

Included within other creditors above are £1,823,000 (2016: £1,087,000) of customer payments in advance for legal services.

15 Provisions

| | Property provisions £'000 | Operational Losses £'000 | Total £'000 |
|---|---|---|---|
| At 1 April 2015 | 54 | 169 | 223 |
| Additions | 12 | 10 | 22 |
| Utilised in the year | (64) | (9) | (73) |
| Released in the year | - | (14) | (14) |
| At 31 March 2016 | 2 | 156 | 158 |
| Additions | 24 | 112 | 136 |
| Utilised in the year | (14) | (122) | (136) |
| Released in the year | (12) | (46) | (58) |
| **At 31 March 2017** | **-** | **100** | **100** |

Property provisions

The Group has recognised provisions for satisfying the terms of any onerous lease or meeting future dilapidations costs relating to its rented office buildings. It is anticipated that the provision will be utilised either over the remaining lease term or when the lease term ends.

Operational losses

The Group has recognised a provision for certain operational issues that arise within its legal services business, such as onerous case contracts where an irrecoverable balance has been identified, risk cases where a potential pecuniary loss has been identified for which the cost is likely to be borne by the Group and the cost of cases where it is necessary to resort to legal action to recover deficit balances on estates. It is anticipated that the provision will be utilised over the remainder of the relevant cases.

# Notes to the consolidated financial statements (continued)

16 Financial assets and liabilities

16.1 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

| **Financial assets:** | **31 March 2017 £'000** | **31 March 2016 £'000** |
|---|---|---|
| *Loans and receivables* | | |
| Trade and other receivables | 5,429 | 5,503 |
| Cash and cash equivalents | 2,542 | 6,045 |
| | 7,971 | 11,548 |

| **Financial liabilities measured at amortised cost:** | **31 March 2017 £'000** | **31 March 2016 £'000** |
|---|---|---|
| Current and non-current | | |
| Loan and bank borrowings | 69,628 | 67,423 |
| Trade and other payables | 18,427 | 15,848 |
| | 88,055 | 83,271 |

| **Financial liabilities at fair value through profit or loss:** | **31 March 2017 £'000** | **31 March 2016 £'000** |
|---|---|---|
| Contingent consideration | 164 | 614 |

16.2 Borrowings

Loans and borrowings comprise:

| | **31 March 2017 £'000** | **31 March 2016 £'000** |
|---|---|---|
| *Current* | | |
| Bank and other borrowings | 1,442 | 1,362 |
| *Non-current* | | |
| Bank and other borrowings | 20,149 | 21,591 |
| Amounts due to Parent company | 48,037 | 44,470 |
| | 68,186 | 66,061 |

16.3 Borrowings at amortised cost

The Group holds the following loan and debt facilities:

| **Instrument** | **Counterparty** | **Principal borrowed** | **Term** | **Interest rate** | **Carrying amount 31 March 2017** | **Carrying amount 31 March 2016** |
|---|---|---|---|---|---|---|
| | | **£'000** | **Years** | | **£'000** | **£'000** |
| Facility A loan | HSBC | 8,000 | 6 | LIBOR+4.25% | 5,019 | 6,483 |
| Facility B loan | HSBC | 16,000 | 7 | LIBOR+4.75% | 15,595 | 15,500 |
| Revolving loan facility | HSBC | 1,000 | 6 | LIBOR+4.25% | 977 | 970 |
| Parent company loan | UKLS Midco Ltd. | 48,037 | 10 | 8.0% | 48,037 | 44,470 |

The issue costs for the HSBC facilities above amounted to £1.0 million. The loans are shown net of issue costs, which are being amortised over the life of the loan arrangements. The unamortised balance remaining at 31 March 2017 was £609,000 (2016: £767,000).

On 8 October 2014, the Group purchased an interest rate cap, to cap a majority of the LIBOR element of the facility B loan to 2.5%. This instrument expires on 30 July 2017.

During the year ended 31 March 2017, unpaid interest on loans with the Parent company amounting to £3,567,000 (2016: £3,072,000) compounded and became part of the principal.

# Notes to the consolidated financial statements (continued)

17 Share capital

| | Authorised, allotted, issued and paid | |
|---|---|---|
| | **31 March 2017** | **31 March 2016** |
| | **No.** | **No.** |
| A ordinary shares of £1 each | **21** | 21 |
| B ordinary shares of £0.0001 each | **772,583** | 772,583 |
| Total number of shares | **772,604** | 772,604 |
| | **£** | **£** |
| Total nominal value of shares | **98** | 98 |

The ordinary shares of the Company are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

18 Operating leases as lessee

The Group's future minimum operating lease payments are as follows:

| | As at 31 March 2017 | | | As at 31 March 2016 | | |
|---|---|---|---|---|---|---|
| | **Land & Buildings** | **Other** | **Total** | **Land & Buildings** | **Other** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Within 1 year | **791** | **74** | **865** | 836 | 9 | 845 |
| 1 to 5 years | **1,641** | **87** | **1,728** | 3,032 | 6 | 3,038 |
| After 5 years | **-** | **-** | **-** | 187 | - | 187 |
| Total | **2,432** | **161** | **2,593** | 4,055 | 15 | 4,070 |

Lease payments recognised as an expense during the year amount to £844,000 (2016: £788,000).

The lease payments relate mainly to rental contracts for the Group's office buildings.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

# Notes to the consolidated financial statements (continued)

19 Business combinations

19.1 Acquisition of subsidiary

On 21 September, the group acquired the entire shareholdings of both JS Law Limited and JSL Legal Services Limited, both of which comprise a high volume residential conveyancing business. The acquisition was effected as part of a wider strategy to increase market share and grow volume within the residential conveyancing market.

The acquisition note is shown below:

| | Fair value recognised on acquisition £'000 |
|---|---|
| Intangible assets | 159 |
| Property, plant and equipment | 165 |
| Trade and other receivables | 585 |
| Cash and cash equivalents | 936 |
| Trade and other payables | (885) |
| Deferred income tax liabilities | (57) |
| Net assets at acquisition | 903 |
| Allocation to goodwill | 2,297 |
| Total consideration | 3,200 |
| **Satisfied by:** | |
| Cash consideration paid | 1,900 |
| Deferred consideration | 1,300 |
| **Net cashflows arising from acquisition** | |
| Cash consideration paid | (1,900) |
| Partial payment of deferred consideration | (650) |
| Less: cash and cash equivalents acquired | 936 |
| Net cash outflow | (1,614) |

The fair value of the financial assets acquired, including trade and other receivables, is consistent with their contractual value.

The goodwill arising from the acquisition is attributable to the skill and expertise of the acquired workforce and an increase in market share.

Consideration

The deferred consideration is being paid in four equal cash payments, with the final payment due to be paid on 30 September 2017. The deferred consideration liability was £0.7 million at 31 March 2017.

Acquisition related costs

Acquisition related costs were £0.1 million and comprised of legal and professional service fees.

Impact of acquisition on results of the Group

For the year ended 31 March 2017, revenue for the Group was £56.2 million and the loss before tax was £26.3 million, with the acquired business contributing £3.4 million of revenue and a profit of £0.7 million to the loss before tax. Had the business been acquired on the first day of the financial year, then revenue for the Group would have been £59.0 million and the loss before tax would have been £25.8 million.

# Notes to the consolidated financial statements (continued)

19.2 Acquisition of business

On 18 October 2016, the group acquired Lifecycle Bereavement Services Limited from Lifecycle Marketing (Mother and Baby). The acquired death notification service is anticipated to generate sales leads for the group's probate business.

The acquisition note is shown below:

| | Fair value recognised on acquisition £'000 |
|---|---|
| Intangible assets | 390 |
| Deferred tax liability | (74) |
| Net assets at acquisition | 316 |
| Allocation to goodwill | 74 |
| Total consideration | 390 |
| **Satisfied by:** | |
| Deferred consideration | 390 |
| **Net cashflows arising from acquisition** | |
| Partial payment of deferred consideration | (65) |

Consideration

The deferred consideration is to be paid in equal quarterly instalments over three years following the acquisition date, with the final payment due on 30 September 2019.

Acquisition related costs

Acquisition related costs were £0.1 million and comprised of legal and professional service fees.

Impact of acquisition on results of the Group

The impact of this acquisition on the group's results for the year ended 31 March 2017 was negligible and had the business been acquired on the first day of the financial year, then the results would not have been materially different.

19.3 Acquisition of subsidiary

On 19 October 2016, following a restructure of the UKLS Topco Limited group, Quality Solicitors Organisation Limited was acquired by Move with Us Limited, a subsidiary of the group.

The acquisition note is shown below:

| | Fair value recognised on acquisition £'000 |
|---|---|
| Intangible assets | 560 |
| Property, plant and equipment | 1 |
| Trade and other receivables | 69 |
| Cash and cash equivalents | 93 |
| Trade and other payables | (886) |
| Deferred income tax liabilities | (105) |
| Net liabilities at acquisition | (268) |
| Allocation to goodwill | 278 |
| Total consideration | 10 |
| **Satisfied by:** | |
| Intercompany payable | 10 |
| **Net cashflows arising from acquisition** | |
| Cash and cash equivalents acquired | 93 |

The goodwill arising from the acquisition is attributable to the skill and expertise of the acquired workforce.

# Notes to the consolidated financial statements (continued)

Acquisition related costs
Acquisition related costs were £0.1 million and comprised of legal and professional service fees.

Impact of acquisition on results of the Group
For the year ended 31 March 2017, revenue for the Group was £56.2 million and the loss before tax was £26.3 million, with the acquired business contributing £0.5 million of revenue and a profit of £0.0 million to the loss before tax. Had the business been acquired on the first day of the financial year, then revenue for the Group would have been £57.0 million and the loss before tax would not have been materially different.

19.4 Acquisition of business
On 27 November 2015, the Company acquired a UK probate service business, including the transfer of 63 employees and a number of wills, from HSBC Trust Company (UK) Limited ('HTCU'), a wholly-owned subsidiary of HSBC Bank plc.

The acquisition note is shown below:

| | Fair value recognised on acquisition £'000 |
|---|---|
| Intangible assets | 3,000 |
| Trade and other receivables | 327 |
| Trade and other payables | (284) |
| Deferred tax liability | (600) |
| Net assets at acquisition | 2,443 |
| Allocation to goodwill | 600 |
| Total consideration | 3,043 |
| **Satisfied by:** | |
| Cash consideration paid | 3,043 |
| **Net cashflows arising from acquisition** | |
| Cash consideration paid | (3,043) |

The fair value of the financial assets acquired, including trade and other receivables, is consistent with their contractual value.

The goodwill arising from the acquisition is attributable to the skill and expertise of the acquired workforce.

Consideration
Further contingent consideration payments would be due to HTCU within three years and six years, subject to the signing of further agreements between the Company and HTCU. The fair value of this contingent consideration at the acquisition date and balance sheet date is £nil.

Acquisition related costs
Acquisition related costs were £0.2 million and comprised of legal and professional service fees.

Impact of acquisition on results of the Group
For the year ended 31 March 2016, revenue for the Group was £56.9 million and the loss before tax was £6.9 million, with the acquired business contributing £0.8 million of revenue and £0.0 million to the loss before tax. Had the business been acquired on the first day of the financial year, then revenue for the Group would have been £58.6 million and the loss before tax would the loss before tax would not have been materially different.

# Notes to the consolidated financial statements (continued)

20 Principal subsidiaries of the group

*At 31 March 2017, the subsidiaries of the Group were as follows:*

| | Registered address | Class of share capital held | Proportion held | Nature of business |
|---|---|---|---|---|
| Washbrook Capital Limited | Note 1 | Ordinary | 100% | Holding company |
| Move with Us (2012) Limited | Note 1 | Ordinary | 100% | Holding company |
| Move with Us Limited | Note 1 | Ordinary | 100% | Holding company |
| Partners in Property (UK) Limited | | Ordinary | 100% | Management services for the property sales industry |
| Move with Us Conveyancing Limited | Note 1 | Ordinary | 100% | Provision of conveyancing services for residential house sales |
| Secure Home Purchase Limited | Note 2 | Ordinary | 100% | Property trading |
| Secure Legal Solutions Limited | Note 1 | Ordinary | 100% | Licensed conveyancer |
| Dorling Cottrell Limited | Note 1 | Ordinary | 100% | Licensed conveyancer |
| Secure Maintenance Services Limited | Note 1 | Ordinary | 100% | Dormant |
| Move with Us Mortgages Limited | Note 1 | Ordinary | 100% | Dormant |
| Move with Us Financial Services Limited | Note 1 | Ordinary | 100% | Dormant |
| Partners in Property Limited | Note 1 | Ordinary | 100% | Dormant |
| PRIAM Asset Management Limited | Note 1 | Ordinary | 100% | Dormant |
| Plant Newco Limited | Note 1 | Ordinary | 100% | Dormant |
| Law Firm Network Limited | Note 1 | Ordinary | 100% | Dormant |
| Secure Executor Lending Limited | Note 1 | Ordinary | 100% | Dormant |
| Chorus Law Group Limited | Note 3 | Ordinary | 100% | Holding Company |
| Simplify Channel Limited | Note 4 | Ordinary | 100% | Provision of advice to personal representatives of deceased estates |
| Chorus Law Limited | Note 3 | Ordinary | 100% | Provision of legal services |
| Hinckley & Hunt Company Limited | Note 3 | Ordinary | 100% | Dormant |
| Bereavement advice Centre Limited | Note 3 | Ordinary | 100% | Dormant |
| Independent Trust Corporation Limited | Note 3 | Ordinary | 100% | Dormant |
| Hinckley & Hunt Executor Company Limited | Note 3 | Ordinary | 100% | Dormant |
| Simplify Probate Limited (formerly Inform Once Limited) | Note 4 | Ordinary | 100% | Dormant |
| Quality Solicitors Organisation Limited | Note 1 | Ordinary | 100% | Marketing services for independent solicitors |
| JS Law Limited | Note 1 | Ordinary | 100% | Licensed conveyancer |
| JSL Legal Services Limited | Note 1 | Ordinary | 100% | Property searches |
| Lifecycle Bereavement Services Limited | Note 4 | Ordinary | 100% | Dormant |

All subsidiary companies are incorporated in Great Britain and included within these consolidated financial statements. All activities are conducted in the United Kingdom. The registered addresses of the subsidiaries are listed below:

1. Grant Hall, Parsons Green, St Ives, Cambridgeshire, PE27 4AA
2. 1 Dorset Street, Southampton, Hampshire, SO15 2DP
3. Heron House Timothys Bridge Road, Stratford Enterprise Park, Stratford Upon Avon, Warwickshire, CV37 9BX
4. 8 Cliffford Street, London, W1S 2LQ

# Notes to the consolidated financial statements (continued)

21 Related party transactions

The Group's related parties include its key management, as described in note 4.3 and others as described below. *Transactions between the Company and its subsidiaries, which are also related parties, have been eliminated on* consolidation and are not disclosed within this note.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The immediate parent company of the Group is UKLS Midco Limited, which is a related party. At 31 March 2017 the company had outstanding loans amounting to £48.0m (31 March 2016: £44.5m), which accrued interest of £3.7 million during the year ended 31 March 2017 (2016: £3.3 million). During the year, unpaid interest on loans with UKLS Midco Limited, amounting to £3.6 million, compounded and became part of the principal.

There were no other related party transactions during the year.

22 Financial instrument risks

*Risk management objectives and policies*

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 16. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk.

22.1 Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing and is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Group has sought to manage this risk through the purchase of an interest rate cap, which caps the variable interest rate on the Group's B loan facility with HSBC at 2.5%. This restricts the exposure on 70% (2016: 68%) of the Group's bank loans with variable interest rates.

The exposure to interest rates for the Group's money market funds are considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 0.25%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis at 31 March 2016 was performed assuming a reasonably possible change in interest rates of +/- 0.5%

| | Loss for the year | | Equity | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Change in interest rates | Increase | Decrease | Increase | Decrease |
| **As at 31 March 2017** | **(47)** | **48** | **N/a** | **N/a** |
| As at 31 March 2016 | (98) | 98 | N/a | N/a |

22.2 Credit risk analysis

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

| | **31 March 2017** | **31 March 2016** |
|---|---|---|
| | **£'000** | **£'000** |
| Classes of financial assets – carrying amounts: | | |
| Cash and cash equivalents | **2,542** | 6,045 |
| Trade and other receivables | **5,429** | 5,503 |
| Total | **7,971** | 11,548 |

# Notes to the consolidated financial statements (continued)

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk from any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers and spread evenly across the UK. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good. Cash is placed with a number of banks of high credit rating to reduce the group's exposure to risk on its cash balances.

22.3 Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the forecast period.

The Group maintains cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

| | **Current** | **Non-current** | | |
|---|---|---|---|---|
| | **Within 1 year** | **1 to 5 years** | **Later than 5 years** | **Total** |
| **As at 31 March 2017** | **£'000** | **£'000** | **£'000** | **£'000** |
| Bank borrowings | 1,600 | 20,600 | - | 22,200 |
| Parent company loan | - | - | 48,037 | 48,037 |
| Total | 1,600 | 20,600 | 48,037 | 70,237 |

| | **Current** | **Non-current** | | |
|---|---|---|---|---|
| | **Within 1 year** | **1 to 5 years** | **Later than 5 years** | **Total** |
| **As at 31 March 2016** | **£'000** | **£'000** | **£'000** | **£'000** |
| Bank borrowings | 1,520 | 6,200 | 16,000 | 23,720 |
| Parent company loan | - | - | 44,470 | 44,470 |
| Other payables | 171 | - | - | 171 |
| Total | 1,691 | 6,200 | 60,470 | 68,361 |

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

The following table provides an analysis of the financial assets subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset and liability that are not based on observable market data (unobservable inputs).

# Notes to the consolidated financial statements (continued)

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **31 March 2017** | | | | |
| *Financial liabilities at Fair Value Through Profit or Loss* | | | | |
| Contingent consideration | - | - | (164) | (164) |
| **31 March 2016** | | | | |
| *Financial liabilities at Fair Value Through Profit or Loss* | | | | |
| Contingent consideration | - | - | (614) | (614) |

The fair value of the contingent consideration is equivalent to the expected cash flows arising from the realisation of certain assets within a group subsidiary, disclosed as a discontinued operation, net of tax and other associated costs and is therefore valued with reference to this subsidiary's net assets.

**Movement in fair-value - contingent consideration**
*Year ended 31 March 2017*
The movement in the fair value during the year ended 31 March 2017 can be attributed to cash payments of £450,000 during the period.

*Year ended 31 March 2016*
Management noticed a deterioration in the net assets of this subsidiary during the year ended 31 March 2016 and accordingly, a credit of £972,000 was recorded within exceptional costs in the income statement. This reduced the carrying amount of the liability to its fair value £614,000 (2015; £3,346,000), following cash payments of £1,760,000 during the year

**Movement in fair-value - derivative financial instrument**
The group holds a derivative financial instrument, the fair value of which includes the use of significant other inputs, which is valued with reference to a 3-month LIBOR forward curve. The instrument has a fair value of £nil (2016:£nil).

*Fair value of assets and liabilities*

| | **31 March 2017** | | 31 March 2016 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | **£'000** | **£'000** | £'000 | £'000 |
| Bank loan | **(21,591)** | **(17,749)** | (22,953) | (18,382) |

The fair value of the bank loans is calculated by discounting future cash-flows, over the contractually agreed repayment schedule, at prevailing market interest rates.

The carrying amounts of all other financial assets and liabilities in the consolidated financial statements approximates their fair value.

*Financial assets used for managing liquidity risk*
The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resource and trade receivables. The Group's existing cash resources and trade receivables (see note 2.13) are managed so that they are sufficient to meet its current cash outflow requirements. Cash flows from trade and other receivables are contractually due within six months.

23 Capital management policies and procedures
The Group's capital management objectives are:
- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, ie equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

# Notes to the consolidated financial statements (continued)

The Group's borrowings from HSBC (see note 16.3) are subject to certain covenant restrictions imposed by the bank, namely gross leverage, fixed charge cover and interest cover. All of these measures exclude the results of the subsidiary Secure Home Purchase Limited, which is classified as a discontinued operation in these consolidated financial statements. These covenants have been fully complied with during the year ended 31 March 2017 (2016: full compliance).

24 Discontinued operations

In the 38 weeks ended 31 March 2015, the Company took a decision to terminate the property trading activities of Secure Home Purchase Limited (SHP), a group subsidiary, and to wind down the company. SHP was placed in to voluntary liquidation on 24 December 2015. Management deemed this operation to be closed during the year ended 31 March 2016 and in accordance with IFRS 5, the results and cash flows from this subsidiary have been classified as a discontinued operation.

The results of SHP have been presented as a single line in the consolidated statement of comprehensive income. Statements of comprehensive income for SHP are presented below.

| | **Year ended 31 March 2017 £'000** | **Year ended 31 March 2016 £'000** |
|---|---|---|
| **Revenue** | **360** | 1,091 |
| Cost of sales | **(370)** | (1,179) |
| Gross loss | **(10)** | (88) |
| Administrative expenses | **(28)** | (238) |
| **Operating loss and loss before tax** | **(38)** | (326) |
| Taxation | **37** | (17) |
| **Loss for the year** | **(1)** | (343) |

SHP recorded a small profit in the year ended 31 March 2017 whilst in liquidation, mostly due to terminal loss relief claims. The operating loss for the year ended 31 March 2016 arose mostly as a result of the company writing-off of inter-company balances with other Group companies prior to the appointment of a liquidator. During the year SHP paid £450,000 (2016: £1,760,000) in dividends to previous owners of the business, representing deferred consideration.

25 Ultimate controlling party

The ultimate controlling party is the Palamon Auxiliary Partnership 2013 fund, managed by Palamon Capital Partners LP, which owns the majority of the shares in the ultimate parent company on behalf of various funds.

UKLS Topco Limited, a company registered in Jersey, is the parent undertaking of the largest group which prepares publicly available consolidated financial statements. Copies of the consolidated financial statements may be obtained by written request to the Company Secretary at Grant Hall, Parsons Green, St. Ives, Cambridgeshire, PE27 4AA.

26 Post balance sheet events

On 28 April 2017, Chorus Law Group Limited and it's subsidiaries were acquired by UKLS Midco Limited and on the same date, Evident Legal Limited was acquired from UKLS Midco Limited.

# *Independent auditors' report to the members of UKLS Acquisitions Limited*

## Report on the group financial statements

### Our Opinion

In our opinion, UKLS Acquisitions Limited's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 March 2017;
- 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.

### What we have audited

The financial statements, included within the Annual report and financial statements ("Annual Report"), comprise:

- the Parent company balance sheet as at 31 March 2017;
- the Parent company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, 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.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

## Other matter

We have reported separately on the group financial statements of UKLS Acquisitions Limited for the year ended 31 March 2017.

Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
11 August 2017

# Parent company balance sheet
As at 31 March 2017

| | Note | As at 31 March 2017 £'000 | As at 31 March 2016 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments in subsidiaries | 2 | **38,307** | 38,307 |
| **Current assets** | | | |
| Trade and other receivables | 3 | **35,226** | 34,979 |
| **Total assets** | | **73,533** | 73,286 |
| **Creditors: amounts falling due within one year** | | | |
| Borrowings | 6 | **(1,442)** | (1,362) |
| Creditors | 5 | **(16,594)** | (13,553) |
| | | **(18,036)** | (14,915) |
| **Total assets less current liabilities** | | **55,497** | 58,371 |
| **Creditors: amounts falling due after one year** | | | |
| Borrowings | 6 | **(68,186)** | (66,061) |
| **Net liabilities** | | **(12,689)** | (7,690) |
| **Equity** | | | |
| Ordinary shares | | - | - |
| Share premium | | 773 | 773 |
| Retained losses | | (13,462) | (8,463) |
| **Total shareholders' funds** | | **(12,689)** | (7,690) |

The registered number of the company is 09117397.

The financial statements on pages 47 to 53 were approved by the directors on 4 August 2017 and are signed on their behalf by:

N A Berry
Director

# Parent statement of changes in equity

| | Ordinary shares £'000 | Share premium £'000 | Retained loss £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2015** | - | 773 | (4,720) | (3,947) |
| Loss for the year | - | - | (3,743) | **(3,743)** |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive expense** | - | - | **(3,743)** | **(3,743)** |
| **Balance at 31 March 2016** | - | 773 | **(8,463)** | **(7,690)** |
| Loss for the year | - | - | (4,999) | **(4,999)** |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive expense** | - | - | **(4,999)** | **(4,999)** |
| **Balance at 31 March 2017** | - | 773 | **(13,462)** | **(12,689)** |

# Notes to the parent company financial statements

1 Summary of accounting policies

Basis of accounting

The separate financial statements of the Company have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The principal accounting policies are summarised below. They have been applied consistently throughout the year.

Income statement

No income statement is presented for UKLS Acquisitions Limited as provided by Section 408 of the Companies Act 2006. The Company's loss for the financial year, determined in accordance with the Act, was £4,999,000 (2016: loss of £3,743,000) and is included in the Group profit for the year.

The auditors' remuneration for audit services to the Company was £7,000 (2016: £7,000).

The directors were not remunerated by the parent company in either this year or the prior year.

Exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), (statement of cash flows);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position;
- 111 (cash flow statement information), and;
- 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

*Financial assets*

For the purpose of subsequent measurement, financial assets are classified as loans and receivables upon initial recognition and are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Financial liabilities*

The Group's financial liabilities are comprised of trade and other payables and are measured subsequently at amortised cost using the effective interest method.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# Notes to the parent company financial statements (continued)

1 Summary of accounting policies (continued)

Going Concern

After assessing the forecasts and liquidity of the Company for the next financial year the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition the Company has received confirmation from its ultimate parent Palamon Auxiliary Partnership 2013 fund, managed by Palamon Capital Partners LP, that they do not intend to recall or request payment of its shareholder loan notes within UKLS Acquisitions Limited within the next 12 months and has given its intention to providing continuing support to the Company for at least the next 12 months.

The Company therefore continues to adopt the going concern basis in preparing its financial statements.

2 Investment in subsidiaries

| | Investment in subsidiaries £'000 |
|---|---|
| Cost and net book amount | |
| At 31 March 2017 and 31 March 2016 | **38,307** |

The directors deem that the carrying value of the investment is appropriate and no impairment is due.

At 31 March 2017, the company held the following share capital of the following undertakings:

All subsidiaries were incorporated in the United Kingdom, which is also the principal place of business.

| | Registered address | Class of share capital held | Proportion held | Nature of business |
|---|---|---|---|---|
| **Direct ownership** | | | | |
| Washbrook Capital Limited | Note 1 | Ordinary | 100% | Holding company |
| **Indirect ownership** | | | | |
| Move with Us (2012) Limited | Note 1 | Ordinary | 100% | Holding company |
| Move with Us Limited | Note 1 | Ordinary | 100% | Holding company |
| Partners in Property (UK) Limited | | Ordinary | 100% | Management services for the property sales industry |
| Move with Us Conveyancing Limited | Note 1 | Ordinary | 100% | Provision of conveyancing services for residential house sales |
| Secure Home Purchase Limited | Note 2 | Ordinary | 100% | Property trading |
| Secure Legal Solutions Limited | Note 1 | Ordinary | 100% | Licensed conveyancer |
| Dorling Cottrell Limited | Note 1 | Ordinary | 100% | Licensed conveyancer |
| Secure Maintenance Services Limited | Note 1 | Ordinary | 100% | Dormant |
| Move with Us Mortgages Limited | Note 1 | Ordinary | 100% | Dormant |
| Move with Us Financial Services Limited | Note 1 | Ordinary | 100% | Dormant |
| Partners in Property Limited | Note 1 | Ordinary | 100% | Dormant |
| PRIAM Asset Management Limited | Note 1 | Ordinary | 100% | Dormant |
| Plant Newco Limited | Note 1 | Ordinary | 100% | Dormant |
| Law Firm Network Limited | Note 1 | Ordinary | 100% | Dormant |
| Secure Executor Lending Limited | Note 1 | Ordinary | 100% | Dormant |
| Chorus Law Group Limited | Note 3 | Ordinary | 100% | Holding Company |
| Simplify Channel Limited | Note 4 | Ordinary | 100% | Provision of advice to personal representatives of deceased estates |
| Chorus Law Limited | Note 3 | Ordinary | 100% | Provision of legal services |
| Hinckley & Hunt Company Limited | Note 3 | Ordinary | 100% | Dormant |
| Bereavement advice Centre Limited | Note 3 | Ordinary | 100% | Dormant |
| Independent Trust Corporation Limited | Note 3 | Ordinary | 100% | Dormant |
| Hinckley & Hunt Executor Company Limited | Note 3 | Ordinary | 100% | Dormant |
| *Simplify Probate Limited (formerly Inform Once Limited)* | Note 4 | *Ordinary* | *100%* | *Dormant* |
| Quality Solicitors Organisation Limited | Note 1 | Ordinary | 100% | Marketing services for independent solicitors |
| JS Law Limited | Note 1 | Ordinary | 100% | Licensed conveyancer |
| JSL Legal Services Limited | Note 1 | Ordinary | 100% | Property searches |
| Lifecycle Bereavement Services Limited | Note 4 | Ordinary | 100% | Dormant |

# Notes to the parent company financial statements (continued)

All subsidiary companies are incorporated in Great Britain and included within these consolidated financial statements. All activities are conducted in the United Kingdom. The registered addresses of the subsidiaries are listed below:

1. Grant Hall, Parsons Green, St Ives, Cambridgeshire, PE27 4AA
2. 1 Dorset Street, Southampton, Hampshire, SO15 2DP
3. Heron House Timothys Bridge Road, Stratford Enterprise Park, Stratford Upon Avon, Warwickshire, CV37 9BX
4. 8 Cliffford Street, London, W1S 2LQ

3 Trade and other receivables

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Amounts due from related parties | **35,193** | 34,946 |
| Deferred tax | **7** | 7 |
| Other debtors | **26** | 26 |
| | **35,226** | 34,979 |

Amounts due from related parties of £3,241,000 (2016: £3,000,000) fall due after more than one year. This balance attracts interest at 8%, compounding annually, and is due to be repaid in full in November 2025. All other amounts due from related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

4 Deferred taxation

The movement in deferred taxation during the year was:

| | Other short-term temporary differences £'000 | Total £'000 |
|---|---|---|
| At 31 March 2017 and 31 March 2016 | 7 | 7 |

There are no unused tax losses or tax credits.

5 Creditors: amounts falling due within one year

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Amounts due to group undertakings | **13,904** | 10,541 |
| Amounts due to Parent Company | **2,406** | 2,227 |
| Other payables | **120** | 171 |
| Deferred consideration | **164** | 614 |
| | **16,594** | 13,553 |

Amounts due to group undertakings and to Company's parent are unsecured, interest free, have no fixed date of repayment and are payable on demand.

# Notes to the parent company financial statements (continued)

6 Borrowings

Loans and borrowings comprise:

| | 31 March 2017 £'000 | 31 March 2016 £'000 |
|---|---|---|
| Current | | |
| Bank and other borrowings | 1,442 | 1,362 |
| Non-current | | |
| Bank and other borrowings | 20,149 | 21,591 |
| Amounts due to related parties | 48,037 | 44,470 |
| | 68,186 | 66,061 |

The Company holds the following loan and debt facilities:

| Instrument | Counterparty | Principal borrowed | Term | Interest rate | Carrying amount 31 March 2017 | Carrying amount 31 March 2016 |
|---|---|---|---|---|---|---|
| | | £'000 | Years | | £'000 | £'000 |
| Facility A loan | HSBC | 8,000 | 6 | LIBOR+4.25% | 5,019 | 6,483 |
| Facility B loan | HSBC | 16,000 | 7 | LIBOR+4.75% | 15,595 | 15,500 |
| Revolving loan facility | HSBC | 1,000 | 6 | LIBOR+4.25% | 977 | 970 |
| Parent company loan | UKLS Midco Ltd. | 48,037 | 10 | 8.0% | 48,037 | 44,470 |

The issue costs for the HSBC facilities above amounted to £1.0 million. The loans are shown net of issue costs, which are being amortised over the life of the loan arrangements. The unamortised balance remaining at 31 March 2017 was £609,000 (2016: £767,000).

On 8 October 2014, the Group purchased an interest rate cap, to cap a majority of the LIBOR element of the facility B loan to 2.5%. This instrument expires on 30 July 2017.

During the year ended 31 March 2017, unpaid interest on loans with the Parent company amounting to £3,567,000 (2016: £3,072,000) compounded and became part of the principal.

7 Share capital

| | Authorised, allotted, issued and paid 31 March 2017 No. | 31 March 2016 No. |
|---|---|---|
| A ordinary shares of £1 each | 21 | 21 |
| B ordinary shares of £0.0001 each | 772,583 | 772,583 |
| Total number of shares | 772,604 | 772,604 |
| | £ | £ |
| Total nominal value of shares | 98 | 98 |

The ordinary shares of the Company are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

A summary of the movements in the year is detailed in the following table:

| | Number of shares |
|---|---|
| **At 31 March 2017 and 31 March 2016** | 772,604 |

# Notes to the parent company financial statements (continued)

8 **Related party transactions**
*The company has taken advantage of the exemption available under FRS 101 not to disclose transactions with other wholly owned group companies.*

The immediate parent company of the Group is UKLS Midco Limited, which is a related party. At 31 March 2017 the company had outstanding loans amounting to £48.0m (31 March 2016: £44.5m), which accrued interest of £3.7 million during the year ended 31 March 2017 (2016: £3.3 million). During the year, unpaid interest on loans with UKLS Midco Limited, amounting to £3.6 million, compounded and became part of the principal.

The ultimate controlling party is the Palamon Auxiliary Partnership 2013 fund, managed by Palamon Capital Partners LP, which owns the majority of the shares in the ultimate parent company on behalf of various funds.

UKLS Topco Limited, a company registered in Jersey, is the parent undertaking of the largest group which prepares publicly available consolidated financial statements. Copies of the consolidated financial statements may be obtained by written request to the Company Secretary at Grant Hall, Parsons Green, St. Ives, Cambridgeshire, PE27 4AA.