

Registration No. 10527864

STOWE FAMILY LAW HOLDINGS LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**



STOWE FAMILY LAW HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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INFORMATION

Directors

Adam Holloway
Mo Aneese
Ken Fowlie
Julian Hawkhead
Victoria Burns
Morna Bunce
Louise Walker

Registered number

10527864

Registered office

The Old Court House
Raglan Street
Harrogate
HG1 1LT

Auditors

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
West Yorkshire
LS1 4BN

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present the strategic report for the year to 31 March 2020.

Principal activities

The principal activities of the group are the provision of family legal services across England; including divorce, financial and children related legal services.

Business review

2020 was a year of further investment, consolidation and expansion for the business. The firm remains the UK's largest specialist family law practice. During the year the firm expanded its reach and size advantages over its competitors.

With the addition of 4 new offices, the firm ended the 2020 financial year with 22 offices, 71 full time equivalent family lawyers, an increase of 3 family lawyers from 2019.

The firm's data and research confirm that our clients value the opportunity to be supported within their communities, and this validates our strategy of opening modest sized offices throughout the country and close to where our target client base reside or work.

Our plan for next year is to continue our expansion, opening new offices and thereby expanding and deepening the reach of our services. We will continue to innovate in terms of service delivery and also strive to support more families within the existing communities that we serve.

From a trading perspective, net fee income grew by £2,156,000 (17.8%) to £14,282,000 year on year within Stowe Family Law LLP.

The firm's continued expansion during 2020 leveraged earlier investments in IT, case management, marketing, and client care infrastructure. These earlier investments are expected to continue to support the growth of revenue in 2021 and beyond.

The firm continues to develop its in-house marketing capability. During 2020 we invested a further £1.3m in digital marketing and brand building activities to support growth. The directors continue to believe that the business remains well placed to meet our ambitious growth plans.

The business continues to manage its working capital cycle very efficiently. All incremental costs and new office opening losses have been funded from operating cashflow.

The directors remain satisfied that the underlying financial performance of the business remains strong, and the business is well placed to continue its strategy of striving to serve more families throughout the country, by supporting both new communities and delivering organic growth within existing communities.

Principal risks and uncertainties

The principal risks and uncertainties within the group relate to the recoverability of amounts from clients and the carrying value of the investments.

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The principal risk arising from financial instruments within the group relates to the interest rates and ability to meet the repayment terms of the loans notes issued by the group.

Future outlook

Our plans for the business remain to continue to expand the firm through opening offices in new locations, by maximising growth opportunities in our existing locations and by continuing to look for opportunities to innovate and change for the better.

The directors have considered the current macro-economic uncertainties including the impact of Covid-19 and Brexit when preparing their going concern assessment. The group took a number of actions to protect its financial position in the early stages of the UK's Covid-19 lockdown, when new business enquiries and chargeable activity declined. Since this time, both new business enquiries and chargeable activity have increased, such that both are running at levels which are at least equal to pre Covid 19 levels. The group has been able to demonstrate that it is very able to operate effectively in lockdown conditions, with the significant majority of colleagues continuing to choose to work from home for much of their working week. This position gives the directors the confidence that it is sufficiently prepared for any further lockdown restrictions in terms of trading results for 2020/2021 to date, its future order book and most significantly its committed and hard-working workforce.

As a direct consequence of the impacts of Covid-19 during the first UK lockdown period, the majority loan note holders have, subsequent to the balance sheet date, agreed to:

- Deferral of the quarterly cash interest payments due between 1 April 2020 and 31 March 2021 until the earlier of the sale of the business or 30 September 2023 when repayments commence of the principal loan notes
- Cancel via a formal deed of waiver a proportion of the principal loan notes (£9.5m) and related accrued interest (£3.7m) in order to protect the future value of ordinary equity in the business.

The directors therefore believe that the group and company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

We will continue to evolve our client and staff propositions to ensure that we can continue to position ourselves as a firm that delivers the best legal advice and client care to each of our clients, and that attracts, develops, and retains outstanding people who are aligned to our aspirations and values.



Ken Fowlie
Director

20/11/2020

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report together with the financial statements of Stowe Family Law Holdings Limited for the year ended 31 March 2020.

Strategic Report

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the group.

Directors

The directors during the year were:

Name

Adam Holloway
Julian Hawkhead
Mo Aneese
Victoria Burns
Ken Fowlie
Charles Hartwell

Appointed: 13th August 2019
Appointed: 13th August 2019
Resigned: 12th February 2020

Morna Bunce and Louise Walker were appointed as directors on 30 September 2020.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all 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.

Auditor

Grant Thornton UK LLP has indicated their willingness to be reappointed and the directors have made appropriate arrangements for them to be deemed reappointed as auditor.

Approved by the board and signed on their behalf.



Ken Fowlie
Director

20/11/2020

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**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report to the members of Stowe Family Law Holdings Limited

Opinion

We have audited the financial statements of Stowe Family Law Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group and parent company's future prospects and performance.

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Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the group and parent company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group and parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent company will continue in operation.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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



Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

20/11/2020

STOWE FAMILY LAW HOLDINGS LIMITED
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**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020**

		Year ended 31 March 2020	Year ended 31 March 2019
	Note	£	£
Turnover	5	14,281,716	12,126,018
Staff costs	6	(8,950,892)	(7,854,924)
Amortisation	12	(2,602,556)	(2,585,195)
Depreciation	13	(314,191)	(309,317)
Other operating expenses		(5,128,646)	(4,152,908)
Operating loss	8	(2,714,569)	(2,776,326)
Interest receivable and similar income	9	4,140	3,776
Interest payable and similar expense	10	(3,400,760)	(3,065,333)
Loss before taxation		(6,111,189)	(5,837,883)
Tax on loss on ordinary activities	11	(4,115)	(98,480)
Loss and total comprehensive income for the financial year /period		(6,115,304)	(5,936,363)

The accompanying notes on pages 18 to 37 are an integral part of the financial statements.

STOWE FAMILY LAW HOLDINGS LIMITED
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**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020**

Registration No. 10527864

	Note	2020	2019
		£	£
Fixed assets			
Intangible assets	12	17,479,687	20,048,369
Tangible assets	13	476,359	720,040
		<u>17,956,046</u>	<u>20,768,409</u>
Current assets			
Debtors	15	2,586,810	2,417,000
Cash at bank		1,719,732	1,115,081
Current assets		<u>4,306,542</u>	<u>3,532,081</u>
Creditors: amounts falling due within one year	16	(2,501,431)	(1,724,243)
Net current assets		<u>1,805,111</u>	<u>1,807,838</u>
Total assets less current liabilities		<u>19,761,157</u>	<u>22,576,247</u>
Creditors: amounts falling due after more than one year	17	(34,760,010)	(31,397,295)
Provisions for liabilities	18	(180,104)	(275,104)
		<u>(15,178,957)</u>	<u>(9,096,152)</u>
Capital and reserves			
Called up share capital	19	8,063	6,438
Share premium		480,686	449,812
Profit and loss account	20	(15,667,706)	(9,552,402)
Shareholders' funds		<u>(15,178,957)</u>	<u>(9,096,152)</u>

The financial statements were approved and authorised for issue by the board and signed on their behalf.



Ken Fowlie
Director 20/11/2020

The accompanying notes on pages 18 to 37 are an integral part of the financial statements

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**COMPANY BALANCE SHEET
AS AT 31 MARCH 2020**

	Note	2020 £	2019 £
Fixed assets			
Investments	14	26,982,279	26,982,279
Current assets			
Debtors	15	750,000	750,000
Current assets		<u>750,000</u>	<u>750,000</u>
Creditors: amounts falling due within one year	16	(27,314,698)	(27,226,169)
Net current liabilities		<u>(26,564,698)</u>	<u>(26,476,169)</u>
Total assets less current liabilities		<u>417,581</u>	<u>506,110</u>
Creditors: amounts falling after more than one year	17	(178,346)	(184,496)
Net assets		<u>239,235</u>	<u>321,614</u>
Capital and reserves			
Called up share capital	19	8,063	6,438
Share premium		480,686	449,812
Profit and loss account	20	(249,514)	(134,636)
Shareholders' funds		<u>239,235</u>	<u>321,614</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the period was £114,878 (2019: £115,021).

The financial statements were approved and authorised for issue by the board and signed on their behalf.



Ken Fowlie
Director
20/11/2020

The accompanying notes on pages 18 to 37 are an integral part of the financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Share Capital £	Share Premium £	Profit and Loss account £	Total £
At 31 March 2019	6,438	449,812	(9,552,402)	(9,096,152)
Shares issued during the year:				
Transactions with owners	1,625	30,874	-	32,499
Loss and total comprehensive income for the financial period	-	-	(6,115,304)	(6,115,304)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	8,063	480,686	(15,667,706)	(15,178,957)
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 18 to 37 are an integral part of the financial statements.

STOWE FAMILY LAW HOLDINGS LIMITED
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FOR THE YEAR ENDED 31 MARCH 2020

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Share Capital £	Share Premium £	Profit and Loss account £	Total £
At 31 March 2019	6,438	449,812	(134,636)	321,614
	<hr/>	<hr/>	<hr/>	<hr/>
Shares issued during the year:				
Transactions with owners	1,625	30,874	-	32,499
Loss and total comprehensive income for the financial period	-	-	(114,878)	(114,878)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	8,063	480,686	(249,514)	239,235
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 18 to 37 are an integral part of the financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Cash flows from operating activities			
Cash Generated from operations	22	674,179	(40,135)
Corporation tax paid		109,999	(118,106)
Net cash inflow/(outflow) from operating activities		784,178	(158,241)
Cash flows from investing activities			
Purchase of intangible fixed assets		(33,874)	(136,177)
Purchase of tangible fixed assets		(75,760)	(583,211)
Sale of tangible assets		3,864	-
Interest received		4,140	3,776
Interest paid		(7,868)	(3,365)
Net cash used in investing activities		(109,498)	(718,977)
Cash flows from financing activities			
Proceeds from issue of shares		32,500	-
Cash inflow from new finance leases			
/(Repayment of finance lease obligations)		(76,501)	52,096
Repayment of loan notes		(7,500)	(105,000)
Repurchase of shares		-	(31,250)
Interest paid on loan notes		(18,528)	(12,641)
Net cash generated from financing activities		(70,029)	(96,795)
Net increase/(decrease) in cash and cash equivalents		604,651	(974,012)
Cash and cash equivalents at beginning of year/period		1,115,081	2,089,093
Cash and cash equivalents at end of year/period		1,719,732	1,115,081

The accompanying notes on pages 18 to 37 are an integral part of the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
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1 Company information

The company is a private company limited by shares and is registered in England and Wales. The registered number is 10527864. The registered office address and principal place of business is The Old Court House, Raglan Street, Harrogate, HG1 1LT.

The group consists of Stowe Family Law Holdings Limited and all of its subsidiary undertakings.

2 Basis of preparation, significant judgements and estimates

- 2.1 The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006; including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared on the historical cost basis.
- 2.2 The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.
- 2.3 The directors have considered the current macro-economic uncertainties including the impact of Covid-19 and Brexit when preparing their going concern assessment. The company took a number of actions to protect the group's financial position in the early stages of the UK's Covid-19 lockdown, when new business enquiries and chargeable activity declined. Since this time, both new business enquiries and chargeable activity have increased, such that both are running at levels which are at least equal to pre Covid 19 levels. The group has been able to demonstrate that it is very able to operate effectively in lockdown conditions, with the significant majority of colleagues continuing to choose to work from home for much of their working week. This position gives the directors the confidence that it is sufficiently prepared for any further lockdown restrictions in terms of funding, trading results for 2020 to date, its future order book and most significantly its committed and hard-working workforce.

The directors therefore believe that the group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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3 Accounting Policies

3.1 Basis of consolidation

The consolidated financial statements incorporate those of Stowe Family Law Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions between group companies are eliminated on consolidation.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

3.2 Presentational and functional currency

The group and company's presentational and functional currency is Sterling (£).

3.3 Turnover

Turnover of the group represents revenue earned under a wide variety of contracts to provide services. Revenue is recognised as earned when, and to the extent that, the group obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts, the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

Turnover that is contingent on events outside the control of the firm is only recognised once the right to revenue is no longer conditional upon other events.

3.4 Investments

Investments are held at cost less any accumulated impairment losses.

3.5 Intangible fixed assets - software

Software represents investment in the acquisition and development of case management and related software. Amortisation is charged over a three to five-year life on a straight line basis.

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**NOTES TO THE FINANCIAL STATEMENTS
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3 Accounting Policies (continued)

3.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

Goodwill is tested for impairment at least annually, or more frequently when there is an indication of impairment.

3.7 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss account.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

3.8 Tangible fixed assets and depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	Over the lease term
Motor vehicles	25% reducing balance
Fixtures and fittings	Over the lease term and 33% straight line

3.9 Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

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3 Accounting Policies (continued)

3.10 Financial instruments

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

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and loans from related parties, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

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

3.11 Leases

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of

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3 Accounting Policies (continued)

the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight line basis.

3.12 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

3.13 Provisions for annual leave

The company and group recognise a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the salary cost payable for the period of absence.

3.14 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the entity to the fund in respect of the year.

3.15 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3.16 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

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**NOTES TO THE FINANCIAL STATEMENTS
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3 Accounting Policies (continued)

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

The tax expense (income) is presented either in the profit or loss account, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

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4 Judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- The carrying value of investments.
- The provision against amounts recoverable under contracts and debtors.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The items in the financial statements where significant judgements and estimates have been made include:

Goodwill

Goodwill and intangible assets on business combinations. The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable value, which represents the higher of fair value and the value in use, of the relevant cash generating unit. Management has not identified any indicators of impairment to goodwill and intangible assets.

5 Turnover

Turnover comprises revenue recognised by the group for the provision of family law advice and closely related services and is supplied wholly within the United Kingdom.

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6 Employees

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

	Group		Company	
	2020	2019	2020	2019
	No.	No.	No.	No.
Legal services	77	65	-	-
General & administrative	97	94	-	-

The company has no employees.

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Staff costs during the year were as follows:		
Wages and salaries	7,918,191	6,907,358
Social security costs	868,903	820,448
Pension costs	163,798	127,118
	<u>8,950,892</u>	<u>7,854,924</u>

7 Directors' remuneration

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Year to 31 March 2020:		
Remuneration for qualifying services	701,881	702,811
Company pension contributions to defined contribution schemes	37,400	49,838

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019: 4). In respect of the two directors who left during the year, compensation for loss of office of £197,093 (2019: £30,000) was paid during the year and is included in the above.

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7 Directors' remuneration (Continued)

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

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Remuneration for qualifying services	361,533	232,266
Company pension contributions to defined contribution schemes	16,043	18,025

It is considered that the only key management personnel are the directors. The total remuneration paid in the period to key management personnel was £825,860 (2019: £838,829) (which includes the above amounts).

8 Operating loss

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
The operating loss is stated after charging:		
Amortisation of goodwill	2,504,046	2,504,046
Amortisation of software	98,510	81,149
Depreciation of tangible fixed assets	314,191	309,317
Operating leases - property	725,007	622,297
Operating leases - equipment	53,338	46,774
Auditor's remuneration	32,750	32,000

The auditor's remuneration is borne by a subsidiary LLP. The group auditor's remuneration is £32,750 (2019: £32,000). In addition, £10,000 (2019: £8,000) was paid to the auditor for the SRA audit and £18,350 (2019: £16,500) for taxation advice.

9. Interest receivable and similar income

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Other interest receivable	4,140	3,776

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10. Interest payable and similar expense

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Other interest payable	7,868	3,365
Loan note interest payable	3,392,892	3,061,968
	<u>3,400,760</u>	<u>3,065,333</u>

The interest rates and repayment terms for the loan note interest are disclosed in note 17.

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**NOTES TO THE FINANCIAL STATEMENTS
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11 Taxation

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Analysis of the tax charge for the year:		
UK corporation tax charge on profit for the year	5,800	1,038
Adjustment in respect of the prior period for subsidiaries	(1,685)	97,442
	<u>4,115</u>	<u>98,480</u>

The UK corporation tax charge has been provided at 19% (2019: 19%).

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Loss before taxation	(6,111,189)	(5,837,883)
Loss before taxation, multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%).	<u>(1,161,126)</u>	<u>(1,109,198)</u>
Effect of:		
Timing differences	(10,466)	3,656
Expenses not deductible for tax purposes and other permanent differences	683,573	630,811
Amortisation of goodwill	475,769	475,769
Adjustments in respect of prior periods	(1,685)	97,442
Deferred tax not recognised	18,050	-
UK corporation tax charge on profit for the year	<u>4,115</u>	<u>98,480</u>

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12 Intangible fixed assets

	Software	Goodwill	Total
	£	£	£
Cost: At 31 March 2019	363,219	25,040,457	25,403,676
Additions	33,874	-	33,874
At 31 March 2020	<u>397,093</u>	<u>25,040,457</u>	<u>25,437,550</u>
Amortisation: At 31 March 2019	86,377	5,268,930	5,355,307
Charge for the period	98,510	2,504,046	2,602,556
At 31 March 2020	<u>184,887</u>	<u>7,772,976</u>	<u>7,957,863</u>
Net book value: At 31 March 2020	<u>212,206</u>	<u>17,267,481</u>	<u>17,479,687</u>
At 31 March 2019	<u>276,842</u>	<u>19,771,527</u>	<u>20,048,369</u>

Goodwill is being amortised over its useful economic life of 10 years. In arriving at this judgement, the directors have considered both the sector treatment and the strong growth potential. Software includes cost of the case management system which has a carrying value of £83,000 to be amortised over the next 3 years.

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13 Tangible fixed assets

Group	Long-term Leasehold Property £	Motor vehicles £	Office fixtures fittings and equipment £	Total £
Cost:				
At 1 April 2019	382,453	28,007	751,832	1,162,292
Additions	14,760	-	61,000	75,760
Disposals	(68,769)	(20,981)	(212,131)	(301,881)
At 31 March 2020	328,444	7,026	600,701	936,171
Depreciation:				
At 31 March 2019	145,134	14,949	282,169	442,252
Charge for the period	85,520	2,514	226,157	314,191
Disposals	(68,769)	(15,731)	(212,131)	(296,631)
At 31 March 2020	161,885	1,732	296,195	459,812
Net book value:				
At 31 March 2020	166,559	5,294	304,506	476,359
At 31 March 2019	237,319	13,058	469,663	720,040

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2020	2019
	£	£
Office fixtures fittings and equipment	4,825	16,407

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14 Fixed asset investments

Company	Unlisted investments £
Cost	
1 April 2019	26,982,279
31 March 2020	26,982,279
Net book value:	
At 31 March 2020	26,982,279
At 31 March 2019	26,982,279

The following were undertakings in which the company has a material interest:

<i>Name</i>	<i>Business</i>	<i>Percentage held</i>
Stowe Family Law Finance Limited	Holding company	100%
Stowe Family Law Property Limited	Holding company	100%
Stowe Family Law Services Limited	Holding company	100%
Stowe Family Law LLP	Solicitors practice	100%
Stowe Family Law Settlements LLP	Solicitors practice	100%
Stowe Support Services LLP	Support LLP for solicitors	100%

The registered office of all subsidiary undertakings is; The Old Court House, 4 Raglan Street, Harrogate, HG1 1LT.

The following undertakings are exempt from audit; Stowe Family Law Settlements LLP and Stowe Support Services LLP.

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15 Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	1,564,204	1,229,820	-	-
Amounts recoverable on contracts	543,188	563,972	-	-
Amounts owed by group undertakings	-	-	750,000	750,000
Corporation tax recoverable	-	108,314	-	-
Other debtors and prepayments	479,418	514,894	-	-
	<u>2,586,810</u>	<u>2,417,000</u>	<u>750,000</u>	<u>750,000</u>

16 Creditors: Amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Finance lease obligations	4,154	76,506	-	-
Trade creditors	595,585	159,036	-	-
Tax and social security	1,343,917	930,297	-	-
Accruals and other creditors	557,775	558,404	-	-
Amounts owed to group undertakings	-	-	27,314,698	27,226,169
	<u>2,501,431</u>	<u>1,724,243</u>	<u>27,314,698</u>	<u>27,226,169</u>

Net obligations under hire purchase contracts are secured by fixed charges on the assets concerned.

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17 Creditors: Amounts falling due after more than one year

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Finance lease obligations	-	4,149	-	-
Loan notes	25,260,000	25,267,500	150,000	157,500
Loan notes accrued interest	9,500,010	6,125,646	28,346	26,996
	<u>34,760,010</u>	<u>31,397,295</u>	<u>178,346</u>	<u>184,496</u>

On 17 February 2017, the company issued loan notes of £180,000 for cash consideration of £180,000; on the same date, a subsidiary company issued loan notes of £25,110,000 for cash consideration of £25,110,000.

On 24 May 2018 the company redeemed loan notes of £67,500 at par value. On 28 February 2019 the company further redeemed loan notes of £37,500 at par value. On 3 May 2019 the company issued loan notes of £22,500, with a further £37,500 issued on 13 August 2019, both at par value. On 13 March 2020 the company redeemed loan notes of £67,500 at par value.

The loan notes attract interest at a starting rate of 8% per annum, compound quarterly. The interest rate increased by 1% on 1 April 2018 to 9% per annum, compound quarterly. The interest rate increases by a further 1% per annum on the 1 April 2019, 2020 and 2021.

The loan note principal and associated interest accrued to date is repayable in four equal, six monthly instalments starting 30 September 2023, with the final repayment on 31 March 2025. A proportion of loan note interest accruing from 1 April 2020 is repayable on a quarterly basis in cash.

As a direct consequence of the impacts of Covid-19 during the first UK lockdown period, the majority loan note holders have, subsequent to the balance sheet date, agreed to:

- Deferral of the quarterly cash interest payments due between 1 April 2020 and 31 March 2021 until the earlier of the sale of the business or 30 September 2023 when repayments commence of the principal loan notes
- Cancel via a formal deed of waiver a proportion of the principal loan notes (£9.5m) and related accrued interest (£3.7m) in order to protect the future value of ordinary equity in the business.

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18 Provisions for liabilities

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Lease provision:				
At 1 April:	275,104	370,104	-	-
Created	-	-	-	-
Utilised	(95,000)	(95,000)	-	-
At 31 March	<u>180,104</u>	<u>275,104</u>	<u>-</u>	<u>-</u>

The provision relates to the onerous, above market rents payable on two leased properties. The onerous element of the leases is being released to the profit and loss account over the term of the lease. At the year-end £95,000 is due to be released within 12 months and the balance will be released within 1 to 2 years.

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19 Share capital

	Number	2020 £	Number	2019 £
Authorised, allotted, called up and fully paid	962,500	8,063	897,500	6,438
A Ordinary shares	800,000	4,000	800,040	4,001
B Ordinary shares	75,000	1,875	74,960	1,874
C Ordinary shares	62,500	1,563	22,500	563
D Ordinary shares	25,000	625	-	-
Issued	962,500	8,063	897,500	6,438

On 3 May 2019 15,000 C ordinary shares were issued and on 13 August 2019 25,000 C ordinary shares and 25,000 D ordinary shares were issued, all at a value of £0.025 each.

Reconciliation of movements during the period:

	No.
At 31 March 2019	897,500
Issue of fully paid shares	65,000
At 31 March 2020	962,500

The consideration for the issue of all of the shares was cash; reflecting the sum of the nominal value and share premium as above. The rights of each class of share are substantially the same.

20 Reserves

The profit and loss account reserves of the group and company represent the accumulated losses since incorporation.

21 Retirement benefit schemes

A stakeholder pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. At the year end, there was £nil due to be paid.

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22 Cash generated from group operations

	2020 £	2019 £
Loss for the period after tax	(6,115,304)	(5,936,363)
Adjustments for:		
Finance costs	3,396,620	3,061,557
Amortisation of intangible fixed assets	2,602,556	2,585,195
Depreciation of tangible fixed assets	314,191	309,317
Loss on disposal	1,386	-
Release of provisions	(95,000)	(95,000)
Income tax charge	4,115	98,480
Movements in working capital:		
Increase in debtors	(272,324)	(124,813)
Increase in creditors	837,939	61,492
Cash generated from operations	<u>674,179</u>	<u>(40,135)</u>

23 Analysis of movement in net debt

	2020 £	2019 £
Cash and cash equivalents	1,719,732	1,115,081
Finance lease obligations	(4,154)	(86,155)
Loan notes	(25,260,000)	(25,267,500)
Net debt at 31 March	<u>(23,544,422)</u>	<u>(24,238,574)</u>

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24 Financial instruments

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Carrying value of financial assets	3,827,126	2,908,873	750,000	750,000
Carrying value of financial liabilities	35,913,370	32,110,586	27,493,044	27,410,665

The financial assets comprise amounts recoverable under contracts, trade debtors, amounts owed by group undertakings and cash. The financial liabilities comprise trade creditors, accruals, amounts owed to group undertakings and loan notes.

25 Operating lease commitments

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

	2020	2019
	£	£
Expiry date:		
Within one year	757,215	860,119
Between two and five years	742,515	1,499,933
	<u>1,499,730</u>	<u>2,360,052</u>

26 Ultimate controlling party

The directors consider Livingbridge EP LLP, a limited liability partnership registered in England and Wales, as the ultimate controlling party.

27 Related parties

Under the terms of Financial Reporting Standard 102, the entity is exempt from the requirement to disclose transactions with other wholly owned group entities.

During the year the group paid £120,885 (2019: £104,867) in respect of Directors' services and accrued interest in respect of the A loan notes of £3,373,014 (2019: £3,044,018) to Livingbridge EP LLP the ultimate owner.

During the year, £67,000 of directors' loan notes were redeemed and £60,000 of directors' loan notes were issued. As at the balance sheet date, the directors had loan notes of £150,000 and accrued interest of £28,346 outstanding.