

NELSONS SOLICITORS LIMITED**DIRECTORS' REPORT AND FINANCIAL STATEMENTS****For the year ended 31 May 2013**

NELSONS SOLICITORS LIMITED

COMPANY INFORMATION

Directors

T M Hastings
J E R Coningsby
S N Vandermark
S I Waterfield
B H L Williams
C Miller (appointed 12 June 2013)
M S Craven (resigned 14 December 2012)
C D Elliott (resigned 14 December 2012)
R D Grosberg (resigned 14 December 2012)
K L Harrison (resigned 14 December 2012)
C Miller (resigned 14 December 2012)
S A Insh (resigned 14 December 2012)
A P Jamieson (resigned 14 December 2012)
M M Jenkinson (resigned 14 December 2012)
D A Kaplan (resigned 14 December 2012)
J Kinman (resigned 14 December 2012)
M S Lodge (resigned 14 December 2012)
C M Adams (resigned 14 December 2012)
L Preece (resigned 14 December 2012)
K S Baigent (resigned 14 December 2012)
J A Carter (resigned 14 December 2012)
J Chilvers (resigned 14 December 2012)
C M D Rees (resigned 14 December 2012)
D A Ritchie (resigned 14 December 2012)
J W V Roberts (resigned 14 December 2012)
C Selby (resigned 14 December 2012)
R Staniland (resigned 14 December 2012)
C Stansfield (resigned 14 December 2012)
J C Sutherland (resigned 14 December 2012)
D J Taylor (resigned 14 December 2012)
S A Trees (resigned 14 December 2012)
M A Walls (resigned 14 December 2012)
L Kearsley (appointed 14 May 2012, resigned 14 December 2012)
A Birchall (appointed 1 June 2012, resigned 14 December 2012)
I T Copestake (resigned 14 December 2012)

Registered number

07219010

Registered office

Pennine House
8 Stanford Street
Nottingham
NG1 7BQ

Independent auditors

Cooper Parry Group Limited
Chartered Accountants & Statutory Auditor
14 Park Row
Nottingham
NG1 6GR

Bankers

National Westminster Bank plc
16 South Parade
Nottingham
NG1 2JX

NELSONS SOLICITORS LIMITED

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NELSONS SOLICITORS LIMITED

DIRECTORS' REPORT For the year ended 31 May 2013

The directors present their report and the financial statements for the year ended 31 May 2013

Directors' responsibilities statement

The directors are responsible for preparing the 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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

Principal activity

The principal activity of the company is the provision of legal services.

Business review

Throughout the financial year the Company has remained committed to its existing strategy of providing a broad range of specialist legal services to the private client and business markets, and to growing its presence in all three cities.

Significant steps have been taken to strengthen services across the East Midlands, in each of its offices in Nottingham, Leicester and Derby, whilst also continuing to service the requirements of individuals and businesses outside that region.

The year has been marked by two strategic acquisitions that have contributed to the goal of expanding the range and depth of services supplied from the Company's Derby office.

First, the asset purchase of Advance Legal was completed in July 2012. This was a specialist personal injury practice with a mature book of work in progress, which complimented the established Nelsons personal injury practice. The post-acquisition revenue stream to year end was strong, and in line with expectations.

Secondly, in January 2013 the net asset purchase of Bakewells Solicitors was completed. This combined the work in progress and goodwill of a well-established mid-tier Derby practice with the growing strength of the existing Derby office. The acquisition brought recurring turnover growth across a broad range of service lines, and has also delivered substantial, immediate economies of scale. As a consequence the Derby office delivered profitable turnover growth of over 40% and is now positioned as one of the strongest general practices in the local market.

Investment has also continued in the Leicester office where a combination of organic growth and strategically focussed recruitment produced turnover growth of over 20%.

NELSONS SOLICITORS LIMITED

DIRECTORS' REPORT For the year ended 31 May 2013

Business review (continued)

Notwithstanding the investment in growth by acquisition, the Company has continued its commitment to long term debt reduction, debtor management, control of overheads and other financial disciplines. The Company has also secured benefits from the rationalisation of its property stock – notably by relinquishing surplus office accommodation in Nottingham and securing tenants for vacant office accommodation in Leicester.

The Company is pleased to note that once more its reputation in a wide range of service areas has been recognised in independently researched directories (e.g. Legal 500), and the quality of its systems and internal processes has been recognised with the Lexcel standard.

The Company remains mindful that the Legal Services sector is now in an era of unprecedented change, especially with the advent of Alternative Business Structures, and it has planned its future business strategy taking close account of these developments.

It has noted the trends emerging, for example the continued development of brands in consumer markets, the emergence of new entrants to legal service provision, the steps taken by some competitors to attract new forms of external capital, the emergence of new Consolidation models and increased merger activity.

The Company has also adopted strategic plans to adjust to the impact on its established income streams from Family Legal Aid, and the Jackson reforms that took effect in 2013.

The Company identifies both threats and opportunities in these new market conditions, and plans to continue to develop the independent Nelsons brand in each existing location, and regionally, through a continued commitment to organic growth, selective use of lateral hires and a programme of mergers and acquisitions.

Overall, in the light of the national economic climate, and the changing sector conditions, the Company considers that its financial results represent satisfactory performance.

Results

The profit for the year, after taxation, amounted to £2,218,861 (2012: £797,069).

Directors

The directors who served during the year are shown on the company information page.

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 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.

This report was approved by the board and signed on its behalf



T M Hastings
Director

Date

23/06/13

NELSONS SOLICITORS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NELSONS SOLICITORS LIMITED

We have audited the financial statements of Nelsons Solicitors Limited for the year ended 31 May 2013, set out on pages 5 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

NELSONS SOLICITORS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NELSONS SOLICITORS LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Honarmand (Senior Statutory Auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Nottingham
Date 23/10/13

NELSONS SOLICITORS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 May 2013

	Note	2013 £	As restated 2012 £
Turnover	1,2		
Continuing operations		13,227,039	11,759,758
Acquisitions		1,112,932	-
		<u>14,339,971</u>	<u>11,759,758</u>
Cost of sales	22	(5,007,528)	(4,633,923)
		<u>9,332,443</u>	<u>7,125,835</u>
Gross profit			
Administrative expenses	22	(6,132,183)	(5,459,926)
Exceptional administrative expenses	5	-	(521,573)
Total administrative expenses		<u>(6,132,183)</u>	<u>(5,981,499)</u>
Other operating income	3	181,499	186,088
		<u>181,499</u>	<u>186,088</u>
Operating profit	4		
Continuing operations		2,845,627	1,330,424
Acquisitions		536,132	-
		<u>3,381,759</u>	<u>1,330,424</u>
Interest receivable and similar income		85,533	78,025
Amounts written off investments		-	(212,500)
Interest payable and similar charges	8	(295,151)	(203,944)
		<u>85,533</u>	<u>(212,500)</u>
Profit on ordinary activities before taxation		3,172,141	992,005
Tax on profit on ordinary activities	9	(953,280)	(194,936)
		<u>(953,280)</u>	<u>(194,936)</u>
Profit for the financial year	18	<u>2,218,861</u>	<u>797,069</u>

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account

The notes on pages 8 to 23 form part of these financial statements

NELSONS SOLICITORS LIMITED
Registered number 07219010

BALANCE SHEET
As at 31 May 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Intangible assets	10		8,512,112		8,100,000
Tangible assets	11		1,776,283		1,966,513
			<u>10,288,395</u>		<u>10,066,513</u>
Current assets					
Debtors	13	7,066,139		5,548,329	
Cash at bank and in hand		480,501		111,915	
		<u>7,546,640</u>		<u>5,660,244</u>	
Creditors: amounts falling due within one year	14	(5,662,120)		(5,195,816)	
Net current assets			<u>1,884,520</u>		<u>464,428</u>
Total assets less current liabilities			<u>12,172,915</u>		<u>10,530,941</u>
Creditors: amounts falling due after more than one year	15		(9,941,016)		(9,355,637)
Provisions for liabilities					
Deferred tax	16		(56,213)		(39,928)
Net assets			<u><u>2,175,686</u></u>		<u><u>1,135,376</u></u>
Capital and reserves					
Called up share capital	17		4,880		3,181
Capital redemption reserve	18		190		190
Profit and loss account	18		2,170,616		1,132,005
Shareholders' funds	19		<u><u>2,175,686</u></u>		<u><u>1,135,376</u></u>

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



T M Hastings
Director

Date

23/10/13

The notes on pages 8 to 23 form part of these financial statements

NELSONS SOLICITORS LIMITED

CASH FLOW STATEMENT
For the year ended 31 May 2013

	Note	2013 £	2012 £
Net cash flow from operating activities	23	3,130,278	1,272,069
Returns on investments and servicing of finance	24	(209,618)	(125,919)
Taxation		(166,002)	(336,590)
Capital expenditure and financial investment	24	(161,893)	(580,240)
Acquisitions and disposals	24	(1,155,857)	-
Equity dividends paid		(1,180,250)	(685,000)
Cash inflow/(outflow) before financing		256,658	(455,680)
Financing	24	991,977	(31,488)
Increase/(Decrease) in cash in the year		1,248,635	(487,168)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
For the year ended 31 May 2013

	2013 £	2012 £
Increase/(Decrease) in cash in the year	1,248,635	(487,168)
Cash inflow from increase in debt and lease financing	(990,478)	(43,926)
Movement in net debt in the year	258,157	(531,094)
Net debt at 1 June 2012	(3,676,813)	(3,145,719)
Net debt at 31 May 2013	(3,418,656)	(3,676,813)

The notes on pages 8 to 23 form part of these financial statements

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 May 2013

1 Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Fee income

Fee income represents amounts chargeable to clients, both billed and unbilled, for the provision of legal services exclusive of recharges and VAT. Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

1.3 Unbilled income

Services provided to clients during the year in respect of non contingent fee arrangements, which at the balance sheet date have not been billed to clients, have been recognised as unbilled income in accordance with UITF Abstract 40 'Revenue Recognition and Service Contracts'. Unbilled revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. No adjustment is made to recognise income on contingent fee arrangements until the contingent event occurs.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Amortisation is provided at the following rates

Goodwill	-	between 3 and 20 years
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1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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

Leasehold improvements	-	Straight line over the period of the lease or occupancy
Furniture and fittings	-	15% straight line
Information technology	-	20% - 33% straight line

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 May 2013

1. Accounting Policies (continued)

1.8 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.10 Pensions

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

2 Turnover

The whole of the turnover is attributable to the provision of legal services. All turnover arose within the United Kingdom

3 Other operating income

	2013 £	2012 £
Other operating income	20,523	14,234
Net rents receivable	160,976	171,854
	<u>181,499</u>	<u>186,088</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 May 2013

4 Operating profit

The operating profit is stated after charging

	2013	2012
	£	£
Amortisation - intangible fixed assets	716,872	450,000
Depreciation of tangible fixed assets		
- owned by the company	197,563	287,432
- held under finance leases	154,560	-
Auditors' remuneration	12,500	12,500
Operating lease rentals		
- plant and machinery	2,011	3,590
- other operating leases	913,534	968,476
	<u> </u>	<u> </u>

Cost of sales and administrative expenses have been restated in the prior year due to the reclassification of certain salary costs. Cost of sales have reduced from £4,754,659 to £4,633,923 and administrative expenses have increased from £5,339,190 to £5,459,926. There is no impact on the profit for the year.

5. Exceptional items

	2013	2012
	£	£
Provision for onerous lease and dilapidation costs	-	521,573
	<u> </u>	<u> </u>

6 Staff costs

Staff costs, including directors' remuneration, were as follows

	2013	2012
	£	£
Wages and salaries	4,527,216	4,862,719
Social security costs	398,752	481,069
Other pension costs	215,931	264,397
	<u> </u>	<u> </u>
	<u>5,141,899</u>	<u>5,608,185</u>

The average monthly number of employees, including the directors, during the year was as follows

	2013	2012
	No.	No.
Fee earners	92	103
Support	96	92
	<u> </u>	<u> </u>
	<u>188</u>	<u>195</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

7 Directors' remuneration

	2013	2012
	£	£
Remuneration	144,399	1,153,518
Company pension contributions to defined contribution pension schemes	-	62,330

During the year retirement benefits were accruing to no directors (2012 7) in respect of defined contribution pension schemes

The highest paid director received remuneration of £104,705 in the prior year. The value of the company's contributions paid to the defined contribution pension scheme in respect of the highest paid director in the prior year was £6,795

8. Interest payable

	2013	2012
	£	£
On bank loans and overdrafts	176,227	138,226
On other loans	67,124	65,718
On finance leases and hire purchase contracts	51,800	-
	295,151	203,944

9 Taxation

	2013	2012
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	934,000	163,007
Adjustments in respect of prior periods	2,995	-
Total current tax	936,995	163,007
Deferred tax		
Origination and reversal of timing differences	17,948	31,929
Effect of increased tax rate on opening liability	(1,663)	-
Total deferred tax (see note 16)	16,285	31,929
Tax on profit on ordinary activities	953,280	194,936

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

9 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012 lower than) the standard rate of corporation tax in the UK of 24% (2012 24%) The differences are explained below

	2013 £	2012 £
Profit on ordinary activities before tax	3,172,141	992,005
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 24%)	761,314	238,081
Effects of		
Expenses not deductible for tax purposes	22,959	93,584
Depreciation in excess of capital allowances	152,357	135,981
Utilisation of tax losses	-	(300,000)
Adjustments to tax charge in respect of prior periods	2,995	-
Other timing differences	(2,392)	(3,282)
Income not taxable for tax purposes	(238)	-
Tax rate adjustment	-	10,753
Marginal relief	-	(12,110)
Current tax charge for the year (see note above)	936,995	163,007

10 Intangible fixed assets

	Goodwill £
Cost	
At 1 June 2012	9,000,000
Additions (note 21)	1,128,984
At 31 May 2013	10,128,984
Amortisation	
At 1 June 2012	900,000
Charge for the year	716,872
At 31 May 2013	1,616,872
Net book value	
At 31 May 2013	8,512,112
At 31 May 2012	8,100,000

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

11 Tangible fixed assets

	Leasehold improvements £	Furniture and fittings £	Information technology £	Total £
Cost				
At 1 June 2012	1,921,263	291,352	346,529	2,559,144
Additions	65,536	37,780	58,577	161,893
Disposals	-	-	(118,505)	(118,505)
At 31 May 2013	<u>1,986,799</u>	<u>329,132</u>	<u>286,601</u>	<u>2,602,532</u>
Depreciation				
At 1 June 2012	352,151	91,316	149,164	592,631
Charge for the year	209,900	52,539	89,684	352,123
On disposals	-	-	(118,505)	(118,505)
At 31 May 2013	<u>562,051</u>	<u>143,855</u>	<u>120,343</u>	<u>826,249</u>
Net book value				
At 31 May 2013	<u>1,424,748</u>	<u>185,277</u>	<u>166,258</u>	<u>1,776,283</u>
At 31 May 2012	<u>1,569,112</u>	<u>200,036</u>	<u>197,365</u>	<u>1,966,513</u>

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

	2013 £	2012 £
Leasehold improvements	<u>1,150,953</u>	<u>-</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

12. Fixed asset investments

	Other investments £
Cost or valuation	
At 1 June 2012 and 31 May 2013	510,000
Impairment	
At 1 June 2012 and 31 May 2013	510,000
Net book value	
At 31 May 2013	-
At 31 May 2012	-

Other investments include an amount of £510,000 invested by the company in Paladin Integrated Planning Opportunities No 11 LLP and Paladin Renewable Opportunities No 1 LLP during previous years. Due to the level of uncertainty relating to the extent of any future returns on this investment, full provision has been made against its carrying value.

13. Debtors

	2013 £	2012 £
Trade debtors	2,438,751	1,753,242
Other debtors	177,812	8,067
Prepayments and accrued income	4,449,576	3,787,020
	<u>7,066,139</u>	<u>5,548,329</u>

**14 Creditors:
Amounts falling due within one year**

	2013 £	2012 £
Bank loans and overdrafts	740,362	1,591,905
Net obligations under finance leases and hire purchase contracts	316,909	-
Trade creditors	299,939	497,086
Corporation tax	934,000	163,007
Other taxation and social security	637,314	474,276
Other creditors	1,965,302	1,285,669
Accruals and deferred income	768,294	1,183,873
	<u>5,662,120</u>	<u>5,195,816</u>

The net obligations under finance leases and hire purchase contracts are secured on the assets concerned.

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

15 Creditors
Amounts falling due after more than one year

	2013	2012
	£	£
Bank loans	2,153,794	2,196,823
Net obligations under finance leases and hire purchase contracts	688,091	-
Other creditors	7,099,131	7,158,814
	<u>9,941,016</u>	<u>9,355,637</u>

Included within the above are amounts falling due as follows

	2013	2012
	£	£
Between one and two years		
Bank loans	505,582	412,296
	<u>505,582</u>	<u>412,296</u>
Between two and five years		
Bank loans	901,613	1,018,583
	<u>901,613</u>	<u>1,018,583</u>
Over five years		
Bank loans	746,599	765,944
	<u>746,599</u>	<u>765,944</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2013	2012
	£	£
Repayable by instalments	746,599	765,944
	<u>746,599</u>	<u>765,944</u>

Bank borrowings are secured by a debenture over the assets of the company and through a cross guarantee with Nelsonslaw LLP

The bank loan is repayable in full by August 2020 through instalments and bears interest at a rate of 3 17% per annum

Other creditors comprise of balances owing to the shareholders. These balances are unsecured and shall be repayable at such intervals as the financial performance, cashflow and profitability of the company shall permit.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2013	2012
	£	£
Between one and five years	688,091	-
	<u>688,091</u>	<u>-</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

16. Deferred taxation

	2013	2012
	£	£
At beginning of year	39,928	7,999
Charge to the profit and loss account	16,285	31,929
	<u>56,213</u>	<u>39,928</u>

The provision for deferred taxation is made up as follows

	2013	2012
	£	£
Accelerated capital allowances	<u>56,213</u>	<u>39,928</u>

17 Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
1,050 Ordinary shares of £1 each	1,050	1,050
1,100 Ordinary A shares of £1 each	1,100	1,100
1,000 Ordinary B shares of £1 each	-	1,000
800 Ordinary B1 shares of £1 each	800	-
430 Ordinary B2 shares of £1 each	430	-
200 Ordinary B3 shares of £1 each	200	-
1,300 (2012 - 10) Ordinary C shares of £1 each	1,300	10
21 D - Z (excluding 'U' and 'X') shares of £1 each	-	21
	<u>4,880</u>	<u>3,181</u>

On 14 December 2012 the company converted the entire Ordinary B shares of £1 each into 800 Ordinary B1 Shares of £1 each and 200 Ordinary B3 Shares of £1 each

On 14 December 2012 the company converted 3 Ordinary C shares of £1 each into 3 Ordinary B2 Shares of £1 each and allotted a further 227 Ordinary B2 shares of £1 each at par On 4 January 2013 a further 200 Ordinary B2 shares of £1 each were allotted as par

On 14 December 2012 the company allotted a further 993 Ordinary C shares of £1 each, followed by a further 300 Ordinary C shares of £1 being allotted during the year at par

On 14 December 2012, the company purchased back and cancelled 21 D - Z (excluding 'U' and 'X') shares with a nominal value of £1 each, at par

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

18. Reserves

	Capital redempt'n reserve £	Profit and loss account £
At 1 June 2012	190	1,132,005
Profit for the financial year	-	2,218,861
Dividends (note 20)	-	(1,180,250)
	<u>190</u>	<u>2,170,616</u>
At 31 May 2013	<u>190</u>	<u>2,170,616</u>

19. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Opening shareholders' funds	1,135,376	1,098,721
Profit for the financial year	2,218,861	797,069
Dividends (Note 20)	(1,180,250)	(685,000)
Shares issued during the year	1,699	41
Shares cancelled during the year (note 17)	-	(75,455)
	<u>2,175,686</u>	<u>1,135,376</u>
Closing shareholders' funds	<u>2,175,686</u>	<u>1,135,376</u>

20 Dividends

	2013 £	2012 £
Dividends paid on equity capital	<u>1,180,250</u>	<u>685,000</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

21 Acquisitions and disposals

On 20 July 2012 the company acquired certain trade and assets of Advance Legal

The net book value of the net assets at the date of acquisition, which also represent the directors assessment of their provisional fair value are detailed below

Assets and liabilities acquired

	Net book value £	Fair value adjustments £	Fair value to the company £
Goodwill	792,493	-	792,493
Work in progress	89,966	-	89,966
	<hr/>	<hr/>	<hr/>
Net assets acquired	882,459	-	882,459
	<hr/>	<hr/>	<hr/>

Satisfied by:

Consideration:

Cash	529,574
Deferred consideration	352,885
	<hr/>
	882,459
	<hr/>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

21. Acquisitions and disposal (continued)

Acquisitions

On 4 January 2013 the company acquired certain trade and assets of Bakewells Solicitors

The net book value of the net assets at the date of acquisition, which also represent the directors assessment of their provisional fair value are detailed below

Assets and liabilities acquired

	Net book value £	Fair value adjustments £	Fair value to the company £
Goodwill	336,491	-	336,491
Debtors	845,067	-	845,067
Creditors	(89,429)	-	(89,429)
Net assets acquired	<u>1,092,129</u>	<u>-</u>	<u>1,092,129</u>

Satisfied by:

Consideration

Cash	626,283
Deferred consideration	465,646
Issue of shares	200
	<u>1,092,129</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

22 Analysis of operating profit

	2013	2012
	Continuing	Continuing
	£	£
Turnover	14,339,971	11,759,758
Cost of sales	(5,007,528)	(4,633,923)
Gross profit	9,332,443	7,125,835
Administrative expenses	(6,132,183)	(5,981,499)
Other operating income	181,499	186,088
	<u>3,381,759</u>	<u>1,330,424</u>

The following amounts were included within continuing activities in relation to acquisitions during the year

	2013
	£
Turnover	1,112,932
Cost of sales	(325,863)
Gross profit	787,069
Administrative expenses	(250,937)
Operating profit	<u>536,132</u>

23 Net cash flow from operating activities

	2013	2012
	£	£
Operating profit	3,381,759	1,330,424
Amortisation of intangible fixed assets	716,872	450,000
Depreciation of tangible fixed assets	352,123	287,432
Loss on disposal of tangible fixed assets	-	5,745
(Increase)/decrease in debtors	(582,777)	477,645
Decrease in creditors	(737,699)	(1,279,177)
Net cash inflow from operating activities	<u>3,130,278</u>	<u>1,272,069</u>

24. Analysis of cash flows for headings netted in cash flow statement

	2013	2012
	£	£
Returns on investments and servicing of finance		
Interest received	85,533	78,025
Interest paid	(243,351)	(203,944)
Hire purchase interest	(51,800)	-
Net cash outflow from returns on investments and servicing of finance	<u>(209,618)</u>	<u>(125,919)</u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

24. Analysis of cash flows for headings netted in cash flow statement (continued)

	2013 £	2012 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(161,893)	(367,740)
Purchase of unlisted and other investments	-	(212,500)
Net cash outflow from capital expenditure	<u>(161,893)</u>	<u>(580,240)</u>
	2013 £	2012 £
Acquisitions and disposals		
Purchase of trade and assets (note 21)	(1,155,857)	-
	2013 £	2012 £
Financing		
Issue of ordinary shares	1,499	41
Purchase of ordinary shares	-	(75,455)
New secured loans	2,299,553	43,926
Repayment of loans	(2,314,075)	-
New finance leases	1,005,000	-
Net cash inflow/(outflow) from financing	<u>991,977</u>	<u>(31,488)</u>

25 Analysis of changes in net debt

	1 June 2012 £	Cash flow £	Other non-cash changes £	31 May 2013 £
Cash at bank and in hand	111,915	368,586	-	480,501
Bank overdraft	(880,049)	880,049	-	-
	<u>(768,134)</u>	<u>1,248,635</u>	<u>-</u>	<u>480,501</u>
Debt				
Finance leases	-	(1,005,000)	-	(1,005,000)
Debts due within one year	(711,856)	(28,507)	-	(740,363)
Debts falling due after more than one year	(2,196,823)	43,029	-	(2,153,794)
Net debt	<u>(3,676,813)</u>	<u>258,157</u>	<u>-</u>	<u>(3,418,656)</u>

26. Contingent liabilities

A bank cross guarantee exists between the company and Nelsonslaw LLP. At the balance date the total contingent liability amounted to £Nil (2012: £Nil).

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2013

27 Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the company to the fund and amounted to £215,931 (2012 £264,397). There were no contributions payable to the fund at the balance sheet date.

28. Operating lease commitments

At 31 May 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2013	2012	2013	2012
	£	£	£	£
Expiry date:				
Within 1 year	-	220,100	-	9,465
Between 2 and 5 years	325,300	325,300	105,178	56,560
After more than 5 years	439,780	439,780	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NELSONS SOLICITORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 May 2013**

29 Related party transactions

Included within creditors are balances due to the company's shareholders amounting to £6,865,807 (2012 £7,158,814) within one year and £695,700 (2012 £975,720) falling due after more than one year. Included within these balances are amounts due to the directors of the company at the balance sheet date, which are detailed below, together with the dividends paid during the year.

	Loan balance at 31 May 2013 £	Loan balance at 31 May 2012 £	Dividends paid £
T M Hastings	597,701	654,585	28,000
B H L Williams	626,250	677,272	28,000
S N Vandermark	545,471	602,032	28,000
J E R Coningsby	611,268	655,718	28,000
S I Waterfield	589,018	636,207	28,000
Total	2,969,708	3,225,814	140,000

Included within other creditors is £320,400 (2012 £Nil) due to NelsonsLaw LLP. During the year a management charge of £939,252 (2012 £Nil) was charged from NelsonsLaw LLP. The directors of Nelsons Solicitors Limited are also members of NelsonsLaw LLP.

Interest was charged on the shareholders' loan accounts of £67,124 (2012 £65,719), included within this is interest paid on the directors' loan accounts of £28,000 (2012 £28,000).