Burges Salmon

# Burges Salmon Company Limited
# Annual Report and Financial Statements
# for the year ended 30 April 2016



Company registration number: 07556770

**ANNUAL REPORT AND FINANCIAL STATEMENTS**
For the year ended 30 April 2016

Burges Salmon

# STRATEGIC REPORT
For the year ended 30 April 2016

## Principal activities

The Company's principal activity is the provision of staff and services to the legal sector to carry out professional services. The company operates from its head office at One Glass Wharf, Bristol, BS2 0ZX.

## Review of the business

The results for the year show sales of £41,127,000 (2015: £36,245,000) and a profit before taxation of £2,011,000 (2015: £1,701,000).

The directors are satisfied with the performance for the financial year and with the asset position at the balance sheet date. Profitability and cash flows were in line with expectations. It is anticipated that the positive cash position at the balance sheet date will allow the Company to respond well to any changes in market conditions and opportunities that arise in the future.

## Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the performance or position of the business.

## Principal risks and uncertainties

The principal risks and uncertainties that the Company faces relate to the recruitment, development and retention of suitable staff, the provision of suitable services and the ability to meet its financial obligations as they fall due. The directors take responsibility for maintaining systems of internal control to manage and mitigate these risks. Levels of demand can also affect financial performance. The directors manage this risk by monitoring activity levels and balancing resource with anticipated demand.

## Future developments

The directors expect the general level of activity to remain broadly consistent with 2016 in the forthcoming year. This is as a result of an assessment of demand from clients and a review of the market generally. The recent UK EU referendum result has introduced an increased level of uncertainty in the short term. However, the directors are satisfied that the Company is well positioned to respond to possible changes in demand and has appropriate resources and expertise to adapt to the changing requirements of its clients.

Approved by the board and authorised for issue on 8 July 2016 and signed on their behalf by:

**S J Russell**
Director
Burges Salmon Company Limited
One Glass Wharf
Bristol
BS2 0ZX

15 July 2016

Burges Salmon

## DIRECTORS' REPORT

For the year ended 30 April 2016

The directors present their annual report on the affairs of Burges Salmon Company Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 30 April 2016.

### Future developments

Details of future developments can be found in the Strategic Report on page 1.

### Going concern

The company meets its day to day working capital requirements through the use of cash reserves and short term debt provided by its parent undertaking. The Balance Sheet shows a net current liabilities position, however this is due to deferred income, not debt. When this is excluded, there is a net current assets position. As noted in the Strategic Report and in note 1b to the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Financial risk management objectives and policies

The Company's operations expose it to a variety of financial risks that include cash flow risk and liquidity risk. The Company has in place various risk management tools that seek to limit the Company's exposure to these risks. These include an internal environment which sets the basis for how risks are viewed and managed, and how the information is captured and communicated. Policies and procedures are in place to ensure that risk responses are carried out effectively. These include:

- a governance structure which includes appropriately qualified personnel;
- cash flow forecasting and reporting;
- close communication with the company's parent undertaking, to whom it provides staff and services;
- internal controls policies; and
- procurement procedures including supplier credit referencing.

Given the size of the Company, the directors have not delegated the responsibility of managing financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance team.

### Cash flow risk

In order to monitor cash flows, monthly cash flow reporting and forecasting is performed. In addition, the company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent undertaking, which has positive cash reserves and positive operating cash flows.

### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of cash reserves and short-term debt finance.

### Dividends

The directors approved the payment of an interim dividend of £1,837,000 (2015: £1,100,000) in respect of the year ended 30 April 2016.

### Directors

The directors who served throughout the year and up to the date of approving the annual report were as follows:

| | |
|---|---|
| Emma Dowden | |
| Ross Fairley | Retired 30 April 2016 |
| James Fountaine | |
| Robert Halton | |
| Richard Knight | |
| Peter Morris | |
| Richard Read | Appointed 1 May 2016 |
| Simon Russell | |

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## DIRECTORS' REPORT (continued)
For the year ended 30 April 2016

### Director's indemnities

The Company had in force during the year qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of signing of this report.

### Disabled employees

The Company is committed to promoting equality and diversity in its own policies, practices and procedures and in those areas in which it has influence. This applies to the Company's professional dealings with directors and staff as well as suppliers and other third parties.

The group, to which the Company belongs, is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

### Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. In addition, all employees receive an annual bonus related to the overall profitability of the group.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its future.

### Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Burges Salmon LLP, as the immediate parent of the entity.

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**DIRECTORS' REPORT (continued)**
For the year ended 30 April 2016

**Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP was appointed as auditor for the year ended 30 April 2016. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the board and authorised for issue on 8 July 2016 and signed on their behalf by:

**S J Russell**
Director
15 July 2016

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 of the Company and of the profit or loss of the Company for that period.
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BURGES SALMON COMPANY LIMITED

We have audited the financial statements of Burges Salmon Company Limited for the year ended 30 April 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

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 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.

**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 30 April 2016 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 matters prescribed by the Companies Act 2006**

In our opinion 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BURGES SALMON COMPANY LIMITED (continued)

**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.

Peter Saunders

**Peter Saunders (Senior statutory auditor)**
**for and on behalf of Deloitte LLP**
Chartered Accountants and Statutory Auditor
London, United Kingdom

15 July 2016

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## PROFIT AND LOSS ACCOUNT
For the year ended 30 April 2016

| | Note | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|---|
| **Turnover** | 1 | **41,127** | 36,245 |
| Administrative expenses | | **(39,138)** | (34,554) |
| **Operating profit** | 4 | **1,989** | 1,691 |
| Finance costs (net) | 3 | **22** | 10 |
| **Profit on ordinary activities before taxation** | | **2,011** | 1,701 |
| Tax on profit on ordinary activities | 8 | **(417)** | (291) |
| **Profit for the financial year** | | **1,594** | 1,410 |

All results relate to continuing operations.

There has been no comprehensive income in the current or prior year other than the profit for that financial year and, accordingly, no separate statement of comprehensive income has been presented.

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# BALANCE SHEET

As at 30 April 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | **1,689** | 1,890 |
| Tangible assets | 10 | **637** | 786 |
| | | **2,326** | 2,676 |
| **Current assets** | | | |
| Debtors | 11 | **1,099** | 986 |
| Cash at bank and in hand | | **2,506** | 3,149 |
| | | **3,605** | 4,135 |
| **Creditors: amounts falling due within one year** | 12 | **(4,918)** | (5,964) |
| **Net current liabilities** | | **(1,313)** | (1,829) |
| **Total assets less current liabilities** | | **1,013** | 847 |
| **Creditors: amounts falling due after more than one year** | 13 | **(295)** | - |
| | | **718** | 847 |
| Provisions for liabilities | 14 | **(414)** | (300) |
| **Net assets** | | **304** | 547 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **10** | 10 |
| Profit and loss account | | **294** | 537 |
| **Shareholder's funds** | | **304** | 547 |

The financial statements of Burges Salmon Company Limited were approved by the board of directors and authorised for issue on 8 July 2016. They were signed on its behalf by:

**S J Russell**
Director
15 July 2016
Company registration number: 07556770

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## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2016

| | Called-up share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|
| **At 30 April 2014 as previously stated** | 10 | 227 | 237 |
| Changes on transition to FRS 102 (see note 20) | - | - | - |
| **At 1 May 2014 as restated** | 10 | 227 | 237 |
| Profit and total comprehensive income for the financial year | - | 1,410 | 1,410 |
| | 10 | 1,637 | 1,647 |
| Dividends paid on equity shares | - | (1,100) | (1,100) |
| **At 30 April 2015** | 10 | 537 | 547 |
| Profit and total comprehensive income for the financial year | - | 1,594 | 1,594 |
| | 10 | 2,131 | 2,141 |
| Dividends paid on equity shares | - | (1,837) | (1,837) |
| **At 30 April 2016** | 10 | 294 | 304 |

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2016

## 1. ACCOUNTING POLICIES

### a. General information and basis of accounting

Burges Salmon Company Limited ('the Company') is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 20.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Burges Salmon LLP, which may be obtained at One Glass Wharf, Bristol, BS2 0ZX.

Exemptions have been taken in these separate Company financial statements in relation to:

- the preparation of a statement of cash flows;
- financial instruments; and
- remuneration of key management personnel.

### b. Going concern

The company meets its day to day working capital requirements through the use of cash reserves and short term debt provided by its parent undertaking. The Balance Sheet shows a net current liabilities position, however this is due to deferred income, not debt. When this is excluded, there is a net current assets position. Burges Salmon Company Limited's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current working capital. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### c. Intangible fixed assets – software

Software is included at cost and amortised in equal annual instalments over its estimated useful economic life, as shown below. Provision is made for any impairment (see note 2).

| | |
|---|---|
| Practice management system | 10 years |
| Other software | 3 years |

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# NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

## 1. ACCOUNTING POLICIES (continued)

### d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|---|---|
| Leasehold property improvements | Life of the lease or less |
| Computer equipment | 2 to 5 years |
| Fixtures, fittings and equipment | 5 to 10 years |

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### e. Financial instruments

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

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

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of FRS 102 section 11.9 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 1. ACCOUNTING POLICIES (continued)

#### f. Investments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

#### g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

*Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

*Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, 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.

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## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 1. ACCOUNTING POLICIES (continued)

#### h. Taxation (continued)

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### i. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

All turnover is derived from the provision of staff and services in the UK.

Turnover from the supply of staff and services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### j. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

When employees have accrued holiday days which are in excess of the number of days taken, an amount equivalent to their daily rate is calculated and included as an accrual for each day accrued but not taken. This is included within accruals and deferred income.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 1. ACCOUNTING POLICIES (continued)

**k. Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

**l. Leases**

***The Company as lessee***

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

**m. Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where there is a requirement to return a leased premises to its original state at the end of the lease, a discounted provision is included, and an equivalent reinstatement asset. This asset is amortised over the term of the respective lease, and is shown within tangible fixed assets.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

*Measurement of provisions*

Where there is a requirement to return a leased premises to its original state at the end of the lease, a discounted provision is included, and an equivalent reinstatement asset. The provision is based on an assessment carried out by a chartered building surveyor. This assessment is performed every 3 years.

**Key sources of estimation uncertainty**

*Impairment of intangible assets*

Intangible assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 3. FINANCE COSTS (NET)

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| Interest payable and similar charges | - | 1 |
| Less: Bank interest received | (22) | (11) |
| | **(22)** | **(10)** |

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| Depreciation of tangible fixed assets (note 10) | 172 | 176 |
| Amortisation of intangible assets (note 10) | 209 | 187 |
| Operating lease rentals | 601 | 505 |

Depreciation and amortisation are included within Administrative expenses

### 5. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £6,500 (2015: £3,000 payable to PricewaterhouseCoopers LLP).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because details of any such fees are given on a consolidated basis in the financial statements of the parent group.

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## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 6. DIRECTORS' REMUNERATION AND TRANSACTIONS

The directors of Burges Salmon Company Limited are either members of the parent undertaking or are senior executives whose primary role is to run functions that deliver services to Burges Salmon LLP and other professional services organisations.

None of the directors who are also members of Burges Salmon LLP receive any emoluments from the Company for their services as directors.

For the other directors, it is not possible to quantify separately an apportionment of their emoluments received for performing their duties as directors of Burges Salmon Company Limited.

Accordingly, directors' emoluments are included within staff costs in note 7, but have not been separately disclosed here.

Four directors (2015: four) have retirement benefits accruing under the Company's defined contribution pension scheme.

### 7. STAFF COSTS

The monthly average number of employees (including directors) during the year was:

| By activity | **2016** **Number** | 2015 Number |
|---|---|---|
| Legal advisors | 303 | 281 |
| Support staff | 258 | 245 |
| | **561** | 526 |

Their aggregate remuneration comprised:

| | **2016** **£'000** | 2015 £'000 |
|---|---|---|
| Wages and salaries | 27,336 | 24,402 |
| Social security costs | 2,690 | 2,730 |
| Other pension costs (note 17) | 1,160 | 1,045 |
| | **31,186** | 28,177 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| **Current tax on profit on ordinary activities** | | |
| UK corporation tax | 425 | 365 |
| **Total current tax** | 425 | 365 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (8) | (74) |
| **Total deferred tax (see note 14)** | (8) | (74) |
| **Total tax on profit on ordinary activities** | **417** | 291 |

The standard rate of tax applied to reported profit on ordinary activities is 20 per cent (2015: 21 per cent). In the budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance Bill 2015 on 26 October 2015 and existing temporary differences may therefore unwind in periods subject to these reduced rates.

There is no expiry date on timing differences, unused tax losses or tax credits.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | **2016** | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| **Profit on ordinary activities before tax** | 2,011 | 1,701 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 20 per cent (2015: 21 per cent) | 402 | 357 |
| Effects of: | | |
| - Depreciation in excess of capital allowances | 23 | 8 |
| - Origination and reversal of timing differences | (8) | (74) |
| **Total tax charge for period** | **417** | 291 |

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 9. DIVIDENDS ON EQUITY SHARES

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Interim dividend for the year ended 30 April 2016 of 183.7p (2015: 110p) per ordinary share | **1,837** | 1,100 |

### 10. TANGIBLE AND INTANGIBLE FIXED ASSETS

| | Intangible assets | Tangible assets | | |
|---|---|---|---|---|
| | Software £'000 | Leasehold improvements £'000 | Fixtures, fittings and equipment £'000 | Total £'000 |
| **COST** | | | | |
| At 1 May 2015 | 2,077 | 1,156 | 29 | 1,185 |
| Additions | 8 | - | 23 | 23 |
| Disposals | - | - | (19) | (19) |
| **At 30 April 2016** | 2,085 | 1,156 | 33 | 1,189 |
| **ACCUMULATED AMORTISATION/ DEPRECIATION** | | | | |
| At 1 May 2015 | 187 | 384 | 15 | 399 |
| Charge for the year | 209 | 152 | 20 | 172 |
| Released on disposal | - | - | (19) | (19) |
| **At 30 April 2016** | 396 | 536 | 16 | 552 |
| **NET BOOK VALUE** | | | | |
| **At 30 April 2016** | 1,689 | 620 | 17 | 637 |
| At 1 May 2015 | 1,890 | 772 | 14 | 786 |

Where there is a requirement to return a leased premises to its original state at the end of the lease, a discounted provision is included, and an equivalent reinstatement asset. This asset is amortised over the period of the respective lease, and is shown within leasehold improvements. The amortisation of the reinstatement asset during the year was £36,000 (2015: £41,000). This has no cash impact in these financial statements.

Burges Salmon

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 11. DEBTORS: Amounts falling due within one year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Other debtors | 53 | 47 |
| Prepayments and accrued income | 1,046 | 939 |
| | **1,099** | 986 |

### 12. CREDITORS: Amounts falling due within one year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Trade creditors | 416 | 20 |
| Amounts owed to group undertakings | 1,206 | 3,037 |
| Corporation tax | 185 | 282 |
| Other creditors | 7 | 9 |
| Other taxation and social security | 870 | 763 |
| Accruals and deferred income | 2,234 | 1,853 |
| | **4,918** | 5,964 |

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

### 13. CREDITORS: Amounts falling due after more than one year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Accruals and deferred income | **295** | - |

Burges Salmon

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 14. PROVISIONS FOR LIABILITIES

| | Deferred taxation £'000 | Property provisions £'000 | Total £'000 |
|---|---|---|---|
| At 1 May 2015 | - | 300 | 300 |
| Reclassification as provision | 122 | - | 122 |
| Reversal of deferred tax timing difference | (8) | - | (8) |
| At 30 April 2016 | 114 | 300 | 414 |

*Deferred tax*
Deferred tax is provided as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Accelerated capital allowances | 114 | 122 |
| **Provision for deferred tax** | **114** | 122 |

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

**Property provisions**

Where there is a requirement to return a leased premises to its original state at the end of the lease, a discounted provision is included, and an equivalent reinstatement asset. The provision is based on an assessment carried out by a chartered building surveyor and is performed every three years. The reinstatement asset is depreciated over the period of the respective lease, and is shown within tangible fixed assets. It is expected that the majority of this expenditure will be incurred within five years of the balance sheet date.

### 15. CALLED-UP SHARE CAPITAL AND RESERVES

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Allotted, called-up and fully-paid | | |
| 10,000 ordinary shares of £1 each | **10** | 10 |

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Burges Salmon

## NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 April 2016

### 16. FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2016 Land and buildings £'000 | 2015 Land and buildings £'000 |
|---|---|---|
| - within one year | 698 | 263 |
| - between one and five years | 2,026 | 2,723 |
| - after five years | - | - |
| | 2,724 | 2,986 |

### 17. EMPLOYEE BENEFITS

**Defined contribution schemes**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 30 April 2016 was £1,160,000 (2015: £1,045,000).

### 18. RELATED PARTY TRANSACTIONS

During the year, Burges Salmon Company Limited paid operating costs of £14,000 (2015: £11,000) relating to Burges Salmon (Scotland) Limited, a company which is controlled by two members of Burges Salmon LLP, Burges Salmon Company Limited's parent undertaking. As at 30 April 2016 Burges Salmon (Scotland) Limited had a loan balance of £14,000 (2015: £11,000) with Burges Salmon Company Limited and is shown within Other Debtors in the Burges Salmon Company Limited balance sheet.

### 19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's ultimate parent undertaking and controlling party is Burges Salmon LLP. Burges Salmon LLP is the only parent undertaking of the smallest and largest group of undertakings which consolidates these financial statements. The consolidated financial statements of Burges Salmon LLP are available from One Glass Wharf, Bristol, BS2 0ZX.

### 20. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under FRS 102. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 April 2015 and the date of transition to FRS 102 was therefore 1 May 2014. As a consequence of adopting FRS 102, there has been a change in an accounting policy and a number of presentational changes. The changes have not impacted the equity of the Company.

**Accounting policy change**

Under FRS 102, the Company has recognised its software as an intangible, rather than tangible, fixed asset. This change has been applied retrospectively in the balance sheet and the associated note 10. There is no impact on the Company's net assets.