

Minster Law Limited

Report and Financial Statements

Registered number 04659625

Year Ended 30 June 2019



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Company Information

Directors

I R Leech
C E Layfield
M I Warren
S Woolham
M Hume
R Di Clemente

Secretary

L Sinfield

Registered office

Kingfisher House
Peel Avenue
Wakefield
WF2 7UA

Auditor

RSM UK Audit LLP
Fifth Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Strategic Report

Results and dividends

The Company profit for the year, after taxation, amounted to £1,851,000 (2018: £(2,557,000) loss).

The directors do not recommend the payment of a dividend (2018: £nil).

Principal activities, trading review and future developments

The principal activity of the Company during the period was that of solicitors.

The Company has made excellent progress in delivering its long-term goals with improvements in both operational and overhead efficiency. This has put the Company in an excellent position to deal with the implementation of the Civil Liability Act expected in April 2020, which will have a significant impact on the business and its competitors.

The Company is well placed to take advantage of opportunities the changes to the market will bring, including ways to leverage the current business model and acquire capabilities to enable the delivery of its goal to become the market leading insurance legal services provider.

The Company continues to invest strongly in people and technology with the focus in year on consolidating the IT infrastructure and ensuring the business has a digitally enabled system capable of supporting the long-term objectives. The Company has been working with its partners to identify ways of managing the impact of the reforms for them and to demonstrate the benefit of a long-term relationship.

The Board considers the pre-tax profit on ordinary activities for the 12 months of £1,624,000 (2018: £(2,627,000) loss) to be an excellent result and to reflect the progress the Company has made in delivering its long-term goal to become the market leading insurance legal services provider.

Key performance indicators

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Turnover	35,112	36,053
Profit / (loss) on ordinary activities before taxation	1,624	(2,627)
Gross profit %	36.1%	31.8%
Administration costs as % of turnover	32.8%	39.3%

Turnover in the year reduced, as non-profitable contracts purposefully closed in previous years continue to run off. This has impacted on trade debtors and trade creditors as unpaid disbursement balances also reduce (as detailed in the balance sheet on page 13 and associated notes).

A key success in the year has been the focus on improving operational efficiency as evidenced by the improved gross profit margin, through process optimisation work and technological developments. In addition, the Company has worked to reduce administration costs, with the ratio as a percentage of turnover improving by 6.5%. This was driven by the rationalisation of the Company's offices to one Yorkshire site in Wakefield and a reduction in support service costs, highlighted by the reduction in the number of support colleagues as well as utilisation of provisions established in previous years for restructuring, dilapidations and exit of the York building.

Strategic Report *(continued)*

Principal risks and uncertainties

Minster Law Limited operated as a subsidiary of BHL (UK) Holdings Limited throughout the financial year. The risks of the Company are managed locally and at a Group level.

The Company has a mature and embedded risk management framework which is focussed on the rigorous monitoring and management of the principal risks and mitigates the potential adverse effects on the Company, whilst allowing informed risks to be taken. All principal risks are owned by the Executive Team, reporting into the monthly Executive Risk Committee. The Board of Directors meets quarterly and routinely reviews all risk matters and is ultimately responsible for the oversight and management of Company's risks.

The Corporate Risk Register includes monitoring and managing risks around the following risk areas:

Financial Risk

The risk management framework has focus on the primary financial risks to the business, detailed below

- Accurately reporting our financial position
- Prevention of internal and external fraud
- Credit and liquidity risks were reviewed monthly by management and the Risk Team

Trading Risk

The Company is continually managing a variety of risks relating to the market in which it operates.

The Civil Liability Act reforms regarding soft tissue injuries and the increase to the small claims limit are expected to be implemented in the following financial year and are expected to have a material impact on the business. The Company monitors the various external market forces to manage these risks on an ongoing basis and adapts its strategy accordingly. The external market position and its impact on the Company is managed through the Company's risk management framework through the following processes

- Regular review and monitoring of competitive threats
- New business development
- Retaining partnerships
- Small claims readiness

Operational Risk

The Company recognises the need to continuously invest in its people, systems and infrastructure to deliver the required customer, regulatory and financial outcomes. The Company monitors these risks through the risk management framework on an ongoing basis and is continually evolving its operating model to meet the desired outcomes. Risks actively monitored include:

- Customer service
- Competence and capability of colleagues
- Recruitment and retention of colleagues
- Business Change Portfolio
- IT Services
- Cyber / Information Security

Strategic Report *(continued)*

Reputational Risk

Reputational risk is the risk of adverse publicity arising from the Company's relationships with its customers, partners, suppliers and regulators. A key source of reputational risk arises around direct interaction with customers. The Company seeks to minimise reputational risk wherever possible and manages such risks where they arise through established communications and public relations channels.

Regulatory Risk

Regulatory risk is the risk that the Company will breach the requirements of its regulators. This risk is mitigated through an effective risk management framework which includes the management and monitoring of a regulatory obligations risk.

Statutory auditors

During the financial year ended 30 June 2019, the Company appointed RSM UK Audit LLP to replace KPMG LLP as its statutory auditors. This has enabled the Company to consolidate its statutory and regulatory audit obligations with one provider. KPMG LLP continue to provide taxation support.

By order of the Board



I R Leech
Director

Date: 30.08.19

Directors' Report

The directors present their directors' report and financial statements for the year ended 30 June 2019.

Results, dividends and future developments

Details of the Company's results, dividend, principal activities, trading review (including KPIs) and future developments are set out in the Strategic Report.

Also disclosed in the Strategic Report are details of the Company's principal risks and uncertainties.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company is disclosed on the balance sheet on page 13. The directors are satisfied that the Company has adequate resources to continue in operational existence as outlined in note 1. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who held office during the year, and to the date of this report, were as follows:

I R Leech *(Chairman)*
M I Warren *(Non-executive)*
C E Layfield *(Non-executive)*
S Woolham
M Hume
R Di Clemente

Directors' indemnity provision

In accordance with the Company's Articles of Association, the Company has indemnified the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year and is still in place as at the date of this report.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing colleagues become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled colleagues wherever appropriate.

Employee involvement

The Directors recognise the criticality of colleague engagement in making sound business decisions and achieving positive business outcomes. They have continued their focus on developing greater collaboration and providing improved clarity and awareness of business performance and strategy with all employees.

Colleague engagement is achieved through a systemic program of activity, delivered via direct, face-to-face communication by the executive team on both a monthly and quarterly basis as well as high-frequency communication and engagement analysis via digital collaboration channels.

Directors' report *(continued)*

In response to colleague feedback, the business has created an Employee Forum as a formal vehicle to regularly consult on colleague issues or suggestions. It has also invested in a new employee engagement platform to garner greater insight into colleague sentiment and identify opportunities for further improvements.

In support of their broader strategic goals and based on the views and feedback from colleagues, the business has developed new corporate values to support further improvements in their corporate culture and behaviour. Coupled with a fresh approach to cascading the business strategy, personal objective setting has further enabled the organisation to build a common, unified understanding. All colleagues now have clarity as to how they can contribute individually and collectively to the success of the Company.

Corporate social responsibility

Endeavouring to support the needs of employees, customers and the wider local community is a fundamental part of the identity of the Company. Supporting local charities that provide vital support to communities within the Yorkshire region, the CSR work includes committed partnerships, funding, sponsorship, fundraising and volunteering. The CSR approach and strategy is shaped by colleagues and the needs of the charities they support.

During the year the Company supported over 20 local charitable partners in a variety of ways including providing unique life experiences and opportunities to marginalised people, redistributing over 212 tonnes of food to feed the most vulnerable people in society and pledging almost 3,500 hours of volunteer time.

In 2019, the theme of 'Building skills in the local communities' will see the Company invest the equivalent of £100,000 in partnerships with Wakefield District Council, local schools and small businesses, with our colleagues volunteering their knowledge and skills to benefit the local community and economy.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and RSM UK Audit LLP will therefore continue in office.

By order of the Board


I R Leech
Director

Kingfisher House
Peel Avenue
Wakefield
WF2 7UA

Date: 30.08.19

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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), including Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101").

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 those 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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Minster Law Limited

Opinion

We have audited the financial statements of Minster Law Limited (the 'company') for the year ended 30 June 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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

Independent Auditor's Report to the Members of Minster Law Limited *(continued)*

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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, 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

Responsibilities of directors

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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of Minster Law Limited (continued)

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

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.



HUGH FAIRCLOUGH (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Central Square

5th Floor

29 Wellington Street

Leeds

LS1 4DL

10.09.19

Profit and Loss Account
for the year ended 30 June 2019

	<i>Note</i>	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Turnover	3	35,112	36,053
Cost of sales		(22,432)	(24,590)
Gross profit		12,680	11,463
Administrative expenses		(11,217)	(14,174)
Operating profit / (loss)		1,463	(2,711)
Interest receivable	7	161	84
Profit / (loss) before taxation	4-6	1,624	(2,627)
Tax on profit / (loss)	8	227	70
Profit / (loss) for the financial year		1,851	(2,557)

The operating profit/(loss) for the year arises from the Company's continuing operations.

The notes on pages 15 to 26 form part of these financial statements.

Statement of Comprehensive Income
for the year ended 30 June 2019

	Year ended June 2019 £000	Year ended June 2018 £000
Profit / (loss) / profit for the financial year	1,851	(2,557)
Total comprehensive income relating to the financial year	<u>1,851</u>	<u>(2,557)</u>

The notes on pages 15 to 26 form an integral part of these financial statements.

Balance Sheet

at 30 June 2019

	Note	30 June 2019 £000	30 June 2018 £000
Fixed assets			
Intangible assets	9	546	399
Tangible assets	10	1,683	1,874
		<u>2,229</u>	<u>2,273</u>
Current assets			
Debtors	11	55,914	58,198
Amount due from parent company		15,475	18,595
Cash at bank and in hand		3,308	931
		<u>74,697</u>	<u>77,724</u>
Creditors: amounts falling due within one year	12	<u>(32,088)</u>	<u>(35,459)</u>
Net current assets		<u>42,609</u>	<u>42,265</u>
Total assets less current liabilities		<u>44,838</u>	<u>44,538</u>
Creditors: amounts falling due after more than one year			
Provisions	13	(191)	(1,742)
Net assets		<u>44,647</u>	<u>42,796</u>
Capital and reserves			
Called up share capital	15	20	20
Share premium account	16	11,590	11,590
Profit and loss account	17	33,037	31,186
Shareholders' funds		<u>44,647</u>	<u>42,796</u>

These financial statements were approved by the board of directors on 30.08.19 and were signed on its behalf by:


I R Leech
Director

The notes on pages 15 to 26 form an integral part of these financial statements.

Statement of Changes in Equity
as at 30 June 2019

	Called up share capital £000	Share Premium £000	Profit and loss account £000	Shareholders' funds £000
Balance as at 1 July 2017	20	11,590	33,743	45,353
(Loss) and total comprehensive income for the year	-	-	(2,557)	(2,557)
Balance as at 30 June 2018	20	11,590	31,186	42,796
Profit and total comprehensive income for the year	-	-	1,851	1,851
Balance as at 30 June 2019	20	11,590	33,037	44,647

The notes on pages 15 to 26 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The Company, a private company, limited by shares and incorporated and domiciled in England and Wales, has elected to prepare its financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The address of the company's registered office and principal place of business is Kingfisher House, Peel Avenue, Wakefield, WF2 7UA.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking is BHL (UK) Holdings Limited. This company includes the Company in its consolidated financial statements. The consolidated financial statements of BHL (UK) Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Companies House. Consequently, in these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Presentation of a Statement of Cash Flows and related notes;
- Revenue disclosures, including:
 - Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
 - Aggregate transaction price allocated to unsatisfied performance obligations and when revenue is expected to be recognised;
 - Significant judgements in determining the amount and timing of revenue recognition and the amount of capitalised costs to obtain or fulfil a contract;
 - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract;
- Financial instrument disclosures, including:
 - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
 - Income, expenses, gains and losses on financial instruments;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Disclosure of the objectives, policies and processes for managing capital;
- Comparative period reconciliations for the carrying amounts of property, plant and equipment and intangible assets;
- Disclosure of key management personnel compensation, and amounts incurred for the provision of key management personnel services by a separate management entity;
- Disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments Disclosures.

The Company adopts the reduced disclosure framework of FRS 101 in its financial statements.

The financial statements are stated in sterling, which is the Company's functional and presentation currency.

The Company's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out below.

Notes *(continued)*

1 Accounting policies (continued)

Measurement convention

The financial statements have been prepared on the historical cost basis.

Going concern

The directors have continued to prepare the financial statements on a going concern basis. The directors have reviewed the budget and cash flow forecasts of the Company for a period of not less than 12 months from the date of approving these financial statements and are confident that they show the Company will have sufficient resources to meet its liabilities as they fall due. Due consideration has been made for the potential impacts of the Civil Liability Bill implementation expected in April 2020 on the Company's cashflow and reserves, when making this judgement.

Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Turnover

Revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. The following specific recognition criteria must also all be met before revenue is recognised: the outcome can be reliably measured, the stage of completion can be reliably measured, positive admission of liability has been received from the third party insurer.

Turnover is shown exclusive of value added tax.

IFRS 15 "Revenue from Contracts with Customers" is effective for accounting periods commencing on or after 1 January 2018, so has been adopted by the Company in the current accounts. A detailed review of normal business activities has been undertaken for each revenue stream across the business, to assess whether current revenue recognition policies meet the requirements of the new standard. The Company has also reviewed its contractual relationship with the client and is satisfied that control of the service passes to the client in line with its performance obligations. The Company has concluded that no changes are required that would affect the determination of the amount and timing of revenue recognition.

Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Leasehold properties	-	over the life of lease
Fixtures and fittings	-	20% straight line
Computer hardware	-	33% straight line
Motor vehicles	-	33% straight line

Intangible assets

On initial recognition, intangible assets acquired separately are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of preparing the asset for its intended use.

Development costs represent typical internally generated intangible assets of relevance for the Company. Costs incurred in relation to individual projects are capitalised only when the future economic benefit of the project is probable and the following main conditions are met: (i) the development costs can be measured reliably, (ii) the

Notes *(continued)*

1 Accounting policies (continued)

technical feasibility of the product has been ascertained and (iii) management has the intention and ability to complete the intangible asset and use or sell it.

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of the asset, less its estimated residual value, over its useful economic life as follows:

Computer software	-	33% straight line
Internally generated intangible assets	-	20% - 33% straight line

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Work in Progress

Trade debtors include unbilled amounts for work performed in relation to legal services contracts where the fee has yet to be agreed. These unbilled amounts for client work are stated at a percentage completion for fixed fee work or time spent for more complex cases (in accordance with the revenue recognition policy) less provision for foreseeable losses and net of amounts billed on account. A number of assumptions around profitability, drop off and work complete are incorporated into the calculation. No work in progress is recognised until a positive admission of liability has been received from the third-party insurer. This treatment is consistent with the requirements of IFRS 15 – Revenue from Contracts with Customers.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

Operating lease rentals are currently charged to the profit and loss account on a straight-line basis over the period of the lease. IFRS 16 – Leases is effective for accounting periods commencing on or after 1 January 2019, so will be adopted in the accounts for year ending 30 June 2020.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

Taxation

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax base. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only to the extent that the Company considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. This is in accordance with IAS 12..

Classification of financial instruments issued by the Company

The Company has applied IFRS 9 Financial Instruments for the first time in the year ended 30 June 2019. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential changes to IAS 1 Presentation of Financial Statements. In addition, the Company has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosure to the current period only.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows and/or sell the financial assets. All the Company's financial assets were previously classified as loans and receivables under IAS 39 and are classified as assets at amortised cost under IFRS 9.

Management have considered the effects of the adoption of IFRS 9 and have concluded that there are no impacts upon the Company's accounts.

2 Key sources of judgement and estimation uncertainty

Work in Progress

The Company recognises revenue on work performed during the reporting period on legal claims based on the stage of work complete and an assessment of the ultimate value of these cases. A number of judgements, assumptions and estimates are made by management in determining whether to recognise legal claims as part of revenue and in estimation of the value of the work carried out in the period. Management determine the key assumptions attributed to the stage of completion of each case, by reference to key milestones in the process, the percentage of cases that will ultimately be settled in our clients' favour, and the expected consideration receivable by the Company in relation to each case, all supported by historical settlement patterns. Income is only recognised on cases where an admission of liability has been received from the third-party insurer, as this gives more certainty to the Company as to recoverability of its costs.

The ultimate outcome in relation to each of these assumptions may differ from the estimates made by management and, as a result, the total consideration receivable will vary. The carrying value of work in progress at the year-end was £17,395,000 (2018: £18,160,000).

3 Turnover

The total turnover of the Company for the period has been derived from its principal activity which is wholly undertaken in the UK.

Notes (continued)

4 Expenses and auditor remuneration

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
<i>Included in (loss) / profit are the following:</i>		
Depreciation and other amounts written off owned tangible fixed assets	412	425
Amortisation and other amounts written off owned intangible fixed assets	357	557
Auditor's remuneration		
- Audit of these financial statements	45	63
- Taxation compliance services	-	9
- Other assurance services	15	-
Operating lease costs		
- Land and buildings	816	974
- Printers	12	-
	<u> </u>	<u> </u>

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Year ended 30 June 2019 No.	Year ended 30 June 2018 No.
Fee earners	230	216
Support staff	234	332
	<u> </u>	<u> </u>
	464	548
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Wages and salaries	15,471	18,401
Social security costs	1,328	1,571
Other pension costs	532	458
	<u> </u>	<u> </u>
	17,331	20,430
	<u> </u>	<u> </u>

The Company operates a defined contribution pension scheme. Contributions amounting to £84,218 (2018: £129,891) were payable to the scheme at the year end and are included in creditors.

Notes *(continued)*

6 Remuneration of directors

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Directors' emoluments	670	540
Company contributions to money purchase pension schemes	68	-
	<u>738</u>	<u>540</u>

Emoluments for the highest paid director:

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Total emoluments (excluding pension contributions)	239	481
Company contributions to money purchase pension schemes	53	-
	<u>292</u>	<u>481</u>

Retirement benefits are accruing to the following number of directors under:

	Year ended 30 June 2019 No.	Year ended 30 June 2018 No.
Money purchase schemes	<u>3</u>	<u>-</u>

7 Interest receivable

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Bank interest receivable	43	14
Interest receivable from BHL Holdings Limited group companies	118	70
	<u>161</u>	<u>84</u>

Notes (continued)

8 Taxation

Analysis of charge / (credit):

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
<i>UK corporation tax</i>		
Current tax on income for the period	213	-
Adjustments in respect of prior periods	(440)	(70)
	<hr/>	<hr/>
Total current tax	(227)	(70)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Tax on profit / (loss) on ordinary activities	(227)	(70)
	<hr/>	<hr/>

Reconciliation of effective tax rate:

	Year ended 30 June 2019 £000	Year ended 30 June 2018 £000
Profit / (Loss) on ordinary activities before tax	1,624	(2,627)
	<hr/>	<hr/>
<i>Effects of:</i>		
Current tax at 19% (2018: 19%)	308	(499)
Expenses not deductible for tax purposes	28	16
Current year deferred tax not recognised	(62)	432
Rate difference on deferred tax (current year)	-	51
Losses b/f	(61)	-
Adjustment in respect of prior periods	(440)	(70)
	<hr/>	<hr/>
Total tax charge / (credit) (see above)	(227)	(70)
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 20% (effective from 1 April 2016) to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was enacted on 6 September 2016.

Unrecognised deferred tax (at prospective rate of 17%):

	30 June 2019 £000	30 June 2018 £000
Accelerated capital allowances	171	184
Short term timing differences	83	85
Taxable losses not recognised	-	496
	<hr/>	<hr/>
Unrecognised asset carried forward	254	765
	<hr/>	<hr/>

The deferred tax asset has not been recognised on the grounds that there is insufficient certainty of taxable profits in the short term.

Notes (continued)

9 Intangible Fixed Assets

	Computer Software £000
<i>Cost</i>	
At 1 July 2018	5,065
Additions	504
Disposals	(337)
	<hr/>
At 30 June 2019	5,232
	<hr/>
<i>Amortisation</i>	
At 1 July 2018	4,666
Charge for the period	357
Disposals	(337)
	<hr/>
At 30 June 2019	4,686
	<hr/>
<i>Net book value</i>	
At 30 June 2019	546
	<hr/>
At 30 June 2018	399
	<hr/>

10 Tangible Fixed assets

	Short leasehold property £000	Fixtures and fittings £000	Computer hardware £000	Motor vehicles £000	Total £000
<i>Cost</i>					
At 1 July 2018	1,679	542	803	29	3,053
Additions	115	1	105	-	221
Disposals	(316)	(465)	(2)	-	(783)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2019	1,478	78	906	29	2,491
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 July 2018	357	471	332	19	1,179
Charge for the period	145	16	244	7	412
Disposals	(316)	(465)	(2)	-	(783)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2019	186	22	574	26	808
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 June 2019	1,292	56	332	3	1,683
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2018	1,322	71	471	10	1,874
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Debtors

	30 June 2019 £000	30 June 2018 £000
Trade debtors	54,615	57,424
Prepayments and accrued income	1,295	763
Amounts owed by BHL Holdings Limited group companies	4	11
	<u>55,914</u>	<u>58,198</u>

Trade debtors include work in progress relating to legal services contracts of £17,395,000 (2018: £18,160,000). The valuation of this balance is subject to estimation uncertainty as disclosed in note 2. These contracts relate to work done on behalf of our clients. Materially, the responsibility for payment sits with major insurance companies and, as such, there is no significant uncertainty around the successful settlement and recoverability of these amounts.

Certain unbilled disbursements are disclosed net in the financial statements. This is in accordance with contracts with those suppliers where disbursements only become payable when recovered; hence the Company is not obliged to support any losses and nor does it intend to do so. At 30 June 2019 £30,403,000 (2018: £33,037,000) remained within trade debtors after £4,773,000 (2018: £5,941,000) had been offset with trade creditors.

There is no material difference between the fair value of receivables and their carrying amount.

12 Creditors: amounts falling due within one year

	30 June 2019 £000	30 June 2018 £000
Trade creditors	22,517	25,673
Other taxation and social security	1,894	1,853
Accruals and deferred income	3,922	3,657
Amounts owed to BHL Holdings Limited group companies	3,542	4,276
Corporation tax	213	-
	<u>32,088</u>	<u>35,459</u>

Trade creditors include £22,486,000 (2018: £25,332,000 (restated to include £(2,436,000) payments on account) in respect of disbursements where there is a contractual obligation to pay the supplier regardless of whether the disbursement is recovered.

There is no material difference between the fair value of trade and other payables, accruals, deferred income and amounts due to group companies and their carrying amount.

Notes (continued)

13 Provisions

	Provision 1 £000	Provision 2 £000	Provision 3 £000	Total £000
Balance at 1 July 2018	379	725	638	1,742
Provisions made during the year	-	30	-	30
Provisions utilised during the year	(379)	(564)	(638)	(1,581)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2019	-	191	-	191
	<hr/>	<hr/>	<hr/>	<hr/>

Provision 1 relates to the onerous lease provision for the York building which was vacated at the end of July 2018, seven months prior to the termination of the lease. A settlement was reached with the landlord in October 2018.

Provision 2 now represents the dilapidations provision for the building sited in Wakefield. The provision was utilised in the year to meet the settlements for York building dilapidations and supplier contract disputes.

Provision 3 related to restructuring costs associated with the move to Wakefield; these obligations are now complete.

14 Commitments under operating leases

The Company has commitments under non-cancellable operating leases as set out below.

	Land and buildings		Printers	
	30 June 2019 £000	30 June 2018 £000	30 June 2019 £000	30 June 2018 £000
Operating leases commitments:				
Less than one year	477	776	24	-
Between one year and five years	1,909	1,766	83	-
Over five years	1,671	1,981	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,057	4,523	107	-
	<hr/>	<hr/>	<hr/>	<hr/>

15 Share capital

Called up share capital – ordinary shares of £1 each	2019 £000	2018 £000
Balance at 1 July 2018	20	20
Issued during year	-	-
	<hr/>	<hr/>
Balance at 30 June 2019	20	20
	<hr/>	<hr/>

Notes (continued)

16 Share premium

	2019 £000	2018 £000
Balance at 1 July 2018	11,590	11,590
Issued during the year	-	-
	<hr/>	<hr/>
Balance at 30 June 2019	11,590	11,590
	<hr/>	<hr/>

The share premium represents consideration received for shares issued above their nominal value net of transaction costs.

17 Profit and loss account

	30 June 2019 £000	30 June 2018 £000
At the beginning of the year	31,186	33,743
Profit / (loss) for the financial year	1,851	(2,557)
	<hr/>	<hr/>
At the end of the year	33,037	31,186
	<hr/>	<hr/>

The profit and loss account represents cumulative profit and loss net of distributions to owners.

18 Related Party Transactions

The following transactions took place during the financial year with other group companies:

Related Party	Type of Service	30 June 2019 £000	30 June 2018 £000
BGL Group Limited	Building and services	48	453
BHL (UK) Holdings Limited	Loan interest receivable & services	131	70
Coral Insurance Services Limited	Support services	343	-
ACM ULR Limited	Legal services	650	607
		<hr/>	<hr/>
Total Income		1,172	1,130
		<hr/>	<hr/>

Notes (continued)

Related Party	Type of Service	30 June 2019 £000	30 June 2018 £000
BGL Group Limited	Support services	-	18
BHL (UK) Holdings Limited	Support services	141	118
ACM ULR Limited	Cost of sales	4,640	5,203
Coral Insurance Services Limited	Cost of sales	3,051	2,678
Total Expenditure		7,832	8,017

The following balances were outstanding at the year-end:

Related Party	Type of Service	30 June 2019 £000	30 June 2018 £000
BGL Group Limited	Building and services	4	11
BHL (UK) Holdings Limited	Loan	15,475	18,595
Current Asset		15,479	18,606

Invoices raised to BGL Group Limited are repayable on 30 day terms; the loan with BHL (UK) Limited is repayable on demand.

Related Party	Type of Service	30 June 2019 £000	30 June 2018 £000
ACM ULR Limited	Cost of sales	3,392	3,717
Coral Insurance Services Limited	Cost of sales	150	559
Current Liability		3,542	4,276

Invoices received from ACM ULR Limited are payable on 9 month terms from the date of service; all other invoices are payable on 30 day terms.

19 Ultimate parent company

The Company's immediate parent company is BHL (UK) Holdings Limited. The Company's ultimate controlling party is BHL Holdings Limited.

The largest group in which the results of the Company are consolidated is that headed by BHL Holdings Limited, incorporated in Guernsey. The smallest group in which they are consolidated is that headed by BHL (UK) Holdings Limited, incorporated in England and Wales. The consolidated financial statements of BHL Holdings Limited are not publicly available. The financial statements of BHL (UK) Holdings Limited can be obtained from Companies House.