

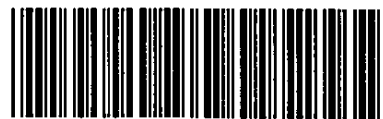
Registration number 07200038

NewLaw Legal Limited

Directors' Report and Financial Statements
for the Period from 23 March 2010 to 31 December 2010

Haines Watts Wales LLP
Statutory Auditors and Chartered Accountants
Pagefield House
24 Gold Tops
Newport
NP20 4PG

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COMPANIES HOUSE

NEWLAW LEGAL LIMITED

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The following pages do not form part of the statutory financial statements

Detailed profit and loss account	26 to 28
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NEWLAW LEGAL LIMITED
COMPANY INFORMATION

Directors	Mr A F Banks	(appointed 1 October 2010)
	Mr J I Banks	(appointed 23 March 2010)
	Mr J M Fitzpatrick	(appointed 1 October 2010)
	Mr J W Gannon	(appointed 23 March 2010)
	Mr P S Chase-Gardener	(appointed 23 March 2010)
	Mr R D Thomas	(appointed 1 October 2010)
	Mrs H C Molyneux	(appointed 23 March 2010)
	Ms A S Jones	(appointed 1 October 2010)

Registered office	Helmont House Churchill Way Cardiff CF10 2HE
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Bank	Lloyds TSB 1 Queen Street Cardiff CF10 2AF
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Auditors	Haines Watts Wales LLP Statutory Auditors and Chartered Accountants Pagefield House 24 Gold Tops Newport NP20 4PG
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NEWLAW LEGAL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements for the period ended 31 December 2010

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure 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.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Incorporation details

The company was incorporated on 23 March 2010 and commenced trading on 1 October 2010.

Principal activity

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

NEWLAW LEGAL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

Business review

Following the decision by the partners of New Law Solicitors LLP to incorporate the business, the Company was incorporated in March 2010 with the specific purpose of acquiring the New Law business from New Law Solicitors LLP

On 17th May 2010, the Company entered into a contract to acquire the business, assets and liabilities of New Law Solicitors LLP. The purchase consideration comprised £19.6m of loan notes payable to the partners of New Law Solicitors LLP.

The Company started trading on 1st October 2010 following the receipt of the necessary regulatory approvals.

Position of the business

Although the balance sheet as at 31 December 2010 shows a deficit on shareholders' funds of £1,381,875, the directors believe the Company is in a strong financial position. This is because as at 31 December 2010, the Company had work in progress in connection with contingent fee cases of approximately £20,558,000 at hourly staff charge out rates. This work in progress has not been recognised in these accounts as they are considered to be contingent assets and do not meet the FRS 12 recognition criteria. Based on the historical realisation rate, the directors believe that in excess of 90% of the total value of cases will be realised on settlement.

The related costs incurred in connection with these cases are recognised as they arise (predominantly case acquisition costs and employment costs) giving rise to operating losses whilst the Company is growing.

Performance of the business

Following the commencement of trading on 1st October 2010, the business has continued to perform strongly in terms of income, profitability and cash flow.

In the 3 months of trading, the business generated

-Income of £7,990,582

-Earnings before interest, tax, depreciation and amortisation of £2,161,688

-Operating cashflow of £1,522,151

The profit and loss account shows an operating profit of £235,373 for the 3 months of trading to 31 December 2010. This is after charging £1,926,315 in amortisation of goodwill for the period.

On the transfer of the business, the Company recognised a £2,049,182 exceptional expense in its profit and loss account. As detailed in note 3, this relates to the cost of acquisition of work in progress on contingent fee cases. As the contingent fee work in progress does not meet the FRS 12 recognition criteria, it is not recognised in the balance sheet and therefore a cost of acquisition has been charged to the profit and loss account. This 'one-off' expense is not related in any way to the underlying performance of the business and whilst it has temporarily created a deficit in shareholders' funds, the Company will benefit from income realised on completion of the cases.

NEWLAW LEGAL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

Financial risk

Price risk, credit risk, liquidity risk and cash flow risk

The business' principal financial instruments comprise bank balances, bank overdrafts, trade debtors, trade creditors and finance lease agreements. The main purpose of these instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest. All of the business' cash balances are held in such a way that achieves a competitive rate of interest. The business makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by the regular monitoring of amounts outstanding. The majority of trade debtors are receivable from third party insurers following case settlements. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The business is a lessee in respect of finance leased assets. The liquidity risk in respect of these is managed by ensuring that there are sufficient funds to meet the payments.

Results and dividend

The results for the Company are set out in the financial statements.

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period were as follows:

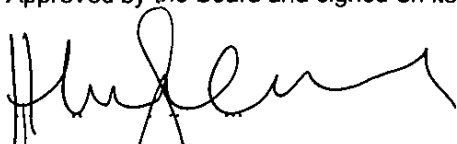
- Mr A F Banks (appointed 1 October 2010)
- Mr J I Banks (appointed 23 March 2010)
- Mr J M Fitzpatrick (appointed 1 October 2010)
- Mr J W Gannon (appointed 23 March 2010)
- Mr P S Chase-Gardener (appointed 23 March 2010)
- Mr R D Thomas (appointed 1 October 2010)
- Mrs H C Molyneux (appointed 23 March 2010)
- Ms A S Jones (appointed 1 October 2010)

NEWLAW LEGAL LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

Approved by the Board and signed on its behalf by



Ms H C Molyneux
Director
Date 14/6/2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEWLAW LEGAL LIMITED

We have audited the financial statements of NewLaw Legal Limited for the period ended 31 December 2010, set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NEWLAW LEGAL LIMITED**

continued

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

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

Alan Cunningham
Senior Statutory Auditor

for and on behalf of
Haines Watts Wales LLP, Statutory Auditor

Date 14 June 2011

Pagefield House
24 Gold Tops
Newport
NP20 4PG

NEWLAW LEGAL LIMITED**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2010**

	Note	23 March 2010 to 31 December 2010 £
Turnover		7,990,582
Cost of sales		(5,362,416)
Gross profit		<u>2,628,166</u>
Administrative expenses		(2,392,793)
Operating profit	2	<u>235,373</u>
Other exceptional item	3	(2,049,182)
Other interest receivable and similar income		37
Interest payable and similar charges	5	(30,265)
Loss on ordinary activities before taxation		<u>(1,844,037)</u>
Tax on loss on ordinary activities	6	462,161
Loss for the financial period	16	<u><u>(1,381,876)</u></u>

Turnover and operating profit derive wholly from continuing operations which were acquired during the period

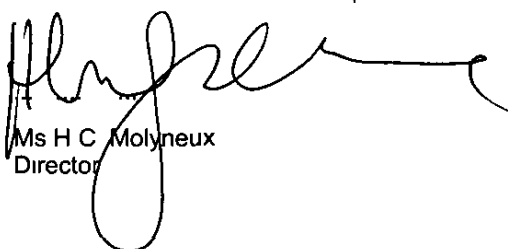
The Company has no recognised gains or losses for the period other than the results above

NEWLAW LEGAL LIMITED (REGISTRATION NUMBER: 07200038)**BALANCE SHEET AS AT 31 DECEMBER 2010**

31 December 2010			
	Note	£	£
Fixed assets			
Intangible assets	7		21,253,725
Tangible assets	8		249,809
			<u>21,503,534</u>
Current assets			
Stocks	9	31,736	
Debtors	10	9,567,336	
Cash at bank and in hand		1,860,235	
		<u>11,459,307</u>	
Creditors Amounts falling due within one year	11	<u>(11,641,086)</u>	
Net current liabilities			<u>(181,779)</u>
Total assets less current liabilities			21,321,755
Creditors Amounts falling due after more than one year	12	<u>(22,703,630)</u>	
Net liabilities			<u>(1,381,875)</u>
Capital and reserves			
Called up share capital	15		1
Profit and loss reserve	16		<u>(1,381,876)</u>
Shareholders' deficit	17		<u>(1,381,875)</u>

Approved by the Board and signed on its behalf by

Approved by the Board on 14/6/2011 and signed on its behalf by



Ms H C Molyneux
Director

NEWLAW LEGAL LIMITED**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2010**

		23 March 2010 to 31 December 2010
	Note	£
Net cash flow from operating activities	19	1,522,051
Returns on investment and servicing of finance	20	(30,228)
Purchase of tangible fixed assets		<u>(23,524)</u>
Cash inflow before management of liquid resources and financing		1,468,299
Financing		
Increase in loans and borrowings		777,282
Repayment of loans and borrowings		(2,319,540)
Capital element of finance lease/HP contract rental payments		<u>(48,045)</u>
		(1,590,303)
Cash introduced on incorporation		<u>1,982,139</u>
Increase in cash		<u>1,860,235</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		23 March 2010 to 31 December 2010
	Note	£
Increase in cash in the period	21	1,860,235
Cash outflow from decrease in debt and lease financing		<u>1,590,303</u>
Change in net funds resulting from cash flows		3,450,538
HP liability transferred		149,487
Debt introduced on incorporation		(5,534,411)
Loan notes issued in consideration for purchase of the business		<u>(19,581,706)</u>
Movement in net debt in the period		<u>(21,516,092)</u>

The notes on pages 11 to 25 form an integral part of these financial statements

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention

Going concern

Although the balance sheet as at 31 December 2010 shows net current liabilities of £181,779, and deficit on shareholders funds of £1,381,875, it is considered reasonable to prepare these financial statements on a going concern basis

As at 31 December 2010, the company had contingent fee cases in progress of approximately £20,558,000 based on hourly staff charge out rates. Work in progress on these cases has not been recognised in these accounts as they are considered to be contingent assets under FRS12. The related non contingent element of costs in connection with these cases are recognised as they arise which can result in short term operating losses whilst the company is in a growth phase. The directors believe that at least 90% of the total value of the cases will be realised on settlement.

The directors are satisfied that the company has sufficient resources to fund its cases through to settlement.

Turnover

Turnover represents amounts chargeable, net of value added tax, in respect of the provision of legal services to customers. In accordance with UITF40, turnover in respect of cases where the fee is contingent on the successful outcome of the case is recognised when the case is settled.

Goodwill

Goodwill is the difference between the fair value of consideration paid for an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Goodwill at 31 December 2010 arises from the acquisition of the business, assets and liabilities of New Law Solicitors LLP.

Amortisation

Amortisation of goodwill is calculated based upon the remaining term of existing contracts for referral of personal injury cases. The amount of goodwill to be amortised is apportioned over existing contracts in proportion to monthly income generated from them in the period prior to completion of the acquisition. The goodwill apportioned to each contract is amortised over the remaining term of the contract. Where contracts do not specify a fixed term, a life of five years from completion of the acquisition has been assumed. Goodwill is reviewed at the end of each accounting period for impairment to establish if any additional amortisation is required.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Office equipment	25% straight line basis
Motor Vehicles	33% straight line basis
Other tangibles	25% straight line basis

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value, after due regard to non recoverable time. Net realisable value is based on chargeable time less any anticipated write offs prior to completion.

No value is placed on work in progress in respect of contingent fee cases in accordance with FRS12 as there is insufficient certainty as to the outcome of the cases to justify the recognition as an asset.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Hire purchase and finance lease contracts

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease on a straight line basis.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Operating leases

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

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Start-up costs

Start-up costs are accounted for on a basis consistent with similar costs incurred as part of the company's ongoing business.

Where there are no similar ongoing costs, start up costs which satisfy the criteria under relevant accounting standards to be recognised as assets are included in the balance sheet. All other costs are written off as incurred.

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

2 Operating profit

Operating profit is stated after charging/(crediting)

	23 March 2010 to 31 December 2010 £
Hire of other assets - operating leases	93,977
The audit of the company's annual accounts	4,500
Profit on disposal of tangible fixed assets	(31,036)
Depreciation of owned assets	18,940
Depreciation of assets held under finance leases and hire purchase contracts	3,425
Amortisation	<u>1,903,950</u>

3 Exceptional items

The exceptional item represents the cost of acquisition of work in progress on acquisition of the business, assets and liabilities of New Law Solicitors LLP. As stated in note 1, work in progress on contingent fee cases is not recognised in the balance sheet and therefore the cost of acquisition has been charged to the profit and loss account

	23 March 2010 to 31 December 2010 £
Other exceptional item	<u>2,049,182</u>

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

4 Particulars of employees

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

	23 March 2010 to 31 December 2010 No
Fee earners	188
Administration	48
Management	12
	<u>248</u>

The aggregate payroll costs of these persons were as follows

	23 March 2010 to 31 December 2010 £
Wages and salaries	1,669,422
Social security costs	152,796
Other pension costs	42,452
	<u>1,864,670</u>

5 Interest payable and similar charges

	23 March 2010 to 31 December 2010 £
Interest on bank borrowings	30,007
Other interest payable	258
	<u>30,265</u>

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

6 Taxation

Analysis of current period tax credit

**23 March
2010 to
31 December
2010
£**

Deferred tax

Origination and reversal of timing differences

(462,161)

Factors affecting current period tax credit

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28.00%

The differences are reconciled below

**23 March
2010 to
31 December
2010
£**

Loss on ordinary activities before taxation

(1,844,037)

Standard rate corporation tax credit

(516,330)

Expenses not deductible for tax purposes

6,171

Non-taxable income

(8,691)

Capital allowances in excess of depreciation

(2,693)

Corporation tax credit carried forward

521,543

Total current tax for the period

-

NEWLAW LEGAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010***continued***7 Intangible fixed assets**

	Goodwill £
Cost	
Additions	<u>23,157,675</u>
Amortisation	
Charge for the period	<u>1,903,950</u>
Net book value	
As at 31 December 2010	<u>21,253,725</u>

8 Tangible fixed assets

	Motor vehicles £	Office equipment £	Other tangibles £	Total £
Cost				
Additions	155,246	134,068	105,253	394,567
Disposals	<u>(118,451)</u>	<u>(2,279)</u>	<u>(2,005)</u>	<u>(122,735)</u>
As at 31 December 2010	<u>36,795</u>	<u>131,789</u>	<u>103,248</u>	<u>271,832</u>
Depreciation				
Eliminated on disposals	-	(175)	(167)	(342)
Charge for the period	<u>4,201</u>	<u>12,344</u>	<u>5,820</u>	<u>22,365</u>
As at 31 December 2010	<u>4,201</u>	<u>12,169</u>	<u>5,653</u>	<u>22,023</u>
Net book value				
As at 31 December 2010	<u>32,594</u>	<u>119,620</u>	<u>97,595</u>	<u>249,809</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £25,120 in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £3,425.

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

9 Stocks and work in progress

	31 December 2010 £
Work in progress (on non-contingent fee cases)	<u>31,736</u>

10 Debtors

	31 December 2010 £
Trade debtors	7,782,933
Other debtors	311,607
Deferred tax	462,161
Prepayments and accrued income	<u>1,010,635</u>
	<u>9,567,336</u>

Debtors includes £462,161 receivable after more than one year

The balance of the deferred taxation account consists of the tax effect at a rate of 26.25% on timing differences in respect of

Accelerated capital allowances (£26,785)

Tax losses available of £488,946

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

11 Creditors: Amounts falling due within one year

	31 December 2010 £
Other loans	1,200,000
Obligations under finance leases and hire purchase contracts	44,741
Trade creditors	5,474,448
Taxation and social security	762,061
Other creditors	20,417
Accruals and deferred income	4,139,419
	<u>11,641,086</u>

Other loans consists of an amount of £1,200,000 which relates to loan notes issued as consideration for acquisition of the business. The principal terms of the loan notes are described in note 22 below

Creditors amounts falling due within one year includes the following liabilities, on which security has been given by the company

	31 December 2010 £
Finance leases and hire purchase contracts	44,741
	-
	<u>44,741</u>

Hire purchase creditors totalling £8,160 and finance loan creditors of £36,581 are secured against the assets to which they relate

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

12 Creditors: Amounts falling due after more than one year

	31 December 2010 £
Other loans	17,063,917
Obligations under finance leases and hire purchase contracts	31,600
Trade creditors	572,058
Other creditors	5,036,055
	<u>22,703,630</u>

Creditors amounts falling due after more than one year includes the following liabilities, on which security has been given by the company

	31 December 2010 £
Finance leases and hire purchase contracts	<u>31,600</u>

Hire purchase creditors of £23,306 and finance loan creditors of £8,294 are secured against the assets to which they relate

Included in the creditors are the following amounts due after more than five years

	31 December 2010 £
After more than five years by instalments	<u>10,663,917</u>

Other loans due after more than one year includes loan notes of £16,063,917 issued on the acquisition of the business, assets and liabilities of New Law Solicitors LLP of which £15,463,917 remain in the ownership of directors. The principal terms are described in note 22 below

Other loans also includes an amount £1,000,000 which is repayable on call at any time after 31 December 2011. Interest is charged on the loan at a rate of 9% per annum

13 Pension scheme

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £42,452

At the balance sheet date, contributions totalling £15,303 were payable to the scheme

NEWLAW LEGAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010***continued***14 Acquisition of the business, assets and liabilities of New Law Solicitors LLP**

	Book value £	Fair value £
Fixed assets		
Tangible fixed assets	406,946	406,946
Current assets		
Stocks	52,648	52,648
Debtors	8,517,602	8,517,602
Cash at bank and in hand	2,126,421	2,126,421
Total assets	<u>11,103,617</u>	<u>11,103,617</u>
Creditors	16,760,550	16,760,550
Total liabilities	<u>16,760,550</u>	<u>16,760,550</u>
Net assets	<u>(5,656,933)</u>	(5,656,933)
Goodwill		23,189,442
Purchase consideration		<u>17,532,509</u>

On 17th May 2010, the Company entered into a contract to acquire the business, assets and liabilities of New Law Solicitors LLP. The purchase consideration was satisfied with the issue of £17,532,509 of loan notes to the partners of New Law Solicitors LLP. The book value and fair value of assets and liabilities acquired is set out above.

As part of the acquisition, the Company purchased the contingent fee cases in progress from New Law Solicitors LLP for a consideration of £2,049,182 which was satisfied by an issue of loan notes of this amount. In accordance with the Company's accounting policies set out in note 1, work in progress in respect of contingent fee cases is not recognised as an asset. The amount paid for contingent fee cases has therefore been written off in the profit and loss account as an expense.

The total value of loan notes issued in respect of the above transaction was £19,581,706.

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

15 Share capital

**31 December
2010
£**

Allotted, called up and fully paid

Equity

100 Ordinary shares of 1 pence each

1

Ordinary shares issued

During the period, 100 Ordinary shares of 1 pence each were issued at par

16 Reserves

**Profit and
loss reserve
£**

Balance at 23 March 2010

-

Transfer from profit and loss account for the period

(1,381,876)

Balance at 31 December 2010

(1,381,876)

17 Reconciliation of movements in shareholders' funds

**31 December
2010
£**

Loss attributable to members of the company

(1,381,876)

New share capital subscribed

1

Net reduction to shareholders' funds

(1,381,875)

Opening shareholders' deficit

-

Closing shareholders' deficit

(1,381,875)

The share capital was subscribed for on incorporation of the company

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

18 Operating lease commitments

As at 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

**Land and
Buildings**

**31 December
2010**

£

Over five years

487,900

19 Reconciliation of operating profit to operating cash flows

**23 March
2010 to
31 December
2010**

£

Operating profit
Depreciation, amortisation and impairment charges
Profit on disposal of fixed assets
Decrease in stocks
Increase in debtors
Decrease in creditors
Net cash inflow from operating activities

235,273
1,925,973
(31,036)
20,912
(587,572)
(41,499)
1,522,051

20 Analysis of cash flows

**23 March
2010 to
31 December
2010**

£

Returns on investment and servicing of finance
Other interest paid
Interest received

(30,265)
37
(30,228)

NEWLAW LEGAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010***continued***21 Analysis of net debt**

	Cash flow £	Other non-cash changes £	Debt introduced on incorporation £	At end of period £
Cash at bank and in hand	1,860,235	-	-	1,860,235
Debt due within one year	2,363,794	(2,317,789)	(1,090,896)	(1,044,891)
Debt due after one year	(775,531)	(17,263,917)	(4,260,523)	(22,299,971)
Finance leases and hire purchase contracts	2,040	149,487	(182,992)	(31,465)
Change in debt	1,590,303	(19,432,219)	(5,534,411)	(23,376,327)
Net debt	3,450,538	(19,432,219)	(5,534,411)	(21,516,092)

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

22 Related parties

Controlling entity

There is no ultimate controlling party

Related party transactions

On 17 May 2010 the company entered into a contract to acquire the business and assets of New Law Solicitors LLP. The contract completed on 30 September 2010 and the company commenced business on 1 October 2010. See Note 14 for details of the consideration paid and assets and liabilities acquired.

Loan notes of £19,581,706 in aggregate were allocated to the members of New Law Solicitors LLP in settlement of the consideration. The loan notes are repaid in monthly instalments of £100,000 in aggregate on the last business day of the month. This amount is applied pro rata to the principal for the time being outstanding under the Noteholders' respective holdings of Notes. The company is entitled to increase the amount of or defer any repayments if the directors consider it to be prudent or appropriate in light of the available cash flow and financial position of the company.

At the balance sheet date, the company had liabilities in respect of loan notes due to the directors of £16,663,917. Of this balance, an amount of £1,200,000 is disclosed within other loans under creditors falling due within one year. An amount of £15,463,017 is included within other loans under creditors falling due after one year. The balance disclosed as being due after 5 years in note 12 of £10,663,917 relates to the loan notes.

Helen Molyneux was issued with a loan note during the period of £6,244,910. Amounts have been drawn during the period of £692,507. At the balance sheet date, she was owed an amount of £5,552,403.

John Gannon, was issued with a loan note during the period of £3,136,394. Amounts have been drawn during the period of £486,384. At the balance sheet date, he was owed an amount of £2,650,010.

Jonathon Banks was issued with a loan note during the period of £5,324,874. Amounts have been drawn during the period of £525,000. At the balance sheet date, he was owed an amount of £4,799,874.

Arron Banks was issued with a loan note during the period of £1,097,477. During the period, Arron Banks made drawings of £152,231. At the balance sheet date, he was owed an amount of £345,246.

Paul Chase Gardener was issued with a loan note during the period of £3,778,051. Amounts have been drawn during the period of £461,667. At the balance sheet date, he was owed an amount of £3,316,384.

On the 1st October 2010, the company assumed the intercompany balances of New Law Solicitors LLP.

NEWLAW LEGAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2010

continued

During the period to 31 December 2010, the company made purchases of £576,272 from CIQ Limited and made sales of £486,648 to the same company. At the balance sheet date, the company was owed an amount of £280,259 by CIQ Limited. This amount is included within trade debtors and accrued income. The company also owed CIQ Limited an amount of £80,166. This amount is included within trade creditors. Ms H Molyneux and Mr J Gannon are directors of CIQ Limited.

During the period 31 December 2010, the company made purchases of £9,150 from Group Legal Limited and recharged expenses of £58,624. At the balance sheet date, Group Legal Limited owed the company an amount of £313,838. This amount is included in trade debtors. In turn, the company owed Group Legal Limited £1,105. This amount is included in trade creditors. Group Legal Limited is a company related by common control. Included within other debtors is an amount due from Group Legal Limited of £206,250 which relates to a loan issued by New Law Solicitors LLP and acquired by NewLaw Legal Limited. Mr A Banks, Mr J Gannon, Ms H Molyneux and Mr P Chase Gardener are directors and shareholders of Group Legal Limited.

During the period 31 December 2010 the company was recharged expenses of £9,500 from Injury QED Limited and recharged expenses of £113,237 to Injury QED Limited. At the balance sheet date, Injury QED Limited owed the company an amount of £173,592. This amount is included within trade debtors. In turn, the company owed Injury QED Limited an amount of £4,121. This amount is included within trade creditors. In addition, Injury QED Limited prepaid deposits amounting to £1,331,960 to serve medical reporting files on specific cases. Mr P Chase Gardener and Mr J Gannon are directors of Injury QED Limited.

During the period to 31 December 2010, the company instructed Injury QED Limited to undertake medical reports to a value of £700,565. At the balance sheet date the company owed Injury QED Limited an amount of £2,416,095 relating to medical reports. This amount is included within trade debtors disbursements.

During the period to 31 December 2010, the company made purchases from Southern Rock Insurance Company Limited of £347,200. At the balance sheet date, the company owed Southern Rock Insurance Company Limited an amount of £194,900. This amount is included within 'trade creditors'. In turn, the company was owed an amount of £4,297 by Southern Rock Insurance Company Limited which is included within trade debtors. Mr P Chase-Gardener and Mr A Banks are directors of Southern Rock Insurance Company Limited.

At 31 December 2010, the company was owed £7,425 by the Brightside Group Plc. Mr A Banks, Mr P Chase Gardener, Ms H Molyneux and Mr J Gannon are directors of the Brightside Group Plc.