Registered number: 08875007

FAIRPOINT LEGAL SERVICES LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2016

COMPANY INFORMATION

DIRECTOR	G Cox
SECRETARY	G Cox
COMPANY NUMBER	08875007
REGISTERED OFFICE	Eversheds House 70-76 Great Bridgewater Street Manchester M1 5ES
AUDITORS	BDO LLP 3 Hardman Street Manchester M3 3AT
BANKERS	RBS Manchester M3 3AP Doorway Capital Limited 5 Chancery Lane London EC4A 1BL
SOLICITORS	Eversheds Sutherland LLP Eversheds House 70-76 Great Bridgewater Street Manchester M1 5ES

FAIRPOINT LEGAL SERVICES LIMITED

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FAIRPOINT LEGAL SERVICES LIMITED

STRATEGIC REPORT
For the year ended 31 December 2016

The director presents the strategic report and the audited financial statements for the year ended 31 December 2016. This report has been prepared by the director in accordance with the requirements of Section 414 of the Companies Act 2006. The Company's independent auditor is required by law to report on whether the information given in the Strategic Report is consistent with the financial statements. The auditor's report is set out on pages 6 to 7.

The principal activity of the Group during the year was the provision of legal services.

Legal services provides a range of consumer-focused legal services through 12 offices around the UK and comprises four principal divisions covering family law, complex personal injury, personal legal services and a legal processing centre focused on both personal injury and conveyancing work.

The Group reported a loss before tax of £21.0m, which included an impairment of Goodwill and intangibles of £20.6m. This impairment arose due to the previous parent company's financial position during this period and the cumulative effect of insufficient investment in marketing and maintenance of case stocks which has led to a decrease in the forecast revenue for the Group in coming years. This raised significant doubt over the ability of the cash generating units to support the carrying value of the intangible assets and the goodwill and the director determined these were impaired. Subsequent to the year end the group headed by FLS was acquired and a restructuring plan put in place to ensure the group could continue as a going concern.

Overall turnover across the Group increased by 32.1% to £41.8m (2015: £31.6m) as a result of:

- The full year benefit of the Colemans acquisition in August 2015
- The acquisition of the trade and assets of Abney Garsden, a market leading practice specialising in abuse cases (completed in May 2016); and
- The acquisition of a number of minor legal services WIP books (completed during 2016).

Our core strategic themes will focus on consumer legal services by:

- Completing the integration of the acquisitions of Simpson Millar, Colemans and Abney Garsden in respect of people, process and technology;
- Ensuring that appropriate investment is made in marketing, developing our customer proposition and associated marketing channels;
- Increasing focus on our people to recruit and develop talent, empower high performers and create a high performing, engaged work-force; and
- Maintain a strong focus on reducing costs and improve margins across the Group, post completion of the recent restructuring programme.

The Board believes that achieving these objectives will provide the foundations for strong organic growth in revenues, earnings and much improved margins over medium term and will ensure that the Group is well placed to benefit from any future consolidation in the legal services market place.

Going concern

As detailed in note 1 to the financial statements, notwithstanding the year end balance sheet, which shows net current liabilities of £13.8m and net liabilities of £15.5m, the financial statements have been prepared on a going concern basis.

Subsequent events

On 28 March 2017 the Company's subsidiary Simpson Millar LLP disposed of PIX Limited ("Pix"), its ancillary medico-legal services business for an enterprise value of £1.2m payable in cash. Pix, established in 2012, had been providing medical records, reporting services and disbursement funding to certain departments of the Group. Its entire share capital was sold to Premex Services Limited, a market leading provider of medico-legal services to the legal services industry. Furthermore, the Group entered into a three-year strategic partnership with Premex for on-going medical records and reporting services. The unaudited gross assets of Pix as at 31 December 2016 was £1.6m and its unaudited operating profit for the year then ended was £0.1m.

On 3 July 2017 AIB Group (UK) plc ("AIB") assigned its debt ("the AIB debt") of approximately £23m due from the Group's immediate parent company Fairpoint Group PLC ("FGP") to Doorway Capital Limited ("Doorway"), a specialist provider of capital to law firms. On the same day, Doorway provided a new Receivables Funding Facility of up to £5m to Simpson Millar LLP ("SM"), the Group's principal trading subsidiary, to provide SM with working capital.

On 10 August 2017, FPG announced that Sandy Kinninmonth, Lindsey Cooper and Gareth Harris of RSM Restructuring Advisory LLP had been appointed as joint administrators to FGP.

On 29 August 2017 the Company's subsidiary Simpson Millar LLP disposed of its subsidiary Simpson Millar Financial Services Limited, an independent financial adviser providing pensions and investment advice, to Dune Financial Holdings Limited for an initial cash payment of £270,911 together with deferred consideration payable, subject to certain conditions, in cash annually over a five year period and subject to a maximum payment of £250,000.

On 18th January 2018, FGP completed the sale of 100% of the issued share capital of the Group to Doorway. As part of this transaction, Doorway agreed to waive the AIB debt owed to it by FGP, releasing the Group from cross-guarantees relating to the AIB debt. In addition, FGP agreed to waive all amounts owed by the Group.

Principal key performance indicators

During the year, management used the following key performance indicators (KPIs) to assess the performance of the Group:

- Revenue
- Profit margins
- Profit / loss before tax
- Cash inflows / outflows
- Work in progress (WIP) days

Principal risks and uncertainties

Financial Risk

For legal products, particularly complex personal injury products, financial performance is sensitive to case duration movements.

There is potential for financial risk where significant acquisition activity is undertaken. Key sources of risk are where one or more transaction materialises as an overpayment for the target, or the resultant capital structure following a transaction excessively depletes cash or share capital resources. The Group invests in proportionate, quality resource to carry out due diligence activities ahead of transactions. Transactions are usually structured as a mixture of shares and cash, with an element contingent on post-acquisition performance, in order to incentivise the vendor's management and manage the impact on Group cash and capital resources, in line with delivery of performance targets.

Proposed changes to the small claims limit are expected to have a potential impact on c. 4% of the Group's current revenue, and it is expected that this impact will be largely mitigated through changes to pricing mechanisms and through improved operating efficiency.

Infrastructure Risk

The Group continues to invest in IT, people and design, and these investments are continually subject to implementation risks. Failure to implement such changes effectively and, in the case of major acquisitions, integrate the target's key infrastructure within the wider Group, could result in unplanned costs or inefficiencies which could adversely affect its operations. The Group is investing in its governance framework for risk, compliance and change management to ensure that the planned delivery of change objectives does not adversely impact operational performance during the implementation phase and, ultimately, realises the benefits of the planned change.

Employee Risk

The Group is dependent on highly skilled and experienced staff to deliver its services. Failure to retain these staff could result in difficulties in delivering services and in winning new business. The Group is putting in place strategies to improve employee engagement and retention to counter this risk.

Liquidity and Solvency risk

Liquidity and Solvency risk arises from the Group's management of working capital and the finance charges and principal repayments on debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Details of the Group's borrowing facilities are given in note 20.

The Group's objective is to maintain a balance between continuity of funds and flexibility through the use of bank loans and invoice discounting facilities. All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements.

The Group monitors its risk to a shortage of funds through regular cash management and forecasting and continues to invest in its credit risk and credit control processes to deliver effective cash management. Business forecasts identifying, in particular, liquidity requirements for the Group are produced frequently. These are reviewed regularly by the Board.

As noted elsewhere in this section, the Group is subject to a number of risks which, if they materialise, could adversely impact the future performance of the business and, therefore, increase liquidity and solvency risk. However, as noted on page 14, the Board has reviewed the cash-flow projections for the next 12-18 months in detail and has concluded that the Group has sufficient headroom over that period and, therefore, that the preparation of the accounts on a going concern basis is appropriate.

Reputational Risk

Reputation is fundamental to the Group's ability to attract new customers, recruit talented employees and build a sustainable business. As such, the Group works with its advisors to ensure that it engages appropriately with all key stakeholders, including its customers, employees, shareholders and regulators. As detailed in note 24 to the financial statements, subsequent to this accounting period, the Group's parent company, Fairpoint Group Plc, was placed into administration on 10 August 2017. The resulting uncertainty has had an unavoidable and negative effect on the perception of the Group in the marketplace. However, the support of Doorway Capital Limited, and the restructuring of the balance sheet in February 2018, have been tangible successes that have contributed to repairing the perception damage.

Furthermore, the management team of the Group has embarked on a programme to re-engage customers and staff and divorce the Simpson Millar brand from the previous parent's branding whilst ensuring that service levels to clients were unaffected by the ownership and financial restructuring of the Group.

The Group operates in a highly regulated market and accordingly, there is an inherent level of exposure to any change in regulation. Legal services, is authorised and regulated by the Solicitors Regulation Authority (SRA). Regulatory changes have already been communicated that complement the strategic initiatives of the legal division. The Chancellor's Autumn Statement in 2016 highlighted intentions to reform the personal injury sector. The Board believes that, whilst on a pro-forma basis approximately 4% of the Group's revenue may be affected by the reforms, these changes may represent an opportunity to both provide this work at low cost and further consolidate the market. In addition, the Competition and Markets Authority (CMA) announced a market study into legal services to examine concerns over affordability, service and complexity. The Group welcomes such a study, given its strategy in this area of transparency and value, through deploying its core skill of applying process to legal services.

G COX
Director
27 June 2018

The director presents his report and the financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The trading results for the year and the consolidated financial position at the end of the year are shown in the attached financial statements.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the Company during the period and subsequent to the year-end were as follows:

D Broadbent (appointed 30 September 2016, resigned 10 August 2017)
G Cox (appointed 26 April 2017)
C Moat (resigned 28 December 2016)
J Gittins (resigned 30 September 2016)

No director had any beneficial interest in the share capital of the Company.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

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 informal discussions between management and other employees at a local level.

DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the strategic report, director's report and financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director 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 Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the director is required to:

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

The director is 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. He is also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware has taken all the steps that ought to have been taken as director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

G COX

Director

27 June 2018

INDEPENDENT AUDITORS' REPORT TO MEMBERS
For the year ended 31 December 2016

TO THE MEMBERS OF FAIRPOINT LEGAL SERVICES LIMITED

We have audited the financial statements of Fairpoint Legal Services Limited for the year ended 31 December 2016 which comprise the consolidated statement of total comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Respective responsibilities of director and auditors

As explained more fully in the statement of director's responsibilities, the director is 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern.

Further funds will be required to finance the Group. The Director has received comfort from the ultimate parent undertaking to provide necessary funding to support the development of the business, however this is non-contractual and accordingly there can be no guarantee that this funding will be made available. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Matters on which we are required to report by exception

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

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

Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
3 July 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FAIRPOINT LEGAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the Year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
TURNOVER	**3**	41,858	31,612
Cost of sales		(17,686)	(14,179)
GROSS PROFIT		24.172	17,433
Administrative expenses		(24,142)	(16,260)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		30	1,173
Impairment of intangible assets and restructuring costs	**4**	(20,681)	(647)
OPERATING (LOSS) / PROFIT		**(20,651)**	**526**
Other interest receivable and similar income	**8**	134	190
Interest payable and similar charges	**9**	(508)	(619)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(21,025)	97
TAXATION ON ORDINARY ACTIVITIES	**10**	1,959	(319)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(19,065)	(222)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(19,065)	(222)

All amounts relate to continuing operations.

The notes on pages 14 to 30 form part of these financial statements.

FAIRPOINT LEGAL SERVICES LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

COMPANY NUMBER: 08875007	Note	As at 31 December 2016 £000	As at 31 December 2015 £000
FIXED ASSETS			
Goodwill	11	-	10,875
Intangible fixed assets	11	-	11,016
Tangible fixed assets	12	640	399
		640	22,290
CURRENT ASSETS			
Unbilled income	14	14,564	10,889
Debtors	15	19,161	14,555
Cash at bank and in hand		1,655	2,333
		35,380	27,777
CREDITORS: amounts falling due within one year	16	(49,225)	(42,919)
NET CURRENT (LIABILITIES)		(13,845)	(15,142)
TOTAL ASSETS LESS CURRENT LIABILITIES		(13,205)	7,148
CREDITORS: amounts falling due after more than one year	17	(2,307)	(3,596)
NET (LIABILITIES)/ASSETS		(15,512)	3,552
CAPITAL AND RESERVES			
Share Capital	19	2,000	2,000
Profit and loss account		(17,512)	1,552
SHAREHOLDERS' (DEFICIT)/FUNDS		(15,512)	3,552

The financial statements were approved and authorised for issue by the director on 27 June 2018 and signed by:

G Cox

Director

The notes on pages 14 to 30 form part of these financial statements.

FAIRPOINT LEGAL SERVICES LIMITED

COMPANY BALANCE SHEET
As at 31 December 2016

COMPANY NUMBER: 08875007

	Note	As at 31 December 2016 £000	As at 31 December 2015 £000
FIXED ASSETS			
Investments	13	-	13,248
CURRENT ASSETS			
Debtors	15	2,345	4,662
CURRENT LIABILITIES			
Creditors: Amounts due within one year	16	(12,862)	(14,588)
NET CURRENT LIABILITIES		(10,517)	(9,925)
TOTAL ASSETS LESS CURRENT LIABILITIES		(10,517)	3,322
Creditors: Amounts due after one year	17	-	-
NET ASSETS		(10,517)	3,322
CAPITAL AND RESERVES			
Called up share capital	19	2,000	2,000
Profit and loss account		(12,517)	1,322
SHAREHOLDERS' (DEFICIT)/FUNDS		(10,517)	3,322

The company made a loss for the year of £13,840,534 which included exceptional items of £13,247,097 related to the impairment of the investment in Simpson Millar LLP (2015: profit of £178,000).

The financial statements were approved and authorised for issue by the director on 27 June 2018 and signed by:

G Cox

Director

The notes on pages 14 to 30 form part of these financial statements.

FAIRPOINT LEGAL SERVICES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2016

	Called up Share Capital	Profit and Loss Account	Total
	£000	£000	£000
1 January 2016	2,000	1,552	3,552
Total comprehensive income for the year			
Loss for the year	-	(19,065)	(19,065)
31 December 2016	**2,000**	**(17,512)**	**(15,512)**

	Called up Share Capital	Profit and Loss Account	Total
	£000	£000	£000
1 January 2015	2,000	1,775	3,775
Total comprehensive income for the year			
Loss for the year	-	(222)	(222)
31 December 2015	**2,000**	**1,552**	**3,552**

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2016

	Called up Share Capital	Profit and Loss Account	Total
	£000	£000	£000
1 January 2016	**2,000**	**1,322**	**3,322**
Total comprehensive income for the year			
Loss for the year	-	(13,841)	(13,841)
31 December 2016	**2,000**	**(12,518)**	**(10,518)**

	Called up Share Capital	Profit and Loss Account	Total
	£000	£000	£000
1 January 2015	**2,000**	**1,144**	**3,144**
Total comprehensive income for the year			
Profit for the year	-	178	178
31 December 2015	**2,000**	**1,322**	**3,322**

FAIRPOINT LEGAL SERVICES LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2016

	Note	**2016 £000**	2015 £000
Cash flows from operating activities			
Loss for the year		**(19,065)**	(222)
Adjustments for:			
Depreciation	*12*	**281**	132
Amortisation of goodwill	*11*	**1,232**	526
Amortisation of intangible assets and development expenditure	*11*	**2,395**	760
Impairment of intangible assets and goodwill	*11*	**20,486**	-
Interest receivable and similar income		**(134)**	(190)
Interest payable and similar charges		**66**	20
Unwind of discount on deferred consideration		**438**	599
Taxation		**(1,959)**	319
(Increase) in trade and other debtors		**(8,121)**	(4,189)
Increase in trade and other creditors		**9,338**	13,214
Cash generated from operations		**4,956**	10,969
Interest (paid)/received		**(66)**	20
Tax received		**-**	579
Net cash from operating activities		**4,890**	11,568
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(522)**	(165)
Interest received		**134**	190
Acquisition of subsidiaries net of cash acquired	22	**(1,442)**	(1,500)
Acquisition of a business trade and assets	22	**(2,575)**	(8,232)
Purchase of legal services back books	11	**(567)**	-
Capitalised development expenditure and goodwill	11	**(596)**	-
Net cash from investing activities		**(5,568)**	(9,707)
Cash flows from financing activities		**-**	-
Net (decrease)/increase in cash and cash equivalents		**(678)**	1,861
Cash and cash equivalents at start of the year		**2,333**	472
Cash and cash equivalents at end of year		**1,655**	2,333

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

Fairpoint Legal Services Limited (the 'Company') is a Company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the Director's Report.

The Group and parent company financial statements have been prepared in accordance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The consolidated financial statements have been prepared in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company's accounting policies.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No cash flow statement has been presented for the Company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole: and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The Group proposes to continue to adopt FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going Concern

Notwithstanding the year end balance sheet, which shows net current liabilities of £13.8m and net liabilities of £15.5m, the financial statements have been prepared on a going concern basis.

As part of their going concern review the Director has undertaken a detailed financial forecasting exercise to determine the funding requirement of the Group for a period of at least 12 months from the date of approval of the financial statements. Furthermore, the Director has reason to believe that the Group has access to appropriate funding lines during this period, subject to forecast sensitivities, to support the plans for the future which include a contractual receivables finance facility of up to £5m provided by Doorway Capital Limited to Simpson Millar LLP. It is important to note, however, that £4m of short-term funding has been received from the parent undertaking since the year end, over and above funding provided through the Group's £5m contractual invoiced discounting facility. The intention of the parent undertaking is to convert the £4m of short-term facilities (see subsequent events note) into a combination of equity and / or structured long-term debt.

The director has concluded that it is appropriate to prepare the financial statements on the going concern basis as they have no reason to believe that the required support will not be provided. However these conditions indicate the existence of a material uncertainly which may cast significant doubt on the Group's ability to continue as a going concern.

1. **ACCOUNTING POLICIES** (continued)

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Turnover

Turnover is recognised as it is earned over time, for all matters which are non-contingent and excludes Value Added Tax. The Group assesses the extent to which it considers it has the ability to recognise turnover based on the likelihood of recovery on a particular matter.

In respect of contingent matters, where the Group's right to consideration does not arise until after the occurrence of a critical event outside the firm's control, revenue is not recognised until that event occurs and until such time as it can be reliably estimated.

Services provided to clients, which at the balance sheet date have not been billed, are recognised as legal services income. Legal services income within trade and other receivables is included at cost plus attributable overheads, after provision has been made for any foreseeable losses when the outcome of the matter can be assessed with reasonable certainty. In respect of contingent matters, where the Group's right to consideration does not arise until the occurrence of a critical event outside the Group's control, income and costs are only recognised to the extent the costs are recoverable.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued.

Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, useful life of goodwill is presumed to be 10 years. Goodwill is being amortised to 'administrative expenses' over a 5 year period. At year end, if there are indicators of an impairment, an impairment review will be performed.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which goodwill can be attributed, and legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Other intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated statement of comprehensive income.

1. ACCOUNTING POLICIES (continued)

Research and development costs

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives. The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

Other intangible assets

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only. Capitalised software costs represent development expenditure on IT infrastructure and operating systems.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques. Included in other intangible assets are acquired legal services brands, software development and customer relationships. All intangible assets are amortised on a straight line basis over their useful economic lives. The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Software development	4 years	Cost
Acquired brands	5-7 years	Discounted cash flow
Acquired legal services back books	2-7 years	Discounted cash flow
Acquired legal services relationships	7 years	Discounted cash flow
Acquired legal services software development	4 years	Discounted cash flow

Fixed assets

All fixed assets are initially recorded at cost less accumulated depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvement	- Straight line over length of lease
Fixtures, fittings and equipment	- 25% straight line
Motor vehicles	- 25% straight line
Computer equipment	- 33% straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line bases over the period of the lease.

1. **ACCOUNTING POLICIES** (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. The Group considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Pension Costs

The Group operates a Group personal pension scheme for staff. The scheme is a defined contribution scheme and contributions are charged to the profit and loss account as they become payable. **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the statement of financial position where transactions or events have occurred at the date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

Fixed asset investments are shown at cost less provision for impairment

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are continually evaluated based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Any change in estimates could result in an adjustment to recorded amounts. An impairment review for goodwill has been performed at the year end and these assets were fully impaired.

Carrying value of legal services unbilled income

Unbilled income in relation to work performed by the Group is recognised based on the status of the case, the likelihood of recovery and the expected recovery rate. Where a case is contingent at the balance sheet date, no revenue is recognised. Where entitlement to income is certain, it is recognised at selling price or estimated selling price based on an analysis of historic recovery rates. Where the entitlement has not yet been quantified, but is believed to be more likely than not, it is valued at cost. Appropriate provisions are made in respect of unbilled income based on the age of the related time cost.

Useful economic lives of intangible assets

The Group has estimated the useful economic lives of various assets recognised under other intangible assets on an individual asset basis. Software development is estimated to have useful life of four years. Customer relationships are estimated to have useful economic lives of seven years. The estimate of lives will affect the charge for amortisation within the statement of comprehensive income and the carrying value of the assets. An impairment review has been performed at the year end and these assets were fully impaired.

Fair value on Business Combinations

On acquisition of a business the Group reviews the appropriateness of the book values of the assets and liabilities acquired to consider if a fair value adjustment is required. The Group also makes judgements and estimates in relation to the fair value of the deferred and contingent consideration. The key judgements in relation to the valuation of the intangible assets acquired are based on the estimation of future cash flows and plans for the acquisition going forward. The key judgements in relation to deferred and contingent consideration are based on estimates on future financial performance of the acquired business. Any contingent consideration is recognised at fair value at the acquisition date with subsequent changes being recognised in the Income Statement.

Forecast and Estimation Risk

The Group has undertaken a thorough budgeting and forecasting exercise based on case stocks and assumptions of likely durations and revenue outturn. As these are estimates of future performance based on historical measures, albeit historical measures are flexed for known / impending changes to market conditions, there is inherent risk that these may be subject to further change as a consequence of the evolving nature of the Legal Services sector in particular in light of reforms around fixed fee recovery for lower value Personal Injury claims. Furthermore, the market is subject to economic shocks, which can directly impact the forecast period; for instance, activities in the conveyancing market is correlated strongly with economic cycles, political influences such as Brexit and interest rate policy, as determined by the Bank of England.

3. ANALYSIS OF TURNOVER

	2016	2015
	£000	£000
Analysis by class of business:		
Complex legal services	**20,510**	16,103
Volume legal services	**10,198**	5,864
Family legal services	**4,226**	3,472
Personal legal services	**3,999**	3,332
Business services	**2,925**	2,841
	41,858	31,612

All turnover was generated in the United Kingdom.

4. EXCEPTIONAL ITEMS

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Impairment of Goodwill	9,985	-
Impairment of Intangible assets	10,604	-
Acquisition, restructuring and professional services costs	92	647
	20,681	647

5. OPERATING PROFIT

The operating profit is stated after charging:

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Amortisation of intangible fixed assets	3,727	2,073
Depreciation of owned fixed assets	281	133
Services provided by the LLP's auditor		
- fees payable for the audit	46	7
- tax services	7	21
- other services	-	10

6. STAFF COSTS

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Wages and salaries	**17,007**	13,498
Social security costs	**1,755**	1,385
Other pension costs	**337**	190
	19,099	15,073

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

	Year ended 31 December 2016	Year ended 31 December 2015
	Number	Number
Designated members	**1**	1
Fee earners	**314**	199
Administrative staff	**215**	214
	530	414

The Company employed no staff during the period (2015*: nil*)

7. DIRECTORS' REMUNERATION

The directors' remuneration for the year was borne by the previous parent company, Fairpoint Group Plc.

8. INTEREST RECEIVABLE

Group	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Interest receivable	**134**	190

9. INTEREST PAYABLE

Group	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Unwinding of discount on contingent consideration	**442**	599
Bank Interest	**66**	20
	508	619

10. TAX ON LOSS ON ORDINARY ACTIVITIES

	31 December 2016 £000	31 December 2015 £000
Current tax:		
UK corporation tax charge on (loss)/profits	-	694
Adjustment in relation to prior periods	(159)	(116)
Total current tax charge	(159)	578
Deferred tax:		
Origination and reversal of timing differences	(1,800)	(259)
	(1,800)	(259)
Total tax (credit)/charge	(1,959)	319

Factors affecting tax charge for year

The tax assessed for the year differs to the standard rate of corporation tax in the UK applicable to the Company. The differences are explained below:

	31 December 2016 £000	31 December 2015 £000
Loss on ordinary activities before tax	(21,025)	97
Tax using the UK Corporation tax rate at 20% (2015: 20.25%)	(4,205)	19
Effects of:		
Deferred tax not recognised	-	-
Expenses not deductible for tax purposes	(642)	416
Impairment of goodwill and intangibles	(1,997)	-
Adjustments in respect of previous periods	(159)	(116)
Group relief utilised	(234)	-
Total tax (credit)/charge for year	(1,959)	319

There were no factors that may affect future tax charges.

11. INTANGIBLE FIXED ASSETS AND GOODWILL

	Goodwill	Brands	Software Development	Customer Relationships	Acquired Backbooks	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2016	12,070	2,418	2,557	7,616	-	24,662
Additions	459		357	-		816
Acquired on acquisition (note 22)			-	-	1,626	1,626
Change in acquisition fair value	(219)		-	-	-	(219)
At 31 December 2016	**12,309**	**2,418**	**2,915**	**7,617**	**1,626**	**26,885**
Amortisation						
At 1 January 2016	1,196	518	213	845	-	2,772
Charge for the year	1,232	345	690	1,091	270	3,627
Impairment	9,881	1,555	2,012	5,681	1,357	20,486
At 31 December 2016	**12,309**	**2,418**	**2,915**	**7,616**	**1,626**	**26,885**
Net book value						
At 31 December 2016	-	-	-	-	-	-
At 31 December 2015	10,875	1,900	2,344	6,771	-	21,890

Intangible Assets with Definite Lives

Brands

Brands comprise the Simpson Millar brand acquired on the acquisition of Simpson Millar LLP in 2014. Brands acquired as part of a business combination are stated as fair value as at the acquisition date less accumulated amortisation and impairment losses. Brands are amortised over a period of five to seven years and the amortisation charge is included within administrative expenses in the Consolidated Income Statement. They are tested annually for impairment along with goodwill within a value-in-use calculation on their cash-generating unit. Impairment losses are recognised in the Consolidated Income statement.

Software Development

Software development relates to the acquisition of Colemans in 2015 and to external and internal costs relating to the development of systems used by the Group. Software development is capitalised as Intangible Assets if the technical and commercial feasibility of the project has been demonstrated, the future economic benefits are probable, the Group has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Costs that do not meet these criteria are expensed as incurred. Software Development is amortised over four years and the amortisation charge is included within administrative expenses in the Consolidated Income Statement.

Acquired back books

Acquired back books are amounts relating to acquired customer contracts. Acquired back books are amortised over two to seven years for legal services back books. The amortisation charge is included within administrative expenses in the Consolidated Income Statement.

11. INTANGIBLE FIXED ASSETS AND GOODWILL (continued)

Customer relationships

Customer relationships represent relationships acquired with unions on the Colemans and Simpson Millar Acquisitions. Customer relationships are amortised over seven years. They are tested annually for impairment along with goodwill within a value-in-use calculation on their cash-generating unit (CGU). The amortisation charge is included within administrative expenses in the Consolidated Income Statement, impairment losses are also recognised in the Consolidated Income statement.

Goodwill

Goodwill arises from the acquisition of trading subsidiaries and business combinations and are detailed below:

Subsidiary / Acquisition	Operating Segment	Goodwill carrying amount As at 31 December 2016 £'000	As at 31 December 2015 £'000
Simpson Millar LLP	Legal Services	-	5,337
Colemans	Legal Services	-	5,537
Abney Garsden	Legal Services	-	-
		-	10,875

Due to indicators of impairment, goodwill has been tested for impairment at 31 December 2016 by reference to the recoverable amount of the relevant CGU, resulting in an impairment charge against the goodwill relating to Simpson Millar LLP and Colemans.

12. TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £000	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 January 2016	273	265	256	794
Additions	-	39	483	522
Transfer	-	(15)	15	-
At 31 December 2016	**273**	**289**	**754**	**1,316**
Depreciation				
At 1 January 2016	185	80	129	398
Charge for the year	29	72	180	281
Disposals				
At 31 December 2016	**215**	**149**	**309**	**673**
Net book value				
At 31 December 2016	**59**	**137**	**444**	**640**
At 31 December 2015	87	185	127	399

13. INVESTMENTS

Company	£000
COST	
At 31 December 2015	13,248
Additions	-
Impairment	(13,248)
At 31 December 2016	-
NET BOOK VALUE	
At 31 December 2016	-
At 31 December 2015	13,248

Details of subsidiary undertakings at the balance sheet date are as follows:

Name of company	Country of incorporation	Class of share	Nature of Business	Proportion of voting rights	Registered Office	Capital and Reserves at December 2016
Simpson Millar Financial Services Limited	England	100% ordinary	Financial advice	100%	21-27 Saint Pauls Street, Leeds, West Yorkshire, LS1 2JG	£463,962
CC Law Limited	England	100% ordinary	Costs lawyers	100%	21-27 Saint Pauls Street, Leeds, West Yorkshire, LS1 2JG	£1,482,815
PIX Limited	England	100% ordinary	Medical agency	100%	Fairclough House, Church Street, Adlington, Lancashire, PR7 4EX	£124,048
Simpson Millar Trust Corporation Limited	England	100% ordinary	Dormant entity	100%	21-27 Saint Pauls Street, Leeds, West Yorkshire, LS1 2JG	£Nil
Simpson Millar LLP	England		Legal services	100%	21-27 Saint Pauls Street, Leeds, West Yorkshire, LS1 2JG	(£7,288,097)

14. UNBILLED INCOME

Group	As at 31 December 2016 £000	As at 31 December 2015 £000
Unbilled income	**14,564**	10,889

15. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

Group

	As at 31 December 2016 £000	As at 31 December 2015 £000
Bills outstanding and funded disbursements	8,942	8,706
Tax and social security	645	-
Amounts recoverable on contracts	8,568	2,581
Amounts owed by related parties	-	1,787
Other debtors	154	69
Prepayments and accrued income	852	1,411
	19,161	14,555

Company

	As at 31 December 2016 £000	As at 31 December 2015 £000
Amounts owed by Group undertakings	**2,345**	4,662
	2,345	4,662

Amounts owed by related parties and Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

Group

	As at 31 December 2016 £000	As at 31 December 2015 £000
Trade creditors	7,424	5,796
Other taxation and social security	949	1,962
Corporation tax liability	51	464
Other creditors	244	2,727
Amounts due to related parties	37,293	25,025
Accruals and deferred income	581	1,231
Deferred consideration	-	209
Contingent consideration	2,682	5,505
-	49,225	42,919

Company

	As at 31 December 2016 £000	As at 31 December 2015 £000
Amounts owed to related parties	**12,370**	11,421
Contingent consideration	**-**	2,847
Corporation tax	**492**	320
	12,862	14,588

Amounts owed to related party and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Following the subsequent events disclosed in notes 24 and 26, balances outstanding to Fairpoint Group Plc acquired by Doorway Capital Limited were forgiven on 6th February 2018.

17. CREDITORS: AMOUNTS DUE AFTER ONE YEAR

	As at 31 December 2016 £000	As at 31 December 2015 £000
Contingent consideration	**2,307**	1,796
Deferred Taxation	**-**	1,800
	2,307	3,596

18. OPERATING LEASE COMMITMENTS

The Group has total commitments under non-cancellable operating leases as set out below:

	At 31 December 2016		At 31 December 2015	
	Land and buildings £000	Other items £000	Land and buildings £000	Other items £000
Expiry date:				
Within 1 year	686	40	903	178
Between 1 and 5 years	1,581	-	1,941	37
Greater than 5 years	632	-	1,033	-
	2,899	**40**	3,877	215

19. SHARE CAPITAL

	As at 31 December 2016 £000	As at 31 December 2015 £000
Allotted, called up and fully paid		
2,000,000 Ordinary shares of £1 each	**2,000**	2,000

20. RELATED PARTY TRANSACTIONS

Following the events disclosed relating to the administration of Fairpoint Group Plc, balances owed between Fairpoint Group Plc, Debtfree Direct Limited and entities forming Fairpoint Legal Services Limited will no longer be treated as intercompany and eliminated on consolidation of the accounts. Therefore balances arising from short term loans and management fees between these entities are disclosed below:

Group	2016 £000	2015 £000
Fairpoint Group Plc	**36,289**	24,755
Debtfree Direct Limited	**838**	(1,481)
Holiday Travelwatch	**166**	-
	37,293	23,236

As detailed in note 24 to the financial statements these balances were acquired by Doorway Capital Limited and subsequently waived, the effect of this is shown in the pro-forma balance sheet in note 25.

20. RELATED PARTY TRANSACTIONS (continued)

The following transactions took place between Fairpoint Legal Services Limited and related parties during the year:

	2016 £000	2015 £000
Fairpoint Group Plc - management recharges	5,625	-
Debtfree Direct Limited	-	-

The Company has taken advantage of the exemption within FRS 102 section 33.1A from the requirement to disclose related party transactions with other wholly owned companies in the same group.

21. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources that arise directly from operations. The main purpose of financial instruments is to fund the Group's operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions.

At 31 December 2016 the Group had access to the bank facility of its parent undertaking Fairpoint Group Plc. The facility comprised of a £17.0m revolving credit facility and a £6.4m term loan. Bank loans and overdrafts were secured by a debenture creating a fixed and floating charge over the assets of the Group. On 30th June 2017 Doorway Capital Limited ("Doorway") provided a £5m invoice discounting facility to Simpson Millar LLP, the Group's principal trading subsidiary.

On 10 August 2017 Fairpoint Group Plc was placed into administration. Doorway has subsequently acquired the entire issued share capital of Fairpoint Legal Services Limited, Simpson Millar LLP's parent company.
The members have taken advantage of the exemption permitted by FRS 102 in not disclosing short term debtors and creditors as financial assets and financial liabilities respectively.

The fair value of financial instruments equates to book value.

The Group's financial instruments may be analysed as follows:

	2016 £000	2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**33,883**	26,365
Financial liabilities		
Financial liabilities measured at amortised cost	**48,224**	40,493

Financial assets measured at amortised cost comprise cash, bills outstanding and funded disbursements, amounts recoverable on contracts, unbilled income, other debtors and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise trade creditors, amounts due to related parties, deferred consideration, contingent consideration, other creditors and accruals.

22. ACQUISITIONS

Abney Garsden

On 20th May 2016 the Group acquired the trade and assets of Abney Garsden LLP, a market leading practice specialising in abuse cases, for contingent consideration of up to £1.9m if certain performance criteria are achieved. At acquisition, management believed that Abney Garsden was on course to meet the performance criteria for the maximum contingent consideration payable. On acquisition £0.5m of goodwill and £1.0m of other intangible assets were recognized, following testing of the goodwill and intangible assets these items were fully impaired as at December 2016. The contingent consideration is payable from 2017 to 2022 subject to performance criteria being met. The board believes the excess of consideration payable over the fair value of identifiable assets acquired is considered as goodwill on acquisition, primarily representing employee expertise. During the year ended 31 December 2016, the group paid contingent consideration of £1,442,000 (2015: £1,500,000).

Prior Period Acquisitions

Colemans and Holiday TravelWatch Limited

On 17 August 2015, the Group acquired the trade and assets of Colemans, along with the entire ordinary share capital of Holiday TravelWatch Limited.

In the year a fair value adjustment has been made to the final deferred consideration for the period ended 30 June 2017. As this was within 12 months from the acquisitions date, goodwill was been reduced by £220,000, although all goodwill has been impaired subsequently.

During the year ended 31 December 2016, the group paid £1,059,000 for intangibles assets and £1,516,000 contingent consideration (2015: cash consideration on acquisition of £8,232,000).

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent Company is Doorway Capital Limited which is incorporated in England.

The largest and smallest Group in which the results of the Company are consolidated is that headed by Fairpoint Legal Services Limited, incorporated in England. The consolidated accounts of that Company are available to the public and may be obtained from company's house filings. No other Group accounts include the results of the Company.

24. SUBSEQUENT EVENTS

On 28 March 2017, the Company's subsidiary Simpson Millar LLP sold 100% of the share capital of Pix Limited, its ancillary medico-legal business, for an enterprise value of £1.2m.

At the 31 December 2016 the ultimate parent Company was Fairpoint Group Plc. On 30 June 2017, Fairpoint Group Plc was notified by AIB Group (UK) plc ("AIB") that AIB has assigned its debt due from Fairpoint Group Plc to Doorway Capital Limited. At the same time, Doorway Capital Limited provided the Company's subsidiary Simpson Millar LLP with an invoice discounting facility up to £5m.

On 10 August 2017 Fairpoint Group Plc was placed into administration.

On 31 August 2017, the Company's subsidiary Simpson Millar LLP sold the entire issued share capital of its subsidiary, Simpson Millar Financial Services Limited ("SMFS"), to Dune Financial Holdings Limited. SMFS is an independent financial adviser, providing pensions and investment advice, often to beneficiaries of personal injury and clinical negligence claims. The consideration comprised an initial cash payment of £270,911 together with deferred consideration payable, subject to certain conditions, in cash annually over a five year period and subject to a maximum payment of £250,000.

24. SUBSEQUENT EVENTS (continued)

Fairpoint Legal Services Limited was acquired by Doorway Capital Limited on 18th January 2018. On 6th February 2018, Doorway Capital Limited agreed to waive the AIB debt owed to it by Fairpoint Group Plc and acquired the debt owed from the Fairpoint Legal Services group to Fairpoint Group plc and then waived it (see note 20 re related parties for further information). Note 25 shows a pro forma balance sheet for the Group as at 31 December 2016, as if it incorporated the effects of the waiver of the Acquired Debt. As detailed in note 1 to the financial statements, Doorway Capital Limited have provided an additional £4m of short term funding, it is the intention of the parent undertaking to convert this short-term facility into a combination of equity and / or structured long-term debt.

25. CONSOLIDATED PRO FORMA BALANCE SHEET

On 18th January 2018, Doorway Capital acquired the share capital of Fairpoint Legal Services and intercompany balances ("the Acquired Debt") due to Fairpoint Group plc from Fairpoint Legal Services Limited £11.8m, Simpson Millar LLP £17.7m and CC Law Limited £0.1m. On the 6th February 2018, Doorway Capital Limited agreed to waive £29.6m of the Acquired Debt. The consolidated balance sheet as at 31 December 2016, if it incorporated the effects of the waiver of the Acquired Debt is set out below, for illustrative purposes.

In the year ended 31st December 2017, the provisional accounts of the Group show recorded losses of £8.6m which has been funded by intercompany balance write downs and additional funding provided by the Group's new owners, Doorway Capital Limited. Within this provisional loss are exceptional items relating to asset writedowns and other restructuring costs of £5m. These accounts remain subject to further review and independent audit.

	Note	As at 31 December 2016 £000	Waiver of Assigned Debt £000	As at 31 December 2016 (Pro forma) £000
FIXED ASSETS				
Goodwill		-		-
Intangible fixed assets	11	-		-
Tangible fixed assets	12	640		640
		640		640
CURRENT ASSETS				
Unbilled income	14	14,564		14,564
Debtors	15	19,161		19,161
Cash at bank and in hand		1,655		1,655
		35,380		35,380
CREDITORS: amounts falling due within one year	16	(49,225)	29,610	(19,615)
NET CURRENT ASSETS / (LIABILITIES)		(13,205)		16,405
CREDITORS: amounts falling due after more than one year	17	(2,307)		(2,307)
NET ASSETS / (LIABILITIES)		(15,512)		14,098
CAPITAL AND RESERVES				
Share Capital	19	2,000		2,000
Profit and loss account		(17,512)	29,610	12,098
		(15,512)		14,098