Registration number: 09038082

# KEYSTONE LAW GROUP LIMITED

## ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31/01/2016

**KEYSTONE LAW GROUP LIMITED**

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## KEYSTONE LAW GROUP LIMITED

### COMPANY INFORMATION

| | |
|---|---|
| **Directors** | J Knight<br>M Machray<br>A Miller<br>S Philips<br>W Robins<br>C Stringer |
| **Company secretary** | Legal Clarity Limited |
| **Registered office** | Second Floor<br>Audley House<br>13 Palace Street<br>London<br>SW1E 5HX |
| **Bankers** | HSBC Bank Plc<br>95 Gloucester Road<br>London<br>SW7 4SX |
| **Auditors** | Hazlewoods LLP<br>Windsor House<br>Bayshill Road<br>Cheltenham<br>GL50 3AT |

## KEYSTONE LAW GROUP LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2016

The directors present their strategic report for the year ended 31 January 2016.

**Principal activity**

The principal activity of the company is a holding company.

**Fair review of the business**

The results for the year, which are set out in the profit and loss account, show a pre-tax profit of £303,687 (2015 - £339,021).

The group has tangible fixed assets, including computer equipment and furniture, fixtures and fittings valued in the financial statements at £49,231 (2015 - £47,331); trade debtors of £2,816,293 (2015 - £2,545,848) and amounts recoverable on incomplete assignments of £3,319,163 (2015 - £2,386,412). The group has loans and borrowings of £7,858,424 (2015 - £8,677,945) and trade creditors stand at £2,125,143 (2015 - £1,927,407).

The group held cash and cash equivalents of £446,353 (2015 - £321,797).

**Future developments**

The directors consider the financial position at the year end to be satisfactory. Although the general market conditions are expected to remain challenging throughout 2016, the group's business model means that there are ample opportunities for continued growth during the coming year. The directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

**Principal risks and uncertainties**

The management of the group and the execution of the group's strategy are all subject to risks. The key business risks and uncertainties affecting the group are considered to relate to competition from other legal practices and changes in the legal industry, as well as the current economic outlook.

Approved by the Board on 9 June 2016 and signed on its behalf by:

..................................

A Miller
Director

**KEYSTONE LAW GROUP LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2016**

The directors present their report and the consolidated financial statements for the year ended 31 January 2016.

**Directors of the group**

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

J Knight
M Machray
A Miller (appointed 24/02/2015)
S Philips
W Robins
C Stringer

**Financial instruments**

***Objectives and policies***

The group does not actively use financial instruments as part of its financial risk management.

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

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2006' the directors of all companies are not required to provide disclosures regarding the adoption of the going concern basis of accounting.

The group has sufficient financial resources available and is currently trading profitably and generating cash. The directors have prepared forecasts for the next 12 months that indicate that this trend will continue. The directors believe that the company has sufficient resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

**Disclosure of information to the auditor**

Each director has taken the 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

**Reappointment of auditors**

The auditors Hazlewoods LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 9 June 2016 and signed on its behalf by:

.........................................
A Miller
Director

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Director's Report, Strategic 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Keystone Law Group Limited for the year ended 31/01/2016, set out on pages 7 to 29. 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 directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

### 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 and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31/01/2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## KEYSTONE LAW GROUP LIMITED

### INDEPENDENT AUDITOR'S REPORT

**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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

..................................

Jon M Cartwright (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House
Bayshill Road
Cheltenham
GL50 3AT

Date: 15 July 2015

## KEYSTONE LAW GROUP LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2016

| | Note | Year ended 31 January 2016 £ | (As restated) 13 May 2014 to 31 January 2015 £ |
|---|---|---|---|
| Turnover | 3 | 20,950,398 | 6,820,624 |
| Cost of sales | | (15,405,236) | (4,977,709) |
| Gross profit | | 5,545,162 | 1,842,915 |
| **Administrative expenses** | | | |
| Operational expenses | | (3,994,834) | (1,137,773) |
| Goodwill amortisation | | (830,406) | (242,202) |
| Other operating income | 4 | 82,442 | 20,055 |
| Operating profit | | 802,364 | 482,995 |
| Interest receivable and similar income | 6 | 34,837 | 8,523 |
| Interest payable and similar charges | 7 | (533,514) | (152,497) |
| | | (498,677) | (143,974) |
| Profit before tax | | 303,687 | 339,021 |
| Taxation | 11 | (303,371) | (197,590) |
| Profit for the financial year and total comprehensive income | | 316 | 141,431 |
| **Profit/(loss) attributable to:** | | | |
| Owners of the company | | 316 | 141,431 |

The above results were derived from continuing operations.

## KEYSTONE LAW GROUP LIMITED

**(REGISTRATION NUMBER: 09038082)**
**CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2016**

| | Note | 31 January 2016 £ | (As restated) 31 January 2015 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 12 | 7,231,456 | 8,061,862 |
| Tangible assets | 13 | 49,231 | 47,331 |
| Investments | 14 | 13,628 | 13,629 |
| | | 7,294,315 | 8,122,822 |
| **Current assets** | | | |
| Debtors | 15 | 6,593,267 | 5,363,013 |
| Cash at bank and in hand | | 446,353 | 321,797 |
| | | 7,039,620 | 5,684,810 |
| Creditors: Amounts falling due within one year | 16 | (6,787,552) | (5,458,173) |
| Net current assets | | 252,068 | 226,637 |
| Total assets less current liabilities | | 7,546,383 | 8,349,459 |
| Creditors: Amounts falling due after more than one year | 16 | (6,971,427) | (7,771,427) |
| Provisions for liabilities | 11 | (4,615) | (8,029) |
| Net assets | | 570,341 | 570,003 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 471 | 449 |
| Share premium reserve | | 428,123 | 428,123 |
| Retained earnings | | 141,747 | 141,431 |
| Equity attributable to owners of the company | | 570,341 | 570,003 |
| Total equity | | 570,341 | 570,003 |

Approved and authorised by the Board on 9/6/2016 and signed on its behalf by:

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A Miller
Director

## KEYSTONE LAW GROUP LIMITED

**(REGISTRATION NUMBER: 09038082)**
**BALANCE SHEET AS AT 31 JANUARY 2016**

| | Note | 31 January 2016 £ | 31 January 2015 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 14 | 9,194,824 | 9,194,824 |
| **Current assets** | | | |
| Debtors | 15 | 8,333 | 8,333 |
| Creditors: Amounts falling due within one year | 16 | (2,453,472) | (1,181,416) |
| Net current liabilities | | (2,445,139) | (1,173,083) |
| Total assets less current liabilities | | 6,749,685 | 8,021,741 |
| Creditors: Amounts falling due after more than one year | 16 | (6,971,427) | (7,771,427) |
| Net (liabilities)/assets | | (221,742) | 250,314 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | 471 | 449 |
| Share premium reserve | | 428,123 | 428,123 |
| Retained earnings | | (650,336) | (178,258) |
| Total equity | | (221,742) | 250,314 |

Approved and authorised by the Board on 9/6/16...... and signed on its behalf by:

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A Miller
Director

**KEYSTONE LAW GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2016**

**Year ended 31 January 2016**

| | Share capital | Share premium | Retained earnings | Total | Total equity |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| At 1 February 2015 | 449 | 428,123 | 141,431 | 570,003 | 570,003 |
| Profit for the year | - | - | 316 | 316 | 316 |
| Total comprehensive income | - | - | 316 | 316 | 316 |
| New share capital subscribed | 22 | - | - | 22 | 22 |
| At 31 January 2016 | 471 | 428,123 | 141,747 | 570,341 | 570,341 |

**Year ended 31 January 2015**

| | Share capital | Share premium | Retained earnings | Total | Total equity |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Profit for the year | - | - | 141,431 | 141,431 | 141,431 |
| Total comprehensive income | - | - | 141,431 | 141,431 | 141,431 |
| New share capital subscribed | 449 | 428,123 | - | 428,572 | 428,572 |
| At 31 January 2015 | 449 | 428,123 | 141,431 | 570,003 | 570,003 |

## KEYSTONE LAW GROUP LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2016

**Company**

**Year ended 31 January 2016**

| | Share capital | Share premium | Retained earnings | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| At 1 February 2015 | 449 | 428,123 | (178,258) | 250,314 |
| Loss for the year | - | - | (472,078) | (472,078) |
| Total comprehensive income | - | - | (472,078) | (472,078) |
| New share capital subscribed | 22 | - | - | 22 |
| At 31 January 2016 | 471 | 428,123 | (650,336) | (221,742) |

**Year ended 31 January 2015**

| | Share capital | Share premium | Retained earnings | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Loss for the year | - | - | (178,258) | (178,258) |
| Total comprehensive income | - | - | (178,258) | (178,258) |
| New share capital subscribed | 449 | 428,123 | - | 428,572 |
| At 31 January 2015 | 449 | 428,123 | (178,258) | 250,314 |

## KEYSTONE LAW GROUP LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JANUARY 2016

| | Note | Year ended 31 January 2016 £ | (As restated) 13 May 2014 to 31 January 2015 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 316 | 141,431 |
| Adjustments to cash flows from non-cash items | | | |
| Depreciation and amortisation | 5 | 859,237 | 268,813 |
| Finance income | 6 | (34,837) | (8,523) |
| Finance costs | 7 | 533,514 | 152,497 |
| Corporation tax expense | 11 | 303,371 | 197,590 |
| | | 1,661,601 | 751,808 |
| Working capital adjustments | | | |
| Increase in trade and other receivables | 15 | (1,230,254) | (5,363,013) |
| Increase in trade and other payables | 16 | 770,654 | 4,200,868 |
| Cash generated from operations | | 1,202,001 | (410,337) |
| Corporation tax (paid)/received | 11 | (249,306) | 153,197 |
| Net cash flow from operating activities | | 952,695 | (257,140) |
| **Cash flows from investing activities** | | | |
| Interest received | | 34,837 | 8,523 |
| Acquisition of tangible assets | | (30,731) | - |
| Acquisition of intangible assets | 12 | - | (8,304,064) |
| Net cash flows from investing activities | | 4,106 | (8,295,541) |
| **Cash flows from financing activities** | | | |
| Interest paid | 7 | (12,748) | (152,497) |
| Proceeds from issue of ordinary shares, net of issue costs | | 23 | 428,572 |
| Proceeds from other borrowing draw downs | | - | 8,598,403 |
| Repayment of other borrowing | | (819,520) | - |
| Net cash flows from financing activities | | (832,245) | 8,874,478 |
| Net increase in cash and cash equivalents | | 124,556 | 321,797 |
| Cash and cash equivalents at 1 February 2015 | | 321,797 | - |
| Cash and cash equivalents at 31 January 2016 | | 446,353 | 321,797 |

## 1 General information

The company is a incorporated and based in England and Wales.

The address of its registered office is:
Second Floor
Audley House
13 Palace Street
London
SW1E 5HX
Authorised for issue date

The financial statements are presented in Pounds Sterling.

## 2 Accounting policies

**Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

**Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 January 2016.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

## 2 Accounting policies (continued)

### Changes in accounting policy

**New standards, interpretations and amendments effective**

The directors have identified that the income recognition in the prior period required adjusting and have restated the comparative figures in the accounts as follows:

**Prior period adjustment**

The directors have identified that the income recognition in the prior period required adjusting and have restated the comparative figures in the accounts as follows:

| | Relating to the prior period disclosed in these financial statements |
|---|---|
| | £ |
| **Impact on profit** | |
| Income | 1,492,031 |
| Cost of sales | (1,136,064) |
| Taxation | (101,808) |
| Total impact on profit for the year ended 31 January 2015 | 254,159 |
| **Impact on net assets** | |
| Amounts recoverable on contracts | 1,492,031 |
| Accrued expenses | (1,136,064) |
| Corporation tax liability | (101,808) |
| Total impact on net assets | 254,159 |

## 2 Accounting policies (continued)

**Judgements and estimation uncertainty**

In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Bad debt provision – A bad debt review is carried out and a provision is calculated by applying expected recovery percentages to the debtor book based on the historic recovery experience of the business. This provision is then further reviewed to ensure that any specific circumstances known to the business at the time of the review are fully reflected.

Amounts recoverable on contracts (work in progress "WIP") – The business has carried out a review of prior years billing activity in order to identify what share of post year end billing relates to the previous financial year. This profile is then applied to the current year budgeted billing in order to calculate the WIP valuation at year end, this is then validated by reviewing actual billing between the year end and the time the accounts are prepared to ensure that actual performance is in line with expected profile.

**Turnover**

Income represents the fair value of services provided during the year on client assignments. Fair value reflects the amounts expected to be recoverable from clients, excluding VAT. Fee income is recognised as contract activity progresses and the right to consideration is secured, except where the final outcome cannot be assessed with reasonable certainty.

Fee income in respect of contingent fee assignments is recognised in the period when the contingent event occurs and collectability of the fee is assured.

Unbilled fee income on individual assignments is included as amounts recoverable on contracts within debtors.

**Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

**Disbursements**

Disbursements are not included in income or expenses.

## 2 Accounting policies (continued)

**Tangible assets**

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated *depreciation and subsequent accumulated impairment losses.*

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

**Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Computer equipment | 33% straight line |
| Fixtures & fittings | 25% straight line |

**Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquiisition date if the adjustment is probable and can be measured reliably.

**Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

**Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Amortisation method and rate |
|---|---|
| Goodwill | 10% straight line |

**Investments**

Fixed asset investments are stated at historical cost less provision for any diminution in value.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Trade debtors**

Trade debtors are amounts due from clients for services performed in the ordinary course of business.

**Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

## 2 Accounting policies (continued)

### Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

### Defined contribution pension obligation

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## 2 Accounting policies (continued)

### Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from related parties and investments in non-puttable ordinary shares.

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

Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Debt instruments like loans and other receivables and payables are initially measured at present value of the future payments.and subsequently at amortised cost using the effective interest method. Debt instruments that are payable and receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Investments in non-puttable ordinary shares are measured at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are asssessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss. For financial assets measured at amortised costs, the impairment loss is measured as the difference between an asset's carrying value and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount and the net amount recognised in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

## 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

| | Year ended 31 January 2016 £ | (As restated) 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Rendering of services | 20,687,317 | 6,758,591 |
| Other revenue | 263,081 | 62,033 |
| | 20,950,398 | 6,820,624 |

The analysis of the group's revenue for the year by market is as follows:

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ (As restated) |
|---|---|---|
| UK | 20,950,398 | 6,820,624 |

## 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Miscellaneous other operating income | 82,442 | 20,055 |

## 5 Operating profit

Arrived at after charging

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Depreciation expense | 28,831 | 26,611 |
| Amortisation expense | 830,406 | 242,202 |
| Operating lease expense - property | 166,093 | 114,510 |

## 6 Other interest receivable and similar income

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Interest income on bank deposits | 34,837 | 8,523 |

## 7 Interest payable and similar charges

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Interest on bank overdrafts and borrowings | 12,748 | 2,189 |
| Interest expense on other finance liabilities | 520,766 | 150,308 |
| | 533,514 | 152,497 |

## 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Wages and salaries | 1,534,381 | 1,363,903 |
| Social security costs | 169,069 | 155,312 |
| Pension costs, defined contribution scheme | 41,946 | 23,484 |
| | 1,745,396 | 1,542,699 |

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

| | Year ended 31 January 2016 No. | 13 May 2014 to 31 January 2015 No. |
|---|---|---|
| Administration and support | 29 | 24 |

## 9 Directors' remuneration

The directors' remuneration for the year was as follows:

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Remuneration | 772,091 | 711,441 |

In respect of the highest paid director:

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Remuneration | 250,000 | 250,000 |

## 10 Auditors' remuneration

| | Year ended 31 January 2016 £ | 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Audit of these financial statements | 14,750 | 14,500 |

## 11 Corporation tax

Tax charged/(credited) in the income statement

| | Year ended 31 January 2016 £ | (As restated) 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| **Current taxation** | | |
| UK corporation tax | 306,786 | 197,590 |
| **Deferred taxation** | | |
| Arising from origination and reversal of timing differences | (3,415) | - |
| Tax expense in the income statement | 303,371 | 197,590 |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20.16% (2015 - 21.32%).

The differences are reconciled below:

| | Year ended 31 January 2016 £ | (As restated) 13 May 2014 to 31 January 2015 £ |
|---|---|---|
| Profit before tax | 303,687 | 339,021 |
| Corporation tax at standard rate | 61,223 | 72,279 |
| Effect of expense not deductible in determining taxable profit (tax loss) | 78,962 | 46,676 |
| Deferred tax expense (credit) from unrecognised temporary difference from a prior period | (3,415) | - |
| Tax increase (decrease) from effect of capital allowances and depreciation | 166,601 | 51,285 |
| Other tax effects for reconciliation between accounting profit and tax expense (income) | - | 27,350 |
| Total tax charge | 303,371 | 197,590 |

## 11 Corporation tax (continued)

**Deferred tax**

**Group**

Deferred tax assets and liabilities

| **2016** | **Asset** £ | **Liability** £ |
|---|---|---|
| Accelerated tax depreciation | - | 6,284 |
| Other | 1,670 | - |
| | 1,670 | 6,284 |

| **2015** | **Liability** £ |
|---|---|
| Accelerated tax depreciation | 8,029 |
| Other | - |
| | 8,029 |

## 12 Intangible assets

**Group**

| | **Goodwill** £ |
|---|---|
| **Cost or valuation** | |
| At 1 February 2015 | 8,304,064 |
| At 31 January 2016 | 8,304,064 |
| **Amortisation** | |
| At 1 February 2015 | 242,202 |
| Amortisation charge | 830,406 |
| At 31 January 2016 | 1,072,608 |
| **Carrying amount** | |
| At 31 January 2016 | 7,231,456 |
| At 31 January 2015 | 8,061,862 |

## 13 Tangible assets

### Group

| | Furniture, fittings and equipment £ | Computer equipment £ | Total £ |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 February 2015 | 56,552 | 78,025 | 134,577 |
| Additions | 20,128 | 10,603 | 30,731 |
| Disposals | (539) | - | (539) |
| At 31 January 2016 | 76,141 | 88,628 | 164,769 |
| **Depreciation** | | | |
| At 1 February 2015 | 32,637 | 54,609 | 87,246 |
| Charge for the period | 14,525 | 14,306 | 28,831 |
| Eliminated on disposal | (539) | - | (539) |
| At 31 January 2016 | 46,623 | 68,915 | 115,538 |
| **Carrying amount** | | | |
| At 31 January 2016 | 29,518 | 19,713 | 49,231 |
| At 31 January 2015 | 23,915 | 23,416 | 47,331 |

## 14 Investments

### Group

| | Investment in other interests £ |
|---|---|
| **Cost and carrying amount** | |
| At 1 Feburary 2015 and 31 January 2016 | 13,628 |

### Company

| | 31 January 2016 £ | 31 January 2015 £ |
|---|---|---|
| Investments in subsidiaries | 9,194,824 | 9,194,824 |

### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking | Country of incorporation | Holding | Proportion of voting rights and shares held 2016 | 2015 |
|---|---|---|---|---|
| **Subsidiary undertakings** | | | | |
| Keystone Law Limited | England and Wales | Ordinary | 100% | 100% |
| Audley Business Services Limited | England and Wales | Ordinary | 100% | 100% |
| Keystone Law (Guernsey) Limited | England and Wales | Ordinary | 100% | 100% |

The principal activity of Keystone Law Limited is the provision of legal services.

Audley Business Services Limited is now dormant.

Keystone Law (Guernsey) Limited is dormant.

## 15 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 31 January 2016 £ | (As restated) 31 January 2015 £ | 31 January 2016 £ | 31 January 2015 £ |
| Trade debtors | 2,816,293 | 2,545,848 | - | - |
| Other receivables | 101,568 | 126,841 | - | - |
| Prepayments | 356,243 | 303,912 | 8,333 | 8,333 |
| Amounts recoverable on contracts (work in progress) | 3,319,163 | 2,386,412 | - | - |
| Total current trade and other receivables | 6,593,267 | 5,363,013 | 8,333 | 8,333 |

## 16 Creditors

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 31 January 2016 £ | (As restated) 31 January 2015 £ | 31 January 2016 £ | 31 January 2015 £ |
| **Due within one year** | | | | | |
| Loans and borrowings | 17 | 886,997 | 906,518 | 800,000 | 800,000 |
| Trade creditors | | 2,125,143 | 1,927,407 | - | - |
| Amounts due to related parties | 21 | - | - | 980,898 | 228,108 |
| Social security and other taxes | | 138,188 | 40,835 | - | - |
| Other payables | | - | 1,310 | - | - |
| Accrued expenses | | 3,228,957 | 2,231,316 | 672,574 | 153,308 |
| Corporation tax liability | 11 | 408,267 | 350,787 | - | - |
| | | 6,787,552 | 5,458,173 | 2,453,472 | 1,181,416 |
| **Due after one year** | | | | | |
| Loans and borrowings | 17 | 6,971,427 | 7,771,427 | 6,971,427 | 7,771,427 |

## 17 Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 31 January 2016 | 31 January 2015 | 31 January 2016 | 31 January 2015 |
| | £ | £ | £ | £ |
| **Current loans and borrowings** | | | | |
| Other borrowings | 886,997 | 906,518 | 800,000 | 800,000 |

| | Group | | Company | |
|---|---|---|---|---|
| | 31 January 2016 | 31 January 2015 | 31 January 2016 | 31 January 2015 |
| | £ | £ | £ | £ |
| **Non-current loans and borrowings** | | | | |
| Other borrowings | 6,971,427 | 7,771,427 | 6,971,427 | 7,771,427 |

**Group**

Included in the loans and borrowings are the following amounts due after more than five years:

| | 31 January 2016 | 31 January 2015 |
|---|---|---|
| | £ | £ |
| After more than five years by instalments | - | 2,171,427 |

**Other loans after five years**

Other loans due after five years relate to 6% unsecured loan notes issued by the group. See note 21 for more details.

**Company**

Included in the loans and borrowings are the following amounts due after more than five years:

| | 31 January 2016 | 31 January 2015 |
|---|---|---|
| | £ | £ |
| After more than five years by instalments | - | 2,171,427 |

**Other loans after five years**

Other loans due after five years relate to 6% unsecured loan notes issued by the company. See note 21 for more details.

## 18 Share capital

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | No. | £ | No. | £ |
| A Ordinary shares of £10.00 each | 2 | 20.00 | 2 | 20.00 |
| Ordinary shares of £0.001 each | 428,573 | 428.57 | 428,573 | 428.57 |
| Incentive Ordinary shares of £0.001 each | 22,552 | 22.55 | - | - |
| | **451,127** | **471.12** | **428,575** | **448.57** |

**New shares allotted**

During the year 22,552 Incentive Ordinary shares having an aggregate nominal value of £23 were allotted for an aggregate consideration of £23.

**Rights, preferences and restrictions**

A Ordinary shares have the following rights, preferences and restrictions:
A Ordinary shares shall have no right to dividends and shall have no right to participate on a return of capital in liquidation or otherwise. A Ordinary shares will not carry any right to vote except if any holder of those shares is entitled to exercise in respect of all their shares in aggregate less than 5% of the total number of votes capable of being cast, in which case the number of votes conferred on the A Ordinary shares will be increase by such a number as shall entitle them to exercise 5% of the votes capable of being cast.

Ordinary shares have the following rights, preferences and restrictions:
Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Incentive Ordinary shares have the following rights, preferences and restrictions:
The Incentive shares shall have no right to vote.

## 19 Obligations under leases and hire purchase contracts

**Group**

**Operating leases**

The total of future minimum lease payments is as follows:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Not later than one year | - | 152,277 |
| Later than one year and not later than five years | 503,900 | - |
| | 503,900 | 152,277 |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £166,093 (2015 - £114,510).

## 20 Pension and other schemes

**Defined contribution pension scheme**

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £41,946 (2015 - £23,484).

## 21 Related party transactions

In the previous year, the group issued 6 % unsecured loan notes to J Knight, C Stringer and W Robins, directors of the group, and Root Capital Fund II Limited Partnership, a group shareholder.

During the period interest on the loan notes of £520,766 (2015 - £150,308) was charged.

At the balance sheet date, the group owed the following amounts to related parties:

| | 31 January 2016 | 31 January 2015 |
|---|---|---|
| | £ | £ |
| J Knight | 4,643,375 | 4,796,978 |
| C Stringer | 422,125 | 436,089 |
| W Robins | 422,125 | 436,089 |
| Root Capital Fund II Limited Partnership | 2,954,876 | 3,052,579 |
| | 8,442,501 | 8,721,735 |

All transactions with related parties were conducted at arms length.

The directors are considered to be the key management. Their remuneration is disclosed in note 9.

## 22 Parent and ultimate parent undertaking

The ultimate controlling party is the director, J Knight.