

**Gordon Dadds Group plc**  
**(“Gordon Dadds” or the “Group”)**

**Full year audited results for the 12 months to 31 March 2019**

**Record results: Strong performance; Ince acquisition on track; operational and commercial opportunities being realised**

Gordon Dadds Group PLC (AIM: GOR), the London-based acquisitive legal and professional advisory business, is pleased to announce its audited results for the year ended 31 March 2019.

For the year ended 31 March (£m)	2019	2018	% Growth
Revenue	52.6	31.2	+69%
Operating profit	15.2	8.8	+73%
% margin	28.9%	28.2%	+70 bps
Adjusted profit before tax	5.9	2.5	+141%
Adjusted diluted earnings per share (p)	18.8p	10.5p	+79%
Dividend per share (p)	6.0p	4.0p	+50%
Net (Debt)/Cash	(2.9)	8.4	

\* Adjusted profit before tax is calculated as the profit before tax after adding back non-recurring items (as shown in note 9 to the financial statements) and after deducting the non-controlling interests shown in statutory accounts

\*\* Adjusted earnings per share is computed from adjusted profit before tax after deducting taxation

### Financial highlights

- Revenue £52.6m (2018: £31.2m) +69%
- Annualised revenues at the year end of around £70m; grown to £100m of consolidated revenues post year end
- Compound revenue growth of over 80% per annum. since 1 April 2013, from both acquired and organic growth
- Operating profits £15.2m (2018: £8.8m) a 73% increase on 2018
- Adjusted\* profit before tax £5.9m (2018: £2.5m) +141%
- Non-recurring acquisition costs and related material items £14.3m (2018: £2.3m)
- Adjusted\*\* diluted earnings per share 18.8p (2018: 10.5p) +79%
- Dividend 4.0 pence per share (2018: 4.0p), making 6.0p for year (2018: 4.0p)
- Net borrowings £2.9m (2018: net cash £8.4 m)

### Operational highlights

- Integration of acquired businesses on track
  - Acquisition of Ince & Co’s (“Ince”) UK and Chinese businesses from 1 January 2019 and new relationships with Ince’s international offices established post year end in April 2019

- Five acquisitions in 2017-8 fully integrated and planned operational gains being achieved
- Partner and client retention strong across the business
- Increased diversification and broadening opportunity for growth; the Group now operates from eight jurisdictions with cross selling opportunities continuing to be developed
- Lateral hire of three partners and their 20 personnel team in Hong Kong, effective post year end
- Opening of a separate London office within the Lloyds insurance market in June 2019 to strengthen the Group's services to insurance clients

**Adrian Biles, Group Chief Executive, commented:**

"This is a great set of results and I'm really proud of the hard work of my colleagues around the world. A major highlight during the year was of course the acquisition of Ince in the UK and China.

"The integration phase of Ince is now complete and I think it's noteworthy that we did not suffer any partner or client losses during and since the transaction. The opportunity to cross sell by practice area and by geography provided by Ince is huge and has allowed us to accelerate beyond this level.

"We've always been a high growth business – having delivered compound annual revenue growth of over 80% for the last five years. Looking forward, we are well-positioned for significant growth as we look to leverage our existing infrastructure through cross-selling, new client wins and further new hires, acquisitions and alliances."

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**About Gordon Dadds Group plc:**

Gordon Dadds Group plc is an acquisitive legal and professional advisory business headquartered in London with a significant back office and technology platform based in Cardiff.

The Group targets firms of all sizes and will merge the business into the Gordon Dadds brand or allow a firm to retain their identity and culture but benefit from the back-office technology platform used by Gordon Dadds, enabling the targeting of law firms seeking an alternative solution to the regulatory and investment requirements of the UK legal market.

Gordon Dadds LLP has been operating in this way since 2013, successfully integrating firms into its cost efficient platform.

Please visit [www.gordondaddsgroup.com](http://www.gordondaddsgroup.com) for more information.

## Operating Review

### Overview

The year has been another one of great progress for the Group, which, with the concluded new arrangements with Ince's overseas offices, now has annualised consolidated revenues of around £100 million.

Our strategy has been and continues to be to acquire and grow revenue through organic growth and acquisition and to administer that through a single efficient administrative operation in a low cost environment.

Our objective at admission to AIM in August 2017 was to double revenue in three years. As we approach the second anniversary, our reported revenue has already doubled and our annualised revenue is nearly four times that of two years ago.

We have the foundation for a highly profitable and fast growing business advisory group and have the structure and team to achieve this.

### Acquisition of Ince in the UK and China

The key event of the year under review was the acquisition of the highly regarded and long established business of Ince in the UK and China on 31 December 2018. This was followed by the finalisation of new arrangements with the locally owned overseas offices which has resulted in the consolidation of the results of those offices from 1 April 2019. The consideration for the acquisition of Ince overall is estimated at £21 million of which £15 million is turnover based and payable over the next three years.

These have together nearly doubled the size of the previous Gordon Dadds business in London and achieved an international footprint of established offices in seven countries.

Operationally, our integration team spent much of the third quarter of the financial year planning the implementation of the programme to merge the Gordon Dadds London office into the Ince offices. This was successfully achieved in the first weekend of 2019. The teams were therefore blended from a very early stage and have since been working together well, learning the strengths of each other's teams and how to combine and cross sell those strengths.

### Leveraging the Group's administrative operation

This year has seen a further significant step in the Group's strategy of consolidating revenues through a single efficient administrative operation to generate profits for shareholders.

The five acquisitions achieved in the 2017-8 financial year have been fully integrated into the Group. We have acquired the source code for an established practice management system and are implementing this across the Group. Advantages of the new system include a fixed payment basis rather than a per user basis and that refinements are under our control rather than by negotiation with the supplier.

The Group has a team which is experienced in negotiating, implementing and managing acquisition opportunities and considers that there will continue to be attractive opportunities to grow both the London office and the overseas offices. This can be achieved through merger and through the addition of teams and individual solicitors ("laterals") as the traditional models for legal services around the world adapt to modern ambitions. Three partners and a team of 20 staff agreed to join our Hong Kong business just before the year end. They are now in place and generating revenue which will build the profitability of the office.

There will also be opportunities for selective expansion into new territories which complement the Group's existing businesses, as demonstrated by the acquisition on 31 March 2019 of Ramparts Corporate Advisors, a Gibraltar-based legal advisory firm with a specialism in e-gaming, financial services and fintech, distributed ledger technology and cryptocurrency matters. This has added a valuable specialism to the group as well as establishing a presence in an important maritime location where Ince was not represented.

#### Branding review

In June 2019, we implemented a branding review to capitalise on the Group's established brand names. Most of Ince Gordon Dadds LLP's affiliated entities, including the international offices, will be known as Ince. This includes offices in London, Cardiff, Hamburg, Cologne, Piraeus, Gibraltar, Dubai, Singapore, Hong Kong, Shanghai and Beijing. Bringing to life Ince's broad service offering across complex disputes, transactions and projects, the new company strapline is 'In any case'. The London-based private client and family practice is now known as "Gordon Dadds" and is moving to separate offices in the West End to better serve its client base.

#### Partner recruitment and retention

Our core remuneration model for partners continues to be a key factor in our ability to recruit new partners, attract acquisition targets and generate profits for shareholders. This model focuses on professional practitioners being rewarded both for the billable work they do and for the income generated from their clients. Our basic model for partners continues to be refined to promote the behaviours we want to see and which will drive group profitability. Increasingly, we are focusing partners on the recovery of the full value of the work undertaken and the generation of gross margin from which to cover overheads and to generate profits for shareholders.

We aim to provide an environment for partners and staff which is open and transparent in which everyone can perform to the best of their abilities. This has led to a very small turnover in partners over the period and the Ince acquisition has been no different in this respect. The stability of partners and staff is, we believe, vital to the continuing satisfaction of clients and we are, therefore, unsurprised by our clients being open to using the other strengths of the Group where appropriate.

## Financial Review

### Summary

For the year ended 31 March (£m)	2019	2018	% Growth
Revenue	52.6	31.2	+68%
Operating profit	15.2	8.8	+73%
Non-controlling interests	(9.3)	(6.2)	+50%
Net finance charge / other	-	(0.1)	
<b>Adjusted profit before tax</b>	<b>5.9</b>	<b>2.5</b>	<b>+141%</b>
Non-recurring costs	(14.3)	(2.3)	
Profit before tax	(8.3)	0.2	
Income tax	(0.2)	-	
<b>Retained profit for equity holders</b>	<b>(8.6)</b>	<b>0.1</b>	

\* *Adjusted profit before tax is calculated as the profit before tax after adding back non-recurring items (as shown in note 9 to the financial statements) and after deducting the non-controlling interests shown in statutory accounts*

\*\* *Adjusted earnings per share is computed from adjusted profit before tax after deducting taxation*

The Group's consolidated results for the year ended 31 March 2019 show total revenue of £52.6 million (2018: £31.2 million), operating profit of £15.2 million (2018: £8.8 million) and adjusted profit before tax of £5.9 million (2018: £2.5 million).

### Alternative Performance Measures

The Group presents two Alternative Performance Measures ("APMs"). These APMs include adjustments for specific items in order to provide a balanced view of the underlying performance of the Group's operations.

*Adjusted profit before tax* is calculated as profit before tax after:

- adding back non-recurring items, which in 2019 included the costs of the acquisition of Ince and the material costs associated with implementing the merger of the businesses; and
- deducting partners' profit shares and other non-controlling interests as these are a cost of motivating the relevant business generators. It is one of the largest outgoings (and variable) costs of the business and is reported in the statutory accounts as part of the non-controlling interests. The reported profit metrics therefore do not provide a true reflection of the underlying profits generated by the operations and available to equity holders. The adjusted disclosure essentially treats all forms of remuneration as operating costs of the business (just as employees' costs).

*Adjusted earnings per share* is calculated by adjusting for taxation and dividing by the weighted average number of shares in issue for the period, on a diluted basis where a materially different result is produced.

The result is adjusted profit before tax and adjusted earnings per share as shown below.

	2019	2018
	£m	£m
Profit before tax from statement of comprehensive income	0.97	6.38
Deduct: Non-controlling interests including partners' profit shares	(9.31)	(6.22)
Add: Non-recurring costs - acquisition costs and material related costs	14.26	2.30
<b>Adjusted profit before tax</b>	<b>5.92</b>	<b>2.46</b>
Add/(Deduct): Taxation	(0.21)	(0.03)
<b>Adjusted profit after tax for adjusted earnings per share</b>	<b>5.71</b>	<b>2.43</b>

For management purposes we regard the profit and loss account as follows:

	2019	2018
	£m	£m
Revenue	52.6	31.3
Production costs – employment costs profit shares and amortisation	(12.0)	(8.2)
Production costs – non-controlling interests	(9.3)	(5.7)
Production costs - amortisation	(1.5)	(2.1)
Production costs – other	(4.2)	(0.9)
Gross margin	25.6	14.3
Administrative salaries and non-productive profit shares	(6.3)	(2.5)
Other overheads	(13.4)	(8.9)
Adjusted profit before tax	5.9	2.9

### Revenue

Our results have been pleasing, with the businesses acquired in 2017-8 delivering a full year's contribution. The businesses acquired last year have all performed satisfactorily during the year.

- White & Black, the fintech corporate law firm we acquired in January 2018, had a strong year with fee income of over £3m compared with £2.6m in the year before acquisition. Its increased profits will trigger the payment of £0.5 million, the maximum deferred consideration in respect of the year's earnings.
- CWE, the specialist corporate tax business acquired in October 2017, achieved increased revenue of £2.8m with profitability as expected: it is actively looking to expand its team to grow further.
- The Metcalfes' business (including Burroughs Day), the Bristol based solicitors acquired in January 2018, achieved fee income of £4.5m despite having had difficulties integrating those two businesses and retaining staff: we have taken action to capitalise on the strong brand in the local market.
- The Thomas Simon business, the Cardiff based solicitors acquired in February 2018, was immediately merged with the existing Cardiff office of Gordon Dadds in new premises and its results are no longer separately identifiable but is trading in line with our expectations.

Turnover in the year to 31 March 2019 was generated in the following sectors:

	<b>2019</b>	<b>2018</b>
Shipping, trade, aviation and insurance	16.7%	0.0%
Corporate & tax	21.8%	23.3%
Family & private client	9.4%	10.9%
Regulatory solutions	3.9%	5.9%
Dispute resolution	15.1%	24.3%
Real estate	13.9%	21.0%
Employment & immigration	3.6%	5.9%
Clinical negligence & PI	3.7%	3.8%
Financial services	2.0%	2.9%
Consulting	6.4%	2.0%
Other income including overseas recharges	3.5%	0.0%
	<b>100.0%</b>	<b>100.0%</b>

Clearly the Ince contribution in a full year will be much more significant and should reduce real estate to less than 10% of group revenues. This reduction is very welcome as the sector as a whole is highly competitive, cyclical and higher risk than most of our business. That said, we need to be able to transact property business and we remain more attracted to commercial property and developer business. Our consultancy business and in particular the financial markets consultancy has, as expected, had a very strong year with turnover of over £3m. From a standing start three years ago, this has been developed with major corporate clients and is planned to grow much further.

### Costs

Production costs are the profit shares of the equity partners and employment costs of the other fee earners together with their direct costs such as travel and direct support costs (such as dedicated secretaries) and provision for doubtful and bad debts.

Gross margin is the fees charged to clients less direct production costs and is expressed as a percentage of revenue. Gross margin is in the control of the heads of each department or business unit and the controllers are rewarded with a participation in gross margin achieved in excess of our 50% target. In the current year (and after including amortisation which will be replaced by a partners' profit share in due course) it was 48.6 per cent (2018: 45.9 per cent).

Overheads are all the other costs of running the business, such as premises, insurance, computing and telephones etc. (apart from the costs of acquisitions). In the year, overheads as a percentage of fees charged to clients were 37.4 per cent. (2017: 34.9 per cent) while our target is 30%. The target becomes more achievable the more fees are generated, so acquisitions will aid achievement of this as the duplicated overheads of acquired businesses are eliminated over a period. A number of the international offices are not operating at a satisfactory level of revenue at the moment and management is seeking to add fee earners in such offices (as we have recently achieved in Hong Kong) to improve efficiency and also to enable a broader service offering to be available to clients.

Lock up is defined as the value of trade debtors and work in progress compared with fees charged to clients, in each case excluding disbursements and VAT. This measure is under the control of the Client Care Partner for each client and they are guided and assisted in this by our revenue management team. Our current target for this is 100 days but we will work to a lower target over time. At the year end and allowing for a full year's turnover of acquired businesses, the 100 days target was achieved.

### Tax

Corporation Tax for the year ended was negligible. In the current year, we expect some further tax losses to be available for use, but it is likely that the rate of tax will move closer to the standard UK rate of Corporation Tax.

## Balance sheet and cash flow

At the end of the year, the balance sheet had net borrowings of £2.9 million (2018: net cash of £8.4 million), reflecting principally the payment of the initial consideration for Ince, the costs of the transaction and the non-recurring costs of restructuring and integration.

The acquisition of Ince gave rise to intangible assets which have been recognised in two ways – as goodwill and as client portfolio. Goodwill will be reviewed as part of a cash generating unit annually for impairment. The client portfolio value will be amortised over the three years during which the deferred consideration is being paid to the former Ince partners, a charge of some £3 million annually.

Funding for the Ince acquisition was from new banking facilities of £12.5 million, £6 million of which had been drawn as a term loan amortising from September 2019, on a five year basis, with a bullet repayment at the end of 2021. The balance of the facility is a revolving credit facility which has been drawn down since the year end and which is expected to begin reducing around the end of the financial year, subject to working capital increases arising from lateral and team hires.

The Consolidated Statement of Cash Flow shows that the group generated £6.5 million of cash flow from operations (2018: £7.9 million) after a significant build up in lock-up from Ince as none was acquired.

The Group raised £11.5 million of further equity capital early in 2019 after completing the Ince London acquisition

## Dividend

Notwithstanding the substantial non-recurring costs incurred for the acquisition of Ince and recognising the trading profitability of the group, the Directors have recommended a final dividend of 4.0p for the year compared with 4.0p in 2018, making a total of 6.0p (2018 :4.0p).

## Outlook

Our revenues for the year ending 31 March 2020 will reflect a full year of all of the businesses which are now consolidated and are thus expected to be substantially greater again than those reported now. Our ambitions and opportunities for growth are undiminished and our focus for the current year will include adding businesses or teams which will extend the group's capabilities or ensure that the established offices around the world can offer a fuller range of services while they leverage the local infrastructure we already have.

We continue to focus much attention on driving cross-selling within the Group and the acquisition of the Ince business adds to the scope for this. I am looking forward to reporting significant progress on this over the rest of the year.

We continuously examine opportunities for expansion of the Group in existing locations both by acquisition and lateral hires which will increase the intellectual capital of the business and the quality of its client and matter base. Our preference for expanding operations continues to be by acquisitions of firms with £10m or more of annual revenues, but where circumstances make sense, we will pursue smaller acquisitions and hires of teams or individuals. Geographically, we will continue to look to expand where there are synergies with existing practices, such as the Ramparts acquisition in Gibraltar.

The Group has started the year satisfactorily and I therefore look forward to reporting much progress during the year.

## Guidance

From the above, it is clear that on approaching the gross margin target of 50% and the overheads target of 30%, and allowing for non-recurring expenses, a net margin of 15% before tax to shareholders should be achievable. Management is closely focussed on delivery of this over time through growth in fee income, continuing consolidation of Group functions and the synergies arising on acquisitions.

We expect to make further progress towards all of those targets during the current year.

## Consolidated Statement of Comprehensive Income

		Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
<b>Continuing operations</b>			
Fees and commissions	5	52,576	31,238
Staff costs	6	(18,296)	(10,756)
Depreciation and amortisation		(1,665)	(2,137)
Other operating expenses		(17,406)	(9,546)
Other operating income		38	-
<b>Operating profit</b>	7	15,247	8,799
Finance income	8	218	159
Finance expense	8	(251)	(239)
Non recurring costs	9	(14,267)	(2,305)
Share of profit of associates		19	(37)
<b>Profit before income tax</b>		966	6,377
Income tax expense	10	(206)	(27)
<b>Profit and total comprehensive income for the year</b>		760	6,350
<b>Attributable to:-</b>			
Equity holders of the Company		(8,552)	127
Non-controlling interests		9,312	6,223
<b>Total comprehensive income for the year</b>		760	6,350
<b>Earnings per share</b>			
Basic earnings per share (pence)	11	(28.66)	0.55
Adjusted basic earnings per share (pence)	11	19.15	10.46
<b>Diluted earnings per share</b>			
Diluted earnings per share (pence)	11	(28.10)	0.55
Adjusted diluted earnings per share (pence)	11	18.77	10.46

The profit for the year relates to continuing operations only.

There was no other comprehensive income in the year. There is no tax on any component of other comprehensive income or expense.

The attached notes are an integral part of these consolidated financial statements.

## Statements of Financial Position

Gordon Dadds Group plc (Registered number: 03744673)

		Group 31 March 2019 £'000	Group 31 March 2018 £'000	Company 31 March 2019 £'000	Company 31 March 2018 £'000
	Note				
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	1,182	367	-	-
Intangible assets	14	53,198	27,044	-	-
Investments	15	379	267	47,191	47,191
		54,759	27,678	47,191	47,191
<b>Current assets</b>					
Trade and other receivables	16	35,222	18,411	30,223	11,445
Corporation tax		-	-	168	-
Cash and cash equivalents	17	4,759	8,948	987	52
		39,981	27,359	31,378	11,497
<b>Total assets</b>		<b>94,740</b>	<b>55,037</b>	<b>78,569</b>	<b>58,688</b>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders</b>					
Share capital	18	370	288	370	288
Share premium	19	11,192	230	11,192	230
Reverse acquisition reserve	19	(24,724)	(24,724)	-	-
Other reserves	19	48	-	2,874	2,826
Distributable reserves	19	38,787	48,489	30,543	32,411
		25,673	24,283	44,979	35,755
Non-controlling interest		5,807	4,512	-	-
<b>Total equity</b>		<b>31,480</b>	<b>28,795</b>	<b>44,979</b>	<b>35,755</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade and other payables	20	25,629	11,896	-	-
Borrowings	21	5,240	155	5,100	-
Provisions	22	1,213	-	-	-
		32,082	12,051	5,100	-
<b>Current liabilities</b>					
Trade and other payables	20	23,040	13,406	27,590	22,933
Corporation tax		245	248	-	-
Borrowings	21	2,370	372	900	-
Provisions	22	5,523	165	-	-
		31,178	14,191	28,490	22,933
<b>Total liabilities</b>		<b>63,260</b>	<b>26,242</b>	<b>33,590</b>	<b>22,933</b>
<b>Total equity and liabilities</b>		<b>94,740</b>	<b>55,037</b>	<b>78,569</b>	<b>58,688</b>

The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company. The Company recorded a loss of £718,000 for the 12 month period ending 31 March 2019.

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 24 July 2019 by C.J. Yates - Director.

The attached notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

	Group Year Ended 31 March 2019 £'000	Group Year Ended 31 March 2018 £'000	Company Year Ended 31 March 2019 £'000	Company Period Ended 31 March 2018 £'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax	966	6,377	(886)	(1,541)
<b>Adjustments for:</b>				
Finance income	(218)	(159)	-	-
Finance expense	251	239	50	-
Acquisition related costs and other material items	14,267	2,305	-	-
Depreciation, amortisation and impairment	1,665	2,137	48	-
Share of profits of associates	(19)	37	-	-
<b>Changes in operating assets and liabilities (net of acquisitions):</b>				
Decrease/(increase) in trade and other receivables	(15,589)	(1,491)	(63)	(47)
(Decrease)/increase in trade and other payables	(1,388)	(1,298)	99	91
(Decrease)/increase in provisions	6,571	(288)	-	-
<b>Cash generated by operations</b>	6,506	7,859	(752)	(1,497)
Interest and other financial costs paid	(92)	(184)	(50)	-
Income tax paid	(554)	(3)	-	-
<b>Net cash generated by operating activities</b>	5,860	7,672	(802)	(1,497)
<b>Cash flows from investing activities</b>				
Cash paid on acquisitions (net of cash acquired)	15	(6,388)	(1,741)	-
Payment of contingent and deferred consideration on acquisitions	(4,762)	(4,824)	-	-
Payment of acquisition related costs	(7,525)	(2,305)	-	-
Purchase of PPE	-	(2)	-	-
Proceeds from disposal of PPE	-	-	-	-
Purchase of intangible assets	(795)	(130)	-	-
Purchase of interest in associates	-	-	-	-
Dividends received	-	-	-	-
Interest received	218	159	-	-
<b>Net cash absorbed by investing activities</b>	(19,252)	(8,843)	-	(28,407)
<b>Cash flows from financing activities</b>				
Movement in borrowings (including finance leases)	6,969	(3,647)	6,000	-
Advances from/(to) subsidiaries	-	-	(14,157)	10,055
Proceeds from issuance of shares	11,504	19,789	11,504	20,232
Transactions costs relating to issue of shares	(460)	(862)	(460)	(862)
Dividends paid	(1,150)	-	(1,150)	-
Transactions with non-controlling interests	(7,699)	(4,725)	-	-
<b>Net cash (absorbed)/generated from financing activities</b>	9,164	10,555	1,737	29,425
Net (decrease) / increase in cash and cash equivalents	(4,228)	9,384	935	(479)
Cash and cash equivalents at beginning of period	8,948	(436)	52	531
<b>Cash and cash equivalents at end of period</b>	17	4,720	8,948	987

The attached notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Other reserves £'000	Distributable reserves £'000	Non- controlling interest £'000	Total equity £'000
Balance at 1 April 2017	572	8,240	(7,397)	-	1,914	3,941	7,270
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	-	127	6,223	6,350
Shares issued in the period	279	38,737	(18,784)	-	-	-	20,232
Shares issued for acquisition	-	-	1,457	-	-	-	1,457
Share issue transactions costs	-	(862)	-	-	-	-	(862)
Deferred shares cancelled	(563)	-	-	-	563	-	-
Share premium cancelled	-	(45,885)	-	-	45,885	-	-
Transferred to members	-	-	-	-	-	(5,652)	(5,652)
<b>Balance at 31 March 2018</b>	<b>288</b>	<b>230</b>	<b>(24,724)</b>	<b>-</b>	<b>48,489</b>	<b>4,512</b>	<b>28,795</b>
Balance at 1 April 2018	288	230	(24,724)	-	48,489	4,512	28,795
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	-	(8,552)	9,312	760
Interim dividend paid	-	-	-	-	(1,150)	-	(1,150)
Shares issued in the period	82	11,422	-	-	-	-	11,504
Share options acquired	-	-	-	48	-	-	48
Share issue transactions costs	-	(460)	-	-	-	-	(460)
Transferred to members	-	-	-	-	-	(8,017)	(8,017)
<b>Balance at 31 March 2019</b>	<b>370</b>	<b>11,192</b>	<b>(24,724)</b>	<b>48</b>	<b>38,787</b>	<b>5,807</b>	<b>31,480</b>

As both the capital redemption reserve and retained earnings are by nature distributable these items have been presented on a combined basis in the above.

The attached notes are an integral part of these consolidated financial statements.

## Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Distributable reserves £'000	Total equity £'000
Balance at 1 January 2017	572	8,240	2,826	(12,496)	(858)
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	(1,541)	(1,541)
Shares issued in the period	279	38,737	-	-	39,016
Share issue transaction costs	-	(862)	-	-	(862)
Deferred shares cancelled	(563)	-	-	563	-
Share premium cancelled	-	(45,885)	-	45,885	-
<b>Balance at 31 March 2018</b>	<b>288</b>	<b>230</b>	<b>2,826</b>	<b>32,411</b>	<b>35,755</b>
Balance at 1 April 2018	288	230	2,826	32,411	35,755
Profit/(loss) and total comprehensive income/(expense) for the period	-	-	-	(718)	(718)
Interim dividend paid	-	-	-	(1,150)	(1,150)
Shares issued in the period	82	11,422	-	-	11,504
Share options acquired	-	-	48	-	48
Share issue transactions costs	-	(460)	-	-	(460)
<b>Balance at 31 March 2019</b>	<b>370</b>	<b>11,192</b>	<b>2,874</b>	<b>30,543</b>	<b>44,979</b>

The attached notes are an integral part of these consolidated financial statements.

## Notes to the Financial Statements

### 1. GENERAL INFORMATION

Gordon Dadds Group plc (the Company) and its subsidiaries (together 'Gordon Dadds Group' or 'the Group') provide legal & professional services and independent financial advisory services to businesses and high net worth individuals in the UK.

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Aldgate Tower, 2 Leman Street, London E1 8QN.

These consolidated financial statements have been approved for issue by the Board of Directors on 24 July 2019.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These consolidated financial statements of Gordon Dadds Group plc are for the 12 month period to 31 March 2019. The financial statements have been prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis. In deciding this, the directors have considered the detailed budgets for the current financial year and high level budgets for the succeeding year including in both cases cash flows. They have also considered the impact of adverse changes resulting from the major risks and uncertainties they consider apply to the group.

The financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The policies set out below have been consistently applied to all the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and are currently effective. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group.

#### 2.2 EU adopted IFRS not yet applied

The Group has not adopted any standards or interpretations in advance of the required implementation dates.

Of the standards that have been issued but are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application, as set out in note 35.

#### 2.3 Consolidation

Subsidiaries are entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the period. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## Notes to the Financial Statements (continued)

The Company's accounting period date 31 March is in line with its subsidiaries.

### 2.4 Investments in subsidiaries

Investments in subsidiaries are included at cost less provision for impairment in value.

### 2.5 Investments in associates

Associates are those entities over which the Group has significant influence, but neither control nor joint control over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost. The financial statements include the Group's share of total comprehensive income and equity movements of associates from the date when significant influence commences to the date the significant influence ceases.

### 2.6 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. There are two geographical segments, being the United Kingdom and Asia.

The group's two business segments are described in the strategic report, being legal & professional services and independent financial advisory services. No segment reporting disclosures are required for these due to the fact that the smaller segment, financial services advisory, falls beneath the quantitative thresholds set out by IFRS 8 paragraph 13.

### 2.7 Business combinations

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3 (R), 'Business Combinations'. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. All transaction related costs are expensed in the period they are incurred as operating expenses. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in the income statement.

### 2.8 Intangible assets

Intangible assets include the cost of acquiring client portfolios. Client portfolios are carried at cost less accumulated amortisation losses and impairment losses. Amortisation of the cost is being provided for in line with the fees billed and cash collections being generated by the client portfolio acquired.

Intangible assets also include internally generated software and intellectual property, which are held at cost less subsequent amortisation and impairment. These intangible assets are amortised at rates in order to write off the assets on a straight line basis over their estimated useful lives.

The remaining amortisation period of these assets varies from 0.4 years to 7.5 years.

## Notes to the Financial Statements (continued)

### 2.9 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The company tests annually whether goodwill has suffered any impairment. The carrying value of the goodwill is dependent on the future income stream from that asset.

Goodwill recognised in a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a cash generating unit (CGU) level.

The determination of a CGU is judgemental. The identification of CGU's involves an assessment of whether the asset or group of assets generate independent cash flows.

For impairment purposes goodwill is tested annually at the CGU level. This was carried out at 31 March 2019. The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment are disclosed in note 14.

### 2.10 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised where the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### *Critical estimates and assumptions made*

In assessing the value in use of each CGU, our calculations required estimates in relation to uncertain items, including management's expectations of future growth, operating costs, profit margins, operating cash flow and the discount rate for each CGU.

Future cash flows used in the value in use calculations, are based on the latest approved financial plans extrapolated for future periods expected to benefit from the goodwill for each CGU. The future cash flows are discounted using a post-tax discount that reflects current market assessments of the time value of money.

### 2.11 Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on trade date when the group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Financial instruments are derecognised on trade date when the group is no longer a party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables and cash and cash equivalents.

Financial liabilities are included on the balance sheet as trade and other payables and borrowings.

#### (a) Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

## Notes to the Financial Statements (continued)

### (b) Trade payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

### (c) Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

## 2.12 Foreign currency translation

### (i) Functional and presentation currency

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

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

## 2.13 Property, plant and equipment

Property, plant and equipment ("PPE") is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life, as follows:

Computers, plant and machinery	3-10 years
Equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Write downs and gains and losses on disposals are included in the statement of comprehensive income.

## 2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## Notes to the Financial Statements (continued)

### 2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and company financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit/loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future employee benefits.

### 2.17 Pension obligations

The Group operates a pension scheme which is a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 2.18 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to that part of the Group for which the employee is profit responsible. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.19 Provisions

Provisions for clawback of indemnity commission, pensions review, unpaid salaries and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

## Notes to the Financial Statements (continued)

### 2.20 Revenue recognition

Revenue comprises the fair value of the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of professional services is recognised as follows:

(a) Legal & professional services

Revenue from the provision of legal and professional services is recognised over time in the accounting period in which services are rendered.

Contracts for the provision of legal and professional services may include fixed fee arrangements, variable fee arrangements based on time and materials or contingent fee arrangements.

For fixed fee arrangements, revenue is recognised based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided.

For variable fee contracts based on time and materials, revenue is recognised at the amount of fees that the Group has a right to invoice for services provided, based on the fee rates agreed with the client.

For conditional fee arrangements, fees are billed on completion depending on the outcome of the matter (e.g. Personal Injury or Clinical Negligence cases on a 'no win, no fee' basis). Revenue in respect of contingent fee assignments, over and above any agreed minimum fee, is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved. This is generally when the matter is resolved and the outcome is known.

A receivable is recognised when a bill has been invoiced as this is the point in time that the consideration is considered unconditional because only the passage of time is required before payment is due. Where income has not been billed at the reporting date, it is included in Accrued Income.

No element of financing is deemed to exist as payment is typically due within one year of the service being performed.

(b) Employee benefits and financial advisory

Revenue relating to the employee benefits and financial advisory business represents fees and life and pension commission and is recognised at a point in time. Fees are recognised when invoiced and commissions are recognised when confirmation is received from the underwriters that payment is being made to the Group. A provision is made for clawback of commission which is deducted from turnover.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.21 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### 2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

## Notes to the Financial Statements (continued)

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors. The Board identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of Convertible loan stock and non-Convertible loan stock, and investing excess liquidity.

#### (d) Credit risk

Because the Group has a wide range of clients, in different market sectors, it has no significant concentrations of credit risk. It has policies in place to ensure that if customers do not settle their accounts within the agreed terms then the transaction is cancelled minimising the credit exposure.

#### (e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

#### (f) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The interest rates of finance leases to which the Group is lessee are fixed at inception of the lease. These leases expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain approximately 33 per cent of its borrowings in fixed rate instruments. At March 2019, 100 per cent of borrowings were at fixed rates.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (g) Estimated 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 the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate.

#### (h) Other receivables

Other receivables represent unbilled amounts for client work and are measured initially at fair value and held at amortised cost less provisions for foreseeable losses based upon current observable data and historical trend.

#### (i) Impairment of receivables

Receivables are held at cost less provisions for impairment. Provisions for impairment represent an allowance for doubtful debts that is estimated, based upon current observable data and historical trend.

## Notes to the Financial Statements (continued)

### 5. REVENUE

#### Group

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major service offering:

	Legal & professional services £'000	0	11
Year ended 31 March 2019		0	100
UK	46,879	0	5179
Asia	797		9
<b>Total revenue</b>	<b>47,676</b>	<b>0</b>	<b>5256</b>
Year ended 31 March 2018			
UK	30,840		328
Asia	-		
<b>Total revenue</b>	<b>30,840</b>		<b>328</b>

### 6. STAFF COSTS

#### Group

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

	Number of employees	
	2019	2018
Fee earners	194	107
Direct support staff	69	54
Support staff	133	68
<b>Total</b>	<b>396</b>	<b>229</b>

The aggregate employment costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	15,473	9,198
Social security costs	1,740	911
Employee benefits costs	569	399
Pension costs	514	248
<b>Total staff costs</b>	<b>18,296</b>	<b>10,756</b>

#### Company

The Company has no employees (excluding directors) (2018: none); all personnel are employed by subsidiary entities.

Details of the remuneration of and transactions with directors are included in the Directors' Remuneration Report which will be set out in the full financial statements. The directors are considered to be key management personnel.

## Notes to the Financial Statements (continued)

### 7. OPERATING PROFIT

Operating profit is stated after charging:

	Group 2019 £'000	Group 2018 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	54	49
Fees payable to the company's auditor and its associates for other services:		
- audit of the accounts of subsidiaries	190	111
- audit-related assurance services	69	44
- other assurance services	73	32
- corporate finance services	141	213
Depreciation of tangible fixed assets		
- owned assets	81	8
- hire purchase	17	21
Amortisation / impairment of intangible assets:		
- turnover related	362	441
- other	1,205	1,668
Bad debt expense	1,764	858
Hire of plant and equipment	336	149
Other operating leases	1,666	1,310

## Notes to the Financial Statements (continued)

### 8. FINANCE INCOME AND EXPENSE

	Group 2019 £'000	Group 2018 £'000
<b>Finance income</b>		
Bank interest receivable	213	116
Other income	5	43
	<u>218</u>	<u>159</u>
<b>Finance expense</b>		
Bank interest payable	(95)	(2)
Hire purchase	(5)	(7)
Other loans	(84)	(183)
Other interest	(3)	8
Financial assets at fair value through profit or loss	(64)	(55)
	<u>(251)</u>	<u>(239)</u>
<b>Net finance income/(expense)</b>	<u>(33)</u>	<u>(80)</u>

### 9. NON RECURRING COSTS

Non recurring costs include acquisition related costs of £5,823,000 (2018: £382,000) and other material items related to the acquisition which will not recur of £8,444,000 (2018: £1,923,000).

Acquisition related cost represent professional fees and other costs incurred in acquisitions completed or under negotiation during the year and the equity fund raising.

Other material items represent costs incurred specifically as a result of the integration activities associated with the Ince & Co acquisition. These costs include restructuring and merging of administrative functions (such as redundancy costs, the necessary hardware and software costs to enable the merging of systems and re-branding costs. In addition, the group had certain onerous contractual costs including the costs of premises no longer being used and had to make a number of non-contractual payments to former suppliers of the Ince entities in respect of the liabilities of those entities to ensure access to continuing services.

Non recurring costs include non-audit fees payable to the Company's auditors of £336,000 (2018: £233,000).

## Notes to the Financial Statements (continued)

### 10. TAXATION

Analysis of charge in the period

	Group 2019 £'000	Group 2018 £'000
The charge for taxation comprises:		
Taxation charge for the current period	206	24
Adjustment in respect of prior periods	-	3
	206	27

(i) Factors affecting the tax charge for the period:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0 per cent (2018:19.0 per cent). The differences are explained below:

	Group 2019 £'000	Group 2018 £'000
Profit on ordinary activities before taxation	966	6,377
Less profit arising in partnerships, on which tax is payable by the members personally	(1,009)	(6,216)
Profit on ordinary activities of corporate entities before taxation	(43)	161
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19 per cent (2018 19.0 per cent)	(8)	31
Effects of:		
Impact of tax exempt items	237	37
Losses (utilised) / carried forward	(23)	(44)
Current taxation charge	206	24
Adjustment in respect of prior periods	-	3
Deferred tax charge	-	-
Total taxation charge for the period	206	27

(i) Factors that may affect future tax charges

At 31 March 2019 the Group had unrelieved tax losses of approximately £nil (2018: £19,000). The directors have not recognised a deferred tax asset in respect of these losses as it is not certain that the Group will make sufficient profits in the short term to absorb these amounts.

## Notes to the Financial Statements (continued)

### 11. EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares of the Company in issue or issued as consideration for the entities whose results are reported in the period. The number of shares and periods are as follows:

1 April 2017	12,509,623	
15 June 2017	13,417,143	Being the shares issued by the Company as consideration for the acquisition of all of the shares in issue by Culver Holdings Limited at the date of the reverse acquisition
4 August 2017	28,597,310	Being the Company's issued shares on re-admission to the AIM market of the London Stock Exchange
19 January 2018	28,759,711	Being the Company's current issued shares following new shares issued to Culver Ventures Limited loan stock holders
12 February 2019	36,976,730	Being the Company's current issued shares following new shares issued as part of an equity placing exercise

Basic earnings per share, shown on the consolidated income statement, is based on loss after tax £8,552,000 divided by 29,840,305 being the weighted average total number of ordinary shares in issue during the period.

Adjusted basic earnings per share, shown on the consolidated income statement, is based on adjusted profit before tax £5,919,000 after deducting tax of £206,000 divided by 29,840,305, being the weighted average total number of ordinary shares in issue during the period.

If the 2,392,846 share options issued on 31 December (described in note 12) were included the weighted average total number of shares for the period would be 30,436,878 which is applied in the calculation of diluted earnings per share, also shown on the consolidated income statement.

Adjusted profit before tax is calculated as follows:

	Group 2019 £'000	Group 2018 £'000
Profit before tax from statement of comprehensive income	966	6,377
Deduct: Partners profit shares shown as non-controlling interests	(9,312)	(6,223)
Add: Non-recurring expenses:		
- Acquisition related expenditure	5,823	382
- Material-related costs	8,444	-
- Flotation costs	-	1,923
Adjusted profit before tax	5,921	2,457
Deduct: Income tax	(206)	(27)
Adjusted profit after tax	5,715	2,430

## Notes to the Financial Statements (continued)

### 12. SHARE-BASED PAYMENT ARRANGEMENTS

The Group has established the Gordon Dadds Group Share Option Plan 2017 (“Plan”) for the grant of share options to certain eligible employees to acquire shares in the capital of the Company in order to reward such eligible employees for their contribution to the Company’s success and to provide an incentive going forward.

As part of the consideration for the acquisition of the members’ interests of Ince & Co LLP, the members of Ince & Co LLP were collectively granted 2,392,846 ordinary shares of 1p each in the Group as part of the Plan on 31 December 2018. The options have a vesting period of 3 years from issue and a contractual life of 10 years.

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market conditions attached to the arrangements were not taken in to account measuring fair value.

The inputs used in measurement of the fair values at grant date of the shares were as follows:

Fair value	£0.24
Share price	£1.79
Exercise price	£1.40
Risk-free interest rate (based on government bonds)	0.59%
Expected volatility (weighted-average)	1.14%
Dividend yield	3.35%
Expected life (weighted-average)	3 years

Notes to the Financial Statements (continued)

13. PROPERTY, PLANT AND EQUIPMENT ("PPE")

Group

	Land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2018	230	223	453
Acquisition of subsidiary (note 15)	-	914	914
Additions	-	-	-
Balance at 31 March 2019	230	1,137	1,367
<b>Depreciation</b>			
Balance at 1 April 2018	-	86	86
Charge for the period	-	99	99
Balance at 31 March 2019	-	185	185
<b>Carrying value</b>			
At 31 March 2018	230	137	367
At 31 March 2019	230	952	1,182

Included in the carrying value of PPE is £nil (2018: £17,000) of assets held by the Group under hire purchase or finance leases. The depreciation charge for the period for these assets was £17,000 (2018: £21,000).

The figures for the previous period are as follows:-

	Land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 April 2017	-	95	95
Acquisition of subsidiary	230	126	356
Additions	-	2	2
Balance at 31 March 2018	230	223	453
<b>Depreciation</b>			
Balance at 1 April 2017	-	57	57
Charge for the period	-	29	29
Balance at 31 March 2018	-	86	86
<b>Carrying value</b>			
At 31 March 2017	-	38	38
At 31 March 2018	230	137	367

Company

There are no PPE assets held by the Company (2018: None).

## Notes to the Financial Statements (continued)

### 14. INTANGIBLE ASSETS

#### Group

	Goodwill £'000	Client portfolio £'000	Internally generated software £'000	Intellectual property £'000	Total £'000
<b>Cost</b>					
Balance at 1 April 2018	24,150	7,719	453	189	32,511
Acquisition of subsidiary	17,642	9,000	-	-	26,642
Additions	279	-	795	-	10,074
Reassessment of fair value	4	-	-	-	4
Eliminated on disposal	-	-	-	-	-
Balance at 31 March 2019	42,075	16,719	1,248	189	60,231
<b>Amortisation and impairment</b>					
Balance at 1 April 2018	-	5,336	103	28	5,467
Charge for the period	-	1,482	65	19	1,566
Eliminated on disposal	-	-	-	-	-
Balance at 31 March 2019	-	6,818	168	47	7,033
<b>Carrying value</b>					
At 31 March 2018	24,150	2,383	350	161	27,044
At 31 March 2019	42,075	9,901	1,080	142	53,198

Client portfolio represents the acquisition of the business and certain assets from other professional services firms. The client portfolio intangible asset is carried at cost less accumulated amortisation. Amortisation is provided for in line with the fees billed and cash collections generated by the client portfolio acquired.

Internally generated software includes £1,248,000 (2018: £453,000) of development costs relating to development of software applications. The directors have considered the carrying value of internally generated software of £1,080,000 (2018: £350,000) as appropriate as it is expected to create future economic benefit.

Intellectual property includes £142,000 (2018: £161,000) of intellectual property acquired on the acquisition of certain assets and liabilities of Prolegal Limited from its administrator.

## Notes to the Financial Statements (continued)

The Intangible assets of the group for the prior year were as follows:-

	Goodwill £'000	Client portfolio £'000	Internally generated software £'000	Intellectual property £'000	Total £'000
<b>Cost</b>					
Balance at 1 April 2017	6,734	8,014	323	189	15,260
Acquisition of subsidiary	17,334	-	-	-	17,334
Additions	-	-	130	-	130
Reassessment of fair value	82	-	-	-	82
Eliminated on disposal	-	(295)	-	-	(295)
Balance at 31 March 2018	24,150	7,719	453	189	32,511
<b>Amortisation and impairment</b>					
Balance at 1 April 2017	-	3,583	38	-	3,621
Charge for the period	-	2,016	65	28	2,109
Eliminated on disposal	-	(263)	-	-	(263)
Balance at 31 March 2018	-	5,336	103	28	5,467
<b>Carrying value</b>					
At 31 March 2017	6,734	4,431	285	189	11,639
At 31 March 2018	24,150	2,383	350	161	27,044

## Notes to the Financial Statements (continued)

### Goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination and is analysed below.

	Consulting and Technology £'000	Culver Financial Services £'000	Personal Injury Legal Services £'000	GDLLP Legal Services £'000	Alen Buckley £'000
<b>Cost</b>					
At 1 April 2018	1,751	4,185	5,313	3,103	1,329
Acquisitions	-	-	-	-	-
Additions	279	-	-	-	-
Reassessment of fair value	-	-	4	-	-
At 31 March 2019	2,030	4,185	5,317	3,103	1,329
<b>Impairment</b>					
At 1 April 2018 and 31 March 2019	-	-	-	-	-
<b>Carrying value</b>					
At 31 March 2018	1,751	4,185	5,313	3,103	1,329
At 31 March 2019	2,030	4,185	5,317	3,103	1,329
	CW Energy £'000	White & Black £'000	Ince & Co LLP £'000	RCAL £'000	Total Goodwill £'000
<b>Cost</b>					
At 1 April 2018	6,464	2,005	-	-	24,150
Acquisitions	-	-	16,544	1,098	17,642
Additions	-	-	-	-	279
Reassessment of fair value	-	-	-	-	4
At 31 March 2019	6,464	2,005	16,544	1,098	42,075
<b>Impairment</b>					
At 1 April 2018 and 31 March 2019	-	-	-	-	-
<b>Carrying value</b>					
At 31 March 2018	6,464	2,005	-	-	24,150
At 31 March 2019	6,464	2,005	16,544	1,098	42,075

An annual goodwill impairment review was performed. The CGU's represent the smallest identifiable groups of assets that generate cash flows, and to which goodwill is allocated.

The value in use of each CGU is determined using cash flow projections derived from financial plans. This reflects management's expectations of future revenue growth, operating costs and cost reductions due to synergies, profit margins, operating cash flows based on past performance and future expectations of business performance. The cash flows have then been extended for a minimum of five years (held flat for years three, four, five and to a maximum of ten years). Estimated taxation has been deducted calculated at the estimated applicable corporation tax rate, of 19% for the next two years and 17% for the years thereafter, in line with current HMRC guidance.

In respect of the above, income budgets are based on historic results adjusted for experience and capacity level of fee earning staff and known changes in circumstances. These are reviewed with the heads of department for each fee earning area. Average annual growth rate of 5.04% is based on past performance and management expectations.

Costs are largely fixed staff and establishment costs and are forecast based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

The future cash flows have been discounted using a post-tax discount rate of 5%.

## Notes to the Financial Statements (continued)

The two year financial plans include growth rates for each CGU based on the individual market assessment for each CGU. Other than for the Consulting and Technology CGU for which includes an estimated growth rate of 10%, the other CGU's do not include any estimated any growth rates beyond the two years.

### Company

There are no intangible assets held by the company (2018: None).

## 15. INVESTMENTS

The carrying value of investments held by the group and company were as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Shares in group undertakings	-	-	47,191	47,191
Interest in associates	379	267	-	-
	379	267	47,191	47,191

### 15.1 Shares in group undertakings

#### Company

	Shares in Group Undertakings £'000
<b>Cost</b>	
Balance at 1 April 2018	50,709
Additions	-
Balance at 31 March 2019	50,709
<b>Impairment and provisions</b>	
Balance at 1 April 2018	3,518
Impairment	-
Balance at 31 March 2019	3,518
<b>Carrying value</b>	
At 31 March 2018	47,191
At 31 March 2019	47,191

On 31 March 2019, Gordon Dadds Group plc held a significant interest in or has significant influence over the following subsidiary undertakings which are incorporated and operate in England and Wales and are included in the consolidated financial statements.

UK Companies	Principal activity	% of holding	Class of capital
Culver Holdings Limited	Intermediate holding company	100%	Ordinary shares
Gordon Dadds Corporate Finance Limited	Intermediate holding company	100%	Ordinary shares
Culver Financial Management Limited	Independent financial advisor	100%	Ordinary shares
Hanover Financial Management Limited	Independent financial advisor	100%	Ordinary shares
GD Employee Benefits Limited	Independent financial advisor	100%	Ordinary shares
Ince Gordon Dadds Services Limited	Management services	100%	Ordinary shares
Hanover Pensions Limited	Professional services	100%	Ordinary shares
Gordon Dadds Group Solicitors Limited	Legal services	100%	Ordinary shares
GDGS (Alen-Buckley) Limited	Legal services	100%	Ordinary shares
GDGS (Metcalfes) Limited	Legal services	100%	Ordinary shares
Allium Law Limited	Legal services	100%	Ordinary shares
White & Black Limited	Legal services	100%	Ordinary shares
e.Legal Technology Solutions Limited	IT services	60%	Ordinary shares
Gordon Dadds Professional Services Limited	Professional services	100%	Ordinary shares
Gordon Dadds Corporate Services Limited	Corporate services	100%	Ordinary shares
Gordon Dadds Talent Services Limited	Professional services	100%	Ordinary shares
Ince Process Agents Limited	Legal services	100%	Ordinary shares

UK Limited Liability Partnerships	Principal activity	Interest held		
Ince Gordon Dadds Holdings LLP	Intermediate holding LLP	100% interest as a designated member		
Ince Gordon Dadds LLP	Legal services	100% interest as a designated member		
Gordon Dadds GP LLP	Legal services	Effective control due to significant influence		
Metcalfes Solicitors LLP	Legal services	100% interest as a designated member		
White & Black Legal LLP	Legal services	100% interest as a designated member		
Ince Gordon Dadds AP LLP	Professional services	Effective control due to significant influence		
Gordon Dadds CP LLP	Professional services	Effective control due to significant influence		
CW Energy LLP	Professional services	100% interest as a designated member		
IGD International LLP	Professional services	100% interest as a designated member		
GD Financial Markets LLP	Professional services	Effective control due to significant influence		
Ince Consulting Germany LLP	Professional services	Effective control due to significant influence		
Overseas Companies	Principal activity	Location	% of holding	Class of capital
Ramparts Corporate Advisors Limited	Legal services	Gibraltar	100%	Ordinary shares
Penlee Legal Investments Limited	Professional services	Guernsey	100%	Ordinary shares

## 15.2 Business combinations and acquisitions

The details set out below provide the information required under IFRS 3 'Business Combinations' for the acquisitions that occurred during the year ended 31 March 2019.

The total amount of revenue and associated profit derived from acquired entities in the year was £7,892,000 and £3,811,000. An estimate of the annualised revenue and associated profit (based on pro-rated figures) had the acquisitions occurred at the start of the year is £33,002,000 and £6,343,000.

### Ince & Co LLP

On 31st December 2018, the Group acquired the members' interests in Ince & Co LLP (now renamed) and then the files and matters of that firm and its service company Ince & Co. Services Limited (also renamed) for those entities' administrators. Ince & Co LLP was a global specialist in shipping and commercial law, focussed on shipping, insurance, energy and aviation.

Initial consideration of £6,350,000 was paid in cash to repay partners' capital loans. Contingent consideration based on turnover achieved during the years 2019, 2020 and 2021 of £15,002,000 is estimated to be payable in cash over this period. Goodwill of £16,544,000 was recognised in accounting for the acquisition. This goodwill essentially represents the on-going commitment of the selling members to the enlarged group and the well established reputation of the Ince entities in their specialist markets.

### Ramparts Corporate Advisors Limited

On 29<sup>th</sup> March 2019, the Group acquired 100% of the issued share capital of Ramparts Corporate Advisors Limited, a Gibraltar-based international finance and technology practice with a particular specialism in the online gaming and electronic payments industries.

Initial consideration was £342,000 and goodwill of £1,098,000 was recognised in accounting for the acquisition.

## Notes to the Financial Statements (continued)

### 15.2.1 Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities at the date of acquisition were as follows:

	Ince & Co LLP	Ramparts Corporate Advisors Limited	Total Acquisitions
	£'000	£'000	£'000
Property, plant and equipment	877	38	915
Intangible asset	9,000	-	9,000
Trade and other receivables	1,064	255	1,319
Cash and cash equivalents	177	127	304
Trade and other payables	(4,023)	(238)	(4,261)
Provisions	(2,287)	-	(2,287)
<b>Net identifiable assets and liabilities</b>	<b>4,808</b>	<b>182</b>	<b>4,990</b>
Goodwill	16,544	1,098	17,642
Non-controlling interest in the recognised amounts of identifiable assets and liabilities	-	-	-
<b>Total consideration</b>	<b>21,352</b>	<b>1,280</b>	<b>22,632</b>
Satisfied by:			
Cash	6,350	342	6,692
Equity instruments	-	-	-
Contingent consideration	15,002	938	15,940
<b>Total consideration transferred</b>	<b>21,352</b>	<b>1,280</b>	<b>22,632</b>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration	6,350	342	6,692
Less: cash and cash equivalent balances acquired	(177)	(127)	(304)
	<b>6,173</b>	<b>215</b>	<b>6,388</b>

## Notes to the Financial Statements (continued)

### 15.3 Interests in associates

#### Group

	2019	2018
	£'000	£'000
Cost of investment in associates	390	297
Share of post-acquisition profit net of dividends received	(11)	(30)
Carrying value of interests in associates	379	267

The Group holds 100% of the New Series C Shares, representing 30% of the total share capital of James Stocks & Co Limited, a professional services firm who specialise in corporate finance and strategic advice. James Stock & Co Limited was incorporated and operates in England and Wales.

Summarised financial information in respect of James Stocks & Co Limited is set out below:

	2019	2018
	£'000	£'000
Net profit/(loss)	77	(104)
Net assets	148	8

### 16. TRADE AND OTHER RECEIVABLES

	Group	Group	Company	Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade receivables	17,229	10,605	-	13
Accrued income	5,591	3,514	-	-
Other receivables	8,570	2,043	153	46
Amounts due from subsidiaries	-	-	30,045	11,330
Prepayments	3,832	2,249	25	56
	35,222	18,411	30,223	11,445

Trade receivables are stated including £2,868,000 of VAT and £1,998,000 of disbursements.

### 17. CASH AND CASH EQUIVALENTS

	Group	Group	Company	Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash in hand and at banks	4,759	8,948	987	52
Total	4,759	8,948	987	52

Cash and cash equivalents include the following:-

Cash as above	4,759	8,948	987	52
Bank overdrafts	(39)	-	-	-
Total	4,720	8,948	987	52

## Notes to the Financial Statements (continued)

### 18. SHARE CAPITAL

		2019	2019	2018
	%	Number	£'000	£'000
<b>Authorised</b>				
Ordinary shares of 1p each	100.0%	36,976,730	370	288
			370	288
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	100.0%	36,976,730	370	288
			370	288

Ordinary shares rank equally as regards to dividends, other distributions and return on capital. Each ordinary share carries the right to one vote.

On 12th February 2019, 8,217,019 ordinary shares were issued at 140p per share, with a nominal value of 1p per share:

	2019	2018
	Number	£'000
<i>Ordinary shares of 1p each</i>		
At 1 April	28,759,711	288
Shares issued during the year	8,217,019	82
At 31 March	36,976,730	370

Details of share options issued in the year are set out in note 12.

### 19. RESERVES

Share premium represents the difference between the amount received and the par value of shares issued less transaction costs.

On 17th January 2018, the share premium account of Gordon Dadds Group plc was cancelled and credited to a capital redemption reserve. As this capital redemption reserve represents a distributable reserve it has been combined with retained earnings, which represents the cumulative profits or losses net of dividends paid and other adjustments.

The reverse acquisition reserve has arisen under IFRS3 'Business Combinations' following the acquisition of the Gordon Dadds Group.

Other reserves represents the impact of the valuation of share options issued in the year, details of which are set out in note 12.

Notes to the Financial Statements (continued)

20. TRADE AND OTHER PAYABLES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
<b>Current:</b>				
Trade payables	7,666	3,377	289	133
Amounts due to subsidiaries	-	-	27,187	22,629
Other taxes and social security	2,436	1,854	12	31
Other payables	1,344	1,493	1	24
Deferred consideration	7,436	5,407	-	-
Accruals	4,158	1,275	101	116
	<b>23,040</b>	<b>13,406</b>	<b>27,590</b>	<b>22,933</b>
<b>Non-current:</b>				
Deferred consideration	21,607	11,896	-	-
Accruals	4,022	-	-	-
	<b>25,629</b>	<b>11,896</b>		
<b>Total</b>	<b>48,669</b>	<b>25,302</b>	<b>27,590</b>	<b>22,933</b>

Deferred consideration relates to business combinations and the purchase of client lists and relationships.

## Notes to the Financial Statements (continued)

### 21. BORROWINGS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank overdrafts	39	-	-	-
Bank loans	6,000	66	6,000	-
Loan stock	-	-	-	-
Other loans	1,542	420	-	-
Obligations under hire purchase and lease contracts	29	41	-	-
<b>Total borrowings</b>	<b>7,610</b>	<b>527</b>	<b>6,000</b>	<b>-</b>
Current	2,370	372	900	-
Non-current	5,240	155	5,100	-
<b>Total</b>	<b>7,610</b>	<b>527</b>	<b>6,000</b>	<b>-</b>

The Group has a secured bank loan with Barclays Bank Plc with a carrying value of £6,000,000 at 31 March 2019 (2018: £nil). The loan was entered into on 31 December 2018, has a term of three years (to be repaid in quarterly installments commencing in September 2019) and carries interest at LIBOR + 2.25% per annum. A £6.5m revolving credit facility was also entered into with Barclays Bank plc at 31 December 2018, but was not drawn at 31 March 2019. The loan and the revolving credit facility are both secured against certain entities within the Group and are subject to covenants which are assessed each quarter (no current or forecast breaches have been identified).

Other loans of £1,542,000 (2018: £420,000) are unsecured and carry interest at between 3.0 per cent and 10 per cent per annum. Other loans are repayable within 12 months, except non-current other loans of £126,000 which has a maturity of 1-3 years.

Minimum lease payments under hire purchase and lease contract fall due as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Gross obligations repayable:				
Within one year	17	17	-	-
Between 2-5 years	15	32	-	-
	<b>32</b>	<b>49</b>	<b>-</b>	<b>-</b>
Finance charges repayable:				
Within one year	2	5	-	-
Between 2-5 years	1	3	-	-
	<b>3</b>	<b>8</b>	<b>-</b>	<b>-</b>
Net obligations repayable:				
Within one year	15	12	-	-
Between 2-5 years	14	29	-	-
	<b>29</b>	<b>41</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements (continued)

### 22. PROVISIONS

#### Group

	Provisions for onerous property leases and employment contracts £'000	Other provisions £'000	Total £'000
Balance at 1 April 2017	-	423	423
Provisions made	-	116	116
Utilised during the year	-	(119)	(119)
Amounts released	-	(255)	(255)
Balance at 31 March 2018	-	165	165
Provisions made	2,649	4,303	6,952
Utilised during the year	(369)	(12)	(381)
Amounts released	-	-	-
Balance at 31 March 2019	2,280	4,456	6,736
Current	1,083	4,440	5,523
Non-current	1,197	16	1,213

Provisions categorised as current liabilities represent provisions for liabilities which have the possibility of being settled within one year.

Provisions for onerous property leases and employment contracts relate to rental costs for the Group's prior head office and agreed contractual employment arrangements for a former Ince & Co employee.

Other provisions include legacy liabilities inherited with the Ince & Co acquisition of £2,287,000 (2018: £Nil), refurbishment costs for the Group's head office of £1,357,000 (2018: £Nil), and uninsured excess on potential claims of £675,000 (2018: £145,000).

### 23. COMMITMENTS

At 31 March 2019 the Group's total commitments under non-cancellable operating leases, together with the obligations by maturity, were as follows:

	2019 Land and Buildings £'000	2019 Other assets £'000	2018 Land and Buildings £'000	2018 Other assets £'000
Within one year	2,228	106	1,543	123
Between 2-5 years	4,204	228	1,639	254
More than five years	603	33	430	-
Total	7,035	367	3,612	377

At 31 March 2019 the Group had capital commitments of £Nil (2018: £Nil) contracted but not provided for in these financial statements.

### 24. PENSIONS

The Group participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in a fund administered by Carey Pensions UK. Contributions from employers and employees totalling £226,000 (2018: £39,000) were payable to the fund at the year end and are included in payables.

### 25. ULTIMATE CONTROLLING PARTY

Gordon Dadds Group plc is owned by its shareholders and there is no ultimate controlling party.

## Notes to the Financial Statements (continued)

### 26. RELATED PARTY TRANSACTIONS

#### Group

In addition to the transactions disclosed in the Directors' Remuneration Report the Group has entered into the following transactions with related parties:-

The Group occupies office accommodation at Llanmaes, St Fagans, Cardiff under arrangements with Juratone Limited, a company of which A J Biles is a director. Rent and service charges of £202,000 (2018: £180,000) were charged during the year under these arrangements and the Group charged Juratone amounts of £13,000 (2018: £Nil). At the balance sheet date an amount due to Juratone Limited of £Nil (2018:£nil) is included in payables and an amount due from Juratone Limited of £78,000 (2018:£44,000) is included in receivables.

A J Biles is a designated LLP member of ACR Professional Services LLP. Professional services of £131,940 (2018: £212,500) were charged from ACR Professional Services LLP to the Group during the year. At the balance sheet date the Group was owed £163,000 (2018: £64,000) from ACR Professional Services LLP.

The Group charged fees and reimbursed expenses of £724,000 (2018: £724,000) to e.Legal Technology Solutions Limited during the year. The Group were charged fees and reimbursed expenses of £1,353,000 (2018: £1,353,000) by e.Legal Technology Solutions Limited during the year. At the balance sheet date the Group was owed £27,000 (2018: £259,000) from e.Legal Technology Solutions Limited.

The Group charged Stann Marine Limited, a company in which a Designated member of Ince Gordon Dadds AP LLP is a Director, fees under a management agreement totalling £127,000 (2018: £Nil).

The Group charged fees to associate company James Stocks & Co Limited of £37,000 (2018: £71,000) and were charged fees of £Nil (2018: £1,500) during the year. At the balance sheet date the Group was owed £Nil (2018:£12,000) from James Stocks & Co Limited.

#### Company

In addition to the transactions disclosed in the Directors' Remuneration Report the Company has entered into the following transactions with related parties:-

The Company charged reimbursed expenses of £177,000 (2018:£13,000) to subsidiary undertakings during the year. At the balance sheet date an amount due from subsidiary undertakings of £Nil (2018:£13,000) is included in trade receivables.

The Company was charged fees and reimbursed expenses of £76,000 (2018:£89,000) by subsidiary undertakings during the year. At the balance sheet date an amount due to subsidiary undertakings of £Nil (2018:£44,000) is included in trade payables.

## Notes to the Financial Statements (continued)

### 27. FINANCIAL RISK MANAGEMENT

The company's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group and the Company against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

#### Fair value of financial instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, including sums due from subsidiaries and Loan Stock, bank and other loans, obligations under hire purchase and lease contracts and trade and other payables. In the directors' opinion the carrying value of the financial instruments approximates their fair value.

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
<b>Loans and receivables:</b>					
Trade receivables	16	17,229	10,605	-	13
Accrued income	16	5,591	3,514	-	-
Cash and cash equivalents	17	4,759	8,948	987	52
Other receivables	16	8,570	2,043	153	46
Amounts due from subsidiaries	16	-	-	30,045	11,330
<b>Total financial assets</b>		<b>36,149</b>	<b>25,110</b>	<b>31,185</b>	<b>11,441</b>
<b>Financial liabilities measured at amortised cost:</b>					
Borrowings	21	7,610	527	6,000	-
Trade payables	20	7,666	3,377	289	133
Other payables	20	1,344	1,493	1	24
Deferred consideration	20	29,043	17,303	-	-
Amounts due to subsidiaries	20	-	-	27,187	22,629
<b>Total financial liabilities</b>		<b>45,663</b>	<b>22,700</b>	<b>33,477</b>	<b>22,786</b>
<b>Total financial instruments</b>		<b>(9,514)</b>	<b>2,410</b>	<b>(2,292)</b>	<b>(11,345)</b>

## Notes to the Financial Statements (continued)

### 28. CREDIT RISK

Customers are assessed for credit worthiness and credit limits are also imposed on customers and reviewed regularly. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in the notes.

The Group holds no collateral or other credit enhancements. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts. It is management's opinion that no further provision for doubtful debts is required.

Cash and cash equivalents are invested with banks with a credit rating of no less than A-1.4

Analysis of trade receivables:

	30 days or less £'000	Between 31 and 60 days £'000	Between 61 and 90 days £'000	Between 90 and 180 days £'000	Over 180 days £'000	<b>Total gross £'000</b>	Bad debt provision £'000	<b>Total carrying amount £'000</b>
<b>2019</b>	10,435	2,889	1,605	2,280	5,351	22,560	(5,351)	17,209
<b>2018</b>	7,496	883	633	1,593	2,666	13,271	(2,666)	10,605

The Group allows an average trade receivables payment period of 30 days after invoice date. It is the group's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability the group takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts between 31 and 180 days not being provided for unless individual circumstances indicate that a debt is impaired. Receivables over 180 days are provided for, except in circumstances where the group has security in respect of the debt or has other arrangements which satisfy the group that the debtor is in a position to pay and is intending to pay but is stopped until an event occurs (such as the grant of probate).

The directors have considered whether there is an overall change in the economic environment which changes the expected lifetime credit loss on its trade debtors and consider that the existing policy does not need varying at this year end.

Trade receivables that are neither impaired nor past due are made up of 1,429 receivables' balances (2018: 1,468). The largest individual debtor corresponds to 0.7% (2018: 1.4%) of the total balance. Historically these receivables have always paid balances when due. The average age of these receivables is 121 days (2018: 124 days). No receivables' balances have been renegotiated during the year or in the prior year.

The group individually impaired no net balances (2018: £Nil). The group does not hold any collateral over any balances.

## Notes to the Financial Statements (continued)

### 29. INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. Our interest rate liability risk arises primarily from borrowings issued at floating interest rates which exposes the group to cash flow interest rate risk. It is the group's policy to settle trade payables within the credit terms allowed and the group does therefore not incur interest on overdue balances. Borrowings are sourced from local financial markets, covering short and long-term funding. The group manages interest rate risk on borrowings by ensuring access to diverse sources of funding and reducing risks of refinancing by establishing and managing borrowings in accordance with target maturity profiles.

Interest rate exposure and sensitivity analysis:

Given the short term nature of the group and company's financial assets and liabilities no sensitivity analysis has been prepared as the impact on the financial statements would not be significant.

### 30. FOREIGN CURRENCY RISK

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. In previous years the group was exposed to foreign currency risk as a result of transactions denominated in US Dollars and Euros. The group maintained bank accounts in US dollars and Euros and converted these to Sterling at appropriate times minimising the exposure to exchange fluctuations. The Chinese branches acquired as part of the Ince & Co acquisition also trade and report in Renminbi. At the balance sheet date the net monetary assets of the group denominated in foreign currencies translated into Sterling totalled £134,000 (2018: £Nil). No amounts were recognised directly in equity during the year or the prior year.

### 31. LIQUIDITY RISK

The group seeks to maintain sufficient cash balances.

Management reviews cash flow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The average creditor payment period is 160 days (2018: 129 days).

Trade and other payables and amounts due to subsidiaries are due within 12 months, the maturity of financial liabilities is set out below.

The following table sets out the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Total contractual cash flows £'000
<b>31 March 2019</b>					
Variable interest bearing	-	900	1,200	3,900	6,000
Fixed interest rate instruments	516	901	63	63	1543
Finance leases	4	13	12	-	29
	520	1,814	1,275	3,963	7,572
<b>31 March 2018</b>					
Fixed interest rate instruments	113	247	63	63	486
Finance leases	4	13	17	7	41
	117	260	80	70	527

Interest bearing financial liabilities carry interest at between 3.0 per cent and 10 per cent per annum.

The group has also access to financing facilities of £6,750,000 (2018: £600,000) as described below.

## Notes to the Financial Statements (continued)

Unsecured bank overdraft facility (£250,000 of which £38,000 was drawn down at 31 March 2019), reviewed annually and payable at call, and a revolving credit facility (£6,500,000), described in note 21:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Amount used	38	-	-	-
Amount unused	6,712	600	6,500	-
	6,750	600	6,500	-

### 32. CAPITAL MANAGEMENT

The company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity.

#### Debt-to-adjusted capital ratios

The debt adjusted capital ratios at 31 March 2019 were as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Total debt	7,610	527	6,000	-
Less: cash and cash equivalents	(4,759)	(8,948)	(987)	(52)
Net debt	2,851	-	5,013	-
Total equity	31,480	28,795	44,979	35,755
Add: subordinated debt instruments	-	-	-	-
Adjusted capital	31,480	28,795	44,979	35,755
Debt-to-adjusted capital ratio	1:11.0	n/a	10	n/a

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group 2018 £'000	Cash flows £'000	Non-cash changes		Group 2019 £'000
			Acquisitions £'000	Other £'000	
Borrowings due after 1 year	126	5,100	-	-	5,226
Borrowings due within 1 year	360	1,995	-	-	2,355
Finance leases due after 1 year	29	-	-	(15)	14
Finance leases due within 1 year	12	(12)	-	15	15
	527	7,083	-	-	7,610

## Notes to the Financial Statements (continued)

### 34. SUBSEQUENT EVENTS

#### Ince & Co international entities

With effect from 1 April 2019 the Group gained control over the following Ince overseas network entities:

- Ince & Co (Hong Kong)
- Ince & Co Singapore LLP
- Ince & Co Middle East LLP
- Herring, Parry, Khan Law Office
- Ince & Co Germany LLP

Until 31 December 2018 these entities were subsidiaries of Ince & Co International LLP (now in administration and renamed). With effect from 1 April 2019, revised arrangements were agreed with these entities which gave the group significant influence over them without any ownership interest.

As part of the new arrangements concluded with effect from 1 April 2019, the Group has agreed to make payments to the partners of those entities depending on the levels of revenue achieved in the three year period ending 31 December 2021. Based on revenue expectations, the group currently estimates that these payments will amount in aggregate to £12 million over the three years.

Control over these entities brings together the entities with the business of Ince & Co LLP in the UK and mainland China.

The estimated revenue for the year ended 30 April 2018 (the previous year end of those businesses) attributable to the partners who continue in the businesses was in aggregate £23 million.

Balance sheets at 31 March 2019 are being prepared for these businesses and will form the basis for the initial valuation of the fair value of assets and liabilities for the consolidation of these businesses and thus the computation of goodwill and these valuations are not yet complete so are not disclosed.

#### Ramparts Corporate Services Limited

On 7 June 2019, the group completed the acquisition of the whole of the issued share capital of Ramparts Corporate Services Limited pursuant to an agreement dated 31 March 2019 upon satisfaction of the condition requiring consent by the Gibraltar Financial Services Commission. This is not considered material for detailed disclosure.

### 35. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group is required to adopt IFRS 16 Leases from 1 April 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 April 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group will recognise new assets and liabilities for its operating leases of property, plant and equipment. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise lease assets and lease liabilities of £9.2m as at 1 April 2019.