Gateley (Holdings) Plc

Full Year Results for the year ended 30 April 2016

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For Immediate Release **19 July 2016**

Gateley (Holdings) Plc

("Gateley" or the "Group")

Full Year Results for the year ended 30 April 2016

"Strong trading performance"

Gateley (AIM:GTLY), a leading national full-service commercial law firm, reports its audited full year results for the year ended 30 April 2016, which constitutes the Group's maiden annual results as a Plc following admission of the Group to trading on AIM on 8 June 2015. The comparative period results represent the LLP's results for year ended 30 April 2015 on a pro-forma basis.*

Financial Highlights

- Revenue increased 10.2% to £67.1m (2015: £60.9m)
- Adjusted EBITDA** increased 13.3% to £12.8m (pro-forma 2015: £11.3m)
- Profit before tax increased 12.2% to £11.0m (pro-forma 2015: £9.8m)
- Basic EPS increased 5.7% to 8.18p (pro-forma 2015: 7.74p)
- Proposed total year dividend of 5.639p (being 1.895p paid Interim dividend and 3.764p proposed final dividend) (pro-forma 2015: 5.15p)
- Cash held at the period end increased from £2.7m to £9.8m, whilst net cash flow from operating activities was strong at 122% of profit after tax before one off transitional changes

* Pro-forma comparative results are being used within this announcement to reflect the position of our previous LLP group structure as if the current Plc group structure had been in place during the prior year

** Adjusted and pro-forma EBITDA excludes income or expenses that relate to non-underlying items

Operational Highlights

- Successful IPO in June 2015 raised £30m
- Acquisition of Gateley Capitus Limited (including the appointment of three director shareholders)
- Opened new office in Reading (including the appointment of four partners to date)
- Utilisation of fee generating staff 89% (April 2015: 85%)
- 12 new lateral partner hires since 1 May 2015. Four internal promotions to partner together with 18 fee earner promotions on 1 May 2016
- Staff numbers increased 5.3% from 606 to 638
- Advised on 212 (2015: 237) corporate deals with an aggregate value in excess of £1.76bn (2015:

£1.6bn)

- Strong balance sheet, strong cash generation and new long term bank facilities provide a robust platform for growth and a smooth transition from the previous LLP to the new Plc corporate structure

Michael Ward, CEO of Gateley, commented:
"I am pleased to report that the Group has performed well in its first year as a public company. In a market that continues to be challenging the Board has remained focused on the execution of our stated strategy of long term organic and acquisitive growth. The Group has made excellent progress since our successful AIM admission, all of which has been made possible by the positive reaction to our flotation by our diversified client base and excellent staff.

Trading in the second half of the financial year ended 30 April 2016 was robust and we are pleased to report that trading in the first two months of the current financial year has been encouraging. We are confident that our business is well balanced and resilient and we remain focused on delivering another year of growth in our core services, whilst continuing to look for complementary acquisitions."

Enquiries:

Gateley (Holdings) Plc	
Nick Smith, Acquisitions Director and Head of Investor Relations	+44 20 7653 1665
Kathryn Hobbs, Interim Head of Communications	+44 121 234 0084
Cantor Fitzgerald Europe - Nominated adviser and broker	+44 20 7894 7000
David Foreman, Philip Davies, Michael Reynolds (Corporate Finance)	
Caspar Shand Kydd, Mark Westcott (Sales)	
Buchanan - Financial PR adviser	+44 20 7466 5000
Henry Harrison-Topham, Mark Edwards, Jamie Hooper, Jane Glover	Gateley@buchanan.uk.com

Chairman's Statement

I am delighted with the performance of Gateley in its first year as a public company. In a legal marketplace that is continually evolving, the Group has delivered a record set of results. I congratulate our CEO Michael Ward and his team for successfully managing the transition from an LLP to a Plc.

When we came to market in June 2015 the Board outlined a strategy to maximise the opportunities presented from the changing legal marketplace and to use our new and more flexible Plc structure to capitalise thereon. The growth strategy was based on three key pillars: to Differentiate (through our comprehensive service offering and service ethic), Diversify (through acquisition of additional complementary non-legal businesses in addition to organic legal service expansion through sector specialism or geographically) and finally to Incentivise (offering wider and earlier equity to staff). I believe that in the year ended 30 April 2016 through, strong organic growth, the acquisition of Gateley Capitus, the development of equity participation schemes within the business and continued strong client focus, we have delivered on our aims for the year and have begun our journey as a Plc well.

These strong results, together with the successful IPO and the encouraging start the Group has made in its journey have also helped raise our profile and enhance our brand, differentiating us from our competitors and attracting quality staff who are interested in benefiting from the opportunities provided by a structure which we believe is far better suited to the legal landscape of today. As we continue to build further scale, breadth and depth into our business, we will maintain our disciplined approach to optimising the growth opportunities we see for the Group, whilst keeping our focus on meeting the diverse needs of our client base.

The Board and senior management team have the requisite leadership, experience and desire to be able to achieve this and we continue to look forward with confidence. The Board is pleased to propose a final dividend of 3.764p per share, subject to shareholder approval at the Annual General Meeting on 21 September 2016.

Nigel Payne
Chairman
18 July 2016

CEO Operational Review

Introduction
I am pleased to report that the Group has performed well in its first year as a public company. In a market that continues to be challenging, the Board has remained focused on the execution of our stated strategy of long term organic and acquisitive growth. The Group has made excellent progress since our successful AIM admission, all of which has been made possible by the positive reaction to our flotation by our diversified client base and excellent staff.

Financial Results
In our first year as a Plc, I am pleased to report a strong trading performance with increases against last year in both revenue (up 10.2%) and adjusted EBITDA (up 13.3%). Our transition from LLP to Plc accords with our original plan and our balance sheet has strengthened as a result of the ground breaking change in business model together with another year of strong cash generation. We have invested for the long term future of the business and are pleased to propose a dividend in line with expectations.

Operational Review
The firm continues to perform well despite challenging market conditions as revenues from all of our five strategic business divisions, namely Banking and Financial Services; Corporate; Business Services; Employees, Pensions and Benefits and Property grew year on year with four of these divisions reporting double digit growth.

Whilst growth in our divisions is encouraging it is also important to highlight that the Group operates through a diverse and resilient business structure that has the ability to perform well in both good and challenging economic environments.

Since 1 May 2015, we have welcomed 12 new lateral partner hires to the Group across our offices evidencing our ability to continue to attract and retain talent. In addition 4 senior associates have been promoted to Partner with effect from 1 May 2016. Our overall staff numbers have increased from 606 to 638 over the 12 month reporting period from 1 May 2015. After consulting all employees, our new SAYE and CSOP schemes will be in place by September 2016.

We announced the opening of a new office in Reading on 1 November 2015 and officially moved into new leasehold premises at The Blade on 1 June 2016. Current staff numbers are eight, including four partners and further recruitment is progressing well.

We continue to be successful in maintaining our presence on legal panels and have been reappointed to the national legal panel for Taylor Wimpey, one of the UK's largest residential developers, for a further three years and to one of our UK clearing bank panels for a further five years.

Acquisitions

At the time of the Group's Admission to AIM, we stated that the Group would seek to acquire businesses offering complementary professional and other specialist services to clients in Gateley's target markets. In April 2016, we successfully completed our first acquisition of a non-legal services business, Gateley Capitus Limited, which is consistent with our stated growth strategy. We are pleased to report that the integration of this business is progressing well. The reception from the marketplace to the enlarged offering is encouraging. We continue to explore acquisitions of further businesses providing complementary professional services to enable us to further diversify our income streams going forward.

Current trading and outlook

Trading in the second half of the financial year ended 30 April 2016 was robust and we are pleased to report that trading in the first two months of the current financial year has been encouraging. As highlighted above, we are confident that our business is well balanced and resilient and we remain focused on delivering another year of growth in our core services, whilst continuing to look for complementary acquisitions.

Michael Ward
CEO
18 July 2016

Finance Director's Review

For clarity of understanding and ease of future comparison, we have set alongside our trading results for the year ended 30 April 2016, pro-forma financial results for the 12 months of the prior year as if the Plc structure of the Group had been in place during that time.

During the year ended 30 April 2016 the Group delivered solid organic revenue growth of 10.2% with total revenues of £67.1m (pro-forma 2015: £60.9m). This growth continued in line with the trend in revenue from the preceding 12 months and is ahead of that seen within our sector as a whole, demonstrating the Group's ability to increase its market share. During the period the Group has seen expansion across all five of its segmental reporting divisions with fee growth of between 2% and 16% being achieved across six regional locations across the UK, complemented by the expanding Dubai office.

Gateley begins the new financial year with a new complementary service line following the successful acquisition of Gateley Capitus Limited for a total consideration of £2.9m together with an additional regional legal service offering through four lateral partner hires in our newly opened Reading office.

Operating costs (excluding depreciation and non-underlying items) rose by 9.4% to £54.7m (pro-forma 2015: £50m). This growth in operating costs has been mainly driven by the Board continuing to invest in the future of the business through partner and staff recruitment. Fee generating staff numbers rose by 6.2% to 410 (pro-forma 2015: 386). Personnel costs rose accordingly by 9.3% from £35.6m to £38.9m, however, as the business continues to scale, this cost fell to 57.8% of revenue (pro-forma 2015: 58.5%). In addition to expanding the number of fee earners, the business also benefitted from improvement in the efficiency of fee generating staff as utilisation rose to 89% (2015: 85%).

Other operating expenses (before non-underlying items) increased by 9.0% to £15.7m (pro-forma 2015: £14.4m). This increase in costs is as a direct result of additional spending incurred to capitalise on the brand-enhancing marketing opportunities post listing together with associated professional costs resulting from the Group's new corporate requirements and the sourcing of personnel into existing offices as well as the new Reading office.

Adjusted EBITDA[1] of £12.8m is up 13.3% from £11.3m, reflecting an adjusted EBITDA margin of 19.1% (pro forma 2015: 18.5%). Profit before tax was up 12.2% to £11.0m (pro-forma 2015: £9.8m). Adjusted numbers are stated after excluding income or expenses that relate to non-underlying items including one-off professional costs together with costs associated with the IPO and acquisition of Gateley Capitus Limited.

Earnings per share

Basic earnings per share was 8.18p (pro-forma 2015: 7.74p). Adjusted[2] basic earnings per share was 8.98p (pro-forma 2015: 8.27p). Diluted earnings per share movements from the basic earnings per share are negligible.

Dividend

The Board has adopted a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group, paying up to 70% of profits after tax each year. Following the announcement of our interim dividend of 1.895p per share that was paid in January 2016, the Board proposes a full year final dividend at its Annual General Meeting on 21 September 2016 of 3.764p per share, which if approved, will be paid on 28 September 2016 to shareholders on the register at the close of business on 2 September 2016. The shares will go ex-dividend on 1 September 2016.

Balance sheet, cash flow and financing

The net asset position of the Group's balance sheet has transformed from nil (pro forma £10.3m), as is typical with a law firm LLP structure, to £12.7m (before final dividend) as a Plc, positioning the Group well for future expansion.

The Group's cash generation was strong following planned focus in the collection of our trade receivables and the completion of a number of larger assignments during the year. Cash generated from operating activities was £14.3m which represents 122% of profit for the period before one off transitional changes, tax and dividends. Closing cash totalled £9.8m which represents a strong start following the change in funding and debt structure post the IPO.

The Group's net debt position as at 30 April 2016 has changed as a result of replacing former members' capital, otherwise known as "fixed capital", with £10m of new term bank debt, together with the injection of new money from the issue of shares totalling £5m. The total injection of £15m of new cash into the Group balance sheet on admission has been partially used to repay in full all former members' fixed capital and undistributed LLP profits in respect of prior years. The remaining undrawn profits of the LLP for the year ended 30 April 2015 were converted into loans from members of the LLP upon admission. The remaining surplus funds continue to assist in the on-going working capital funding of the Group.

Net debt movement

	As at 30 April 2016 (as a Plc) £m	As at 30 April 2015 (as an LLP) £m
Cash and cash equivalents	**9.8**	2.7
Fixed capital	**-**	(6.7)
Term bank loans	**(8.9)**	-
Net debt before loans from former members of Gateley Heritage LLP	**0.9**	(4.0)
Loans from former members of Gateley Heritage LLP	**(5.1)**	(15.3)
Net debt after loans from former members of Gateley Heritage LLP	**(4.2)**	(19.3)

Neil Smith
Finance Director
18 July 2016

Gateley (Holdings) Plc
Consolidated income statement and other comprehensive income
For the year ended 30 April 2016

	Year to	Proforma Unaudited Year to

	Note	30 April 2016 £000	30 April 2015 £000
Revenue	3	**67,061**	60,871
Other operating income	4	**442**	386
Personnel costs	6	**(38,951)**	(35,584)
Depreciation and amortisation		**(687)**	(822)
Other operating expenses		**(16,605)**	(15,061)
Operating profit	5	**11,260**	9,790
Adjusted EBITDA	5	**12,803**	11,266
Depreciation and amortisation		**(687)**	(822)
Non-underlying items			
One off professional costs	5	**(101)**	(143)
IFRS transitional lease adjustment	5	**-**	(388)
Property restructuring costs	5	**-**	(123)
Admission costs	5	**(755)**	-
Net financing (expense)/income		**(226)**	47
Profit before tax		**11,034**	9,837
Taxation		**(2,448)**	(2,093)
Profit for the year after tax		**8,586**	7,744
Total comprehensive income for the year, net of tax		**8,586**	7,744

Earnings per share (pence)

Basic earnings per share	7	**8.18**	7.74
Diluted earnings per share	7	**8.18**	7.74
Adjusted basic earnings per share	7	**8.98**	8.27
Proposed total dividend per share	8	**5.639**	5.150

The results for the periods presented above are derived from continuing operations. There were no other items of comprehensive income to report.

Gateley (Holdings) Plc
Consolidated statement of financial position
at 30 April 2016

	Note	Audited as at 30 April 2016 £000	Pro forma unaudited as at 30 April 2015 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,478**	1,499
Investment property		**164**	164
Intangible assets & goodwill		**2,515**	-
Investments		**85**	70
Total non-current assets		**4,242**	1,733
Current assets			
Trade and other receivables	9	**33,696**	31,695
Cash and cash equivalents		**9,795**	7,411

Total current assets		**43,491**	39,106
Total assets		**47,733**	40,839
Non-current liabilities			
Other interest-bearing loans and borrowings	*10*	**(7,438)**	(6,920)
Other payables	*11*	**(154)**	(154)
Deferred tax liability		**(200)**	-
Provisions	12	**(339)**	(377)
Total non-current liabilities		**(8,131)**	(7,451)
Current liabilities			
Other interest-bearing loans and borrowings	*10*	**(6,583)**	(8,333)
Trade and other payables	*11*	**(18,597)**	(13,482)
Provisions	*12*	**(257)**	(160)
Current tax liabilities		**(1,441)**	(1,093)
Total current liabilities		**(26,878)**	(23,068)
Total liabilities		**(35,009)**	(30,519)
NET ASSETS		**12,724**	10,320
EQUITY			
Share capital	13	**10,640**	10,527
Share premium		**4,332**	4,423
Merger reserve		**(9,950)**	(9,950)
Other reserves		**1,013**	
Treasury reserve		**(27)**	-
Retained earnings		**6,716**	5,320
TOTAL EQUITY		**12,724**	10,320

Gateley (Holdings) Plc
Consolidated cash flow Statement
for the year ended 30 April 2016

	Note	**Year to 30 April 2016 £000**
Cash flows from operating activities		
Profit for the period		8,586
Adjustments for:		
Depreciation and amortisation		687
Financial income		(265)
Financial expense		491
Equity settled share based payments		125
Profit on disposal of property, plant and equipment		(8)
Tax expense		2,448
		12,064
Increase in trade and other receivables		(1,383)
Increase in trade and other payables		4,608
Increase in provisions		60
Cash generated from operations		**15,349**
Tax expense paid		(1,007)
Net cash flows from operating activities		**14,342**
Investing activities		
Interest and other financial income paid		(226)
Acquisition of property, plant and equipment		(670)
Purchase of available for sale investments		(15)
Consideration paid on acquisition of subsidiary	15	(1,592)
Cash received on acquisition of subsidiary	15	350
Proceeds from sale of property, plant and equipment		8
Net cash used in investing activities		**(2,145)**
Financing activities		
Issue of ordinary shares, net of issue costs		4,910
Proceeds from new term bank loans		9,907
Repayment of term bank loans		(989)
Repayment of loans from former members of Gateley Heritage LLP		(10,153)
Repayment of fixed capital from former members of Gateley Heritage LLP		(6,717)
Transactions with Gateley EBT Limited		(27)
Dividends paid	8	(1,995)
Payment of finance lease liabilities		(57)
Net cash used in financing activities		**(5,121)**

Net increase in cash and cash equivalents	7,076
Cash and cash equivalents at beginning of year	2,719
Cash and cash equivalents at end of year	**9,795**

The consolidated cash flow statement relates to the Group's transactions for the 12 month period from 1 May 2015 to30 April 2016. It is not prepared from the pro-forma position of the Group as presented in the consolidated income statement and the consolidated statement of financial position within this announcement as it purposely displays the actual cash performance of the Group in respect of its actual conversion from LLP to Plc between the year from 1 May 2015 to 30 April 2016.

Gateley (Holdings) Plc
Consolidated statement of changes in equity
for the year ended 30 April 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserve £'000	Treasury reserve £'000	Retained earnings £'000	Members' other reserves £'000	Total equity £'000
At 1 May 2014	10,000	-	(9,950)	-	-	-	(933)	(883)
Total comprehensive income for the year	-	-	-	-	-	-	23,678	23,678
Profits allocated to members during the year	-	-	-	-	-	-	(22,745)	(22,745)
Total equity at 30 April 2015	10,000	-	(9,950)	-	-	-	-	50
Pro forma adjustments	527	4,423	-	-	-	5,320	-	10,270
Pro forma total equity at 30 April 2015	10,527	4,423	(9,950)	-	-	5,320	-	10,320
At 1 May 2015	10,527	4,423	(9,950)	-	-	5,320	-	10,320
Reversal of pro forma adjustments	(527)	(4,423)	-	-	-	(5,320)	-	(10,270)
Total comprehensive income for the year	-	-	-	-	-	8,586	-	8,586
Repurchase of treasury shares	-	-	-	-	(27)	-	-	(27)
Issue of shares	640	4,482	-	1,013	-	-	-	6,135
Share issue costs	-	(150)	-	-	-	-	-	(150)
Dividend paid	-	-	-	-	-	(1,995)	-	(1,995)
Share based payment transactions	-	-	-	-	-	125	-	125
Total equity at 30 April 2016	**10,640**	**4,332**	**(9,950)**	**1,013**	**(27)**	**6,716**	**-**	**12,724**

The following describes the nature and purpose of each reserve within equity:

Share premium - Amount subscribed for share capital in excess of nominal value.

Merger reserve - Represents the difference between the nominal value of shares acquired by the company in the share for share exchange with the former Gateley Heritage LLP members and the nominal value of shares issued to acquire them.

Other reserve - Represents the difference between the actual and nominal value of shares issued by the company in the acquisition of subsidiaries.

Treasury reserve - Represents the repurchase of shares for future distribution by Group's Employee Benefit Trust.

Retained earnings - All other net gains and losses and transactions with owners not recognised anywhere else.

Gateley (Holdings) Plc
Notes
for the year ended 30 April 2016

1 Corporate information and legal status

Gateley (Holdings) Plc ("the company") was incorporated in England and Wales on 13 November 2014. On 29 May 2015 the Company acquired 100 per cent of the issued share capital of Gateley Plc which had, on the same day, acquired the business assets and liabilities of Gateley Heritage LLP, formerly the partnership of Gateley LLP. Following this Group reorganisation, the financial statements for the period ended 30 April 2016 have been prepared on a merger accounting basis as though this Group structure had always been in place and a full twelve month set of results (for both the current and prior year) is therefore presented. The first day of trading of the Group included in this statement was 1 May 2015.

On 8 June 2015, Gateley (Holdings) Plc was admitted to the Alternative Investment Market ("AIM") of London Stock Exchange Plc.

2 Basis of preparation and significant accounting policies

The financial information contained within this announcement has been extracted from the audited financial statements and does not constitute the Group's statutory financial statements for the year ended 30 April 2016 or the year ended 30 April 2015. Statutory accounts will be filed following the Company's Annual General Meeting. The auditors have reported on the accounts and their report is unqualified.

These condensed preliminary financial statements for the year ended 30 April 2016 have been prepared on the basis of the accounting policies adopted by the Group upon admission to AIM. These are in accordance with the Group's accounting policies as set out in the historical financial information included in the AIM Admission Document.

The recognition and measurement requirements of all International Financial Reporting Standards ('IFRSs'), International Accounting Standards ('IAS') and interpretations currently endorsed by the International Accounting Standards Board ('IASB') and its committees as adopted by the EU and as required to be adopted by AIM listed companies have been applied.

The Pro-forma adjustments and results for the year ended 30 April 2015 used within this announcement have been prepared consistently with information provided on historical results in the Group's Admission Document upon listing. The results include pro-forma adjustments that demonstrate the inclusion of partners' pay as a personnel cost, a pro-forma corporation tax charge and the drawdown of term loans totalling ten million pounds, repayable over five years. The proceeds received from the term loans were used to repay individual members' fixed capital and support working capital after admission. Also included within the pro-forma changes is the receipt by the Group of net proceeds from the Placing of five million pounds.

2.1 Going concern

The Group financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group remains cash generative, with a strong on-going trading performance. On 1 June 2015 the Group acquired two unsecured term loans for £5m each repayable quarterly over five years together with unsecured overdraft facilities of up to £6m, renewed for a further 12 months on 1 November 2015. Also on 1 November 2015 a further £1m unsecured overdraft was entered into. All of the Group's overdraft facilities are now therefore 12 months in duration. The term loan facilities contain financial covenants which have been met throughout both periods.

2.2 Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with the AIM Rules.

2.3 Cautionary statement

This document contains certain forward-looking statements with respect of the financial condition, results, operations and business of the Group. Whilst these statements are made in good faith based on information available at the time of approval, these statements and forecasts inherently involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause the actual results of developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

2.4 Financial Assets

The Group's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument.

i) Investments

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment. Investments are reviewed for impairment where events or circumstances indicate that their carrying amount may not be recoverable.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such a debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

ii) Trade and other receivables

Trade and other receivables (except unbilled amounts for client work) are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the income statement in other operating expenses.

iii) Unbilled amounts for client work (unbilled revenue)

Services provided to clients, which at the year-end date have not been billed, are recognised as unbilled revenue and included in trade and other receivables.

Unbilled revenue is valued at selling price less provision for any foreseeable under recovery when the outcome of the matter can be assessed with reasonable certainty. In respect of conditional or contingent fee engagements, unbilled revenue is only recognised once the conditional or contingent event occurs.

iv) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. For the purpose of the consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

2.5 Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities comprise trade and other payables, borrowings, members' capital and amounts due to members. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

i) Bank borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

Financial expenses comprise interest expense on borrowings and the cost of foreign currency forward contracts.

ii) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

iii) Loans from former members

Loans from former members, measured at amortised cost, comprise of undrawn surplus profits and tax provisions owed to former members of Gateley Heritage LLP which were converted into unsecured loans upon admission to the AIM market. Interest is chargeable at 0.5% over Bank of England base rate. The business has full discretion over the timing of repayment of such loans, however, current forecast projections show all such loans as repayable within two years of admission.

2.6 Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities

assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

2.7 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Brands and customer lists that are acquired by the Group as part of a business combination are stated at cost less accumulated amortisation and impairment losses (see accounting policy 'Impairment of assets'). Cost reflects management's judgement of the fair value of the individual intangible asset, calculated by reference to the net present value of future benefits accruing to the Group from the utilisation of the asset, discounted at an appropriate discount rate.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Brand	3 years

2.8 Professional indemnity provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Where material, the impact of the time value of money is taken into account by discounting the expected future cash flow at a pre-tax rate, which reflects risks specific to the liability.

Insurance cover is maintained in respect of professional negligence claims. This cover is principally written through insurance companies with a coverage of up to £150 million for each claim. Premiums are expensed as they fall due with prepayments or accruals being recognised accordingly.

In the event the insurance companies cannot settle the full liability, the liability will revert to the Group.

2.9 Revenue recognition

Revenue

Revenue represents the fair value of the consideration receivable in respect of professional services provided during the year, inclusive of recoverable expenses incurred on client assignments but excluding value added tax. Where the outcome of a transaction can be estimated reliably, revenue associated with the transaction is recognised in the income statement by reference to the stage of completion at the year end, provided that a right to consideration has been obtained through performance. Consideration accrues as contract activity progresses by reference to the value of work performed.

Where the outcome of a transaction cannot be estimated reliably, revenue is recognised only to the extent that the costs of providing the service are recoverable. No revenue is recognised where there are significant uncertainties regarding recovery of the consideration due or where the right to receive payment is contingent on events outside the control of the group. Amounts deemed to be recoverable on the engagement (on the basis above) are recognised in unbilled revenue and form part of trade and other receivables.

Recoverable expenses and disbursements represent charges from other professional service firms, sub-contractors and out of pocket expenses incurred in respect of assignments and expected to be recovered from clients.

Rental income is recognised on a straight line basis over the lease term.

2.10 Operating lease payments

Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit and loss as an integral part of the total lease expense.

2.11 Ordinary dividends

Dividends are recognised as a liability in the period in which they are approved by the Company's shareholders.

3 Operating segments

The Chief Operating Decision Maker ("CODM") is the Strategic Board. The Group have the following five strategic divisions, which are its reportable segments. These divisions offer different products and services and are managed separately because they report different specialisms from the legal teams in those divisions.

The following summary describes the operations of each reportable segment:

Reportable segment	**Operations**
Banking and Financial Services	Provision of legal advice in respect of asset finance, banking and corporate recovery services
Corporate	Provision of legal advice in respect of corporate, private client and taxation services
Business Services	Provision of legal advice in respect of commercial, commercial dispute resolution, litigation, regulatory, shipping, transport and insurance services
Employees, Pensions and Benefits	Provision of legal advice in respect of employment and pension services
Property	Provision of legal advice in respect of construction, planning, real estate and residential development services.

The revenue and operating profit are attributable to the principal activities of the Group. A geographical analysis of revenue is given below:

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
United Kingdom	**63,180**	58,063
Europe	**2,288**	1,165
Middle East	**443**	803
North and South America	**275**	583
Asia	**346**	179
Other	**529**	78
	67,061	60,871

30 April 2016

	Banking and Financial Services	Corporate	Business Services	Employee Pensions and Benefits	Property	Total segments	Other expense and movement in unbilled revenue	Total

	£000	£000	£000	£000	£000	£000	£000	£000
Segment revenue	13,550	11,345	10,295	7,273	22,349	64,812	2,249	**67,061**
Segment contribution (as reported internally)	6,304	3,157	4,037	2,456	10,132	26,086	2,249	**28,335**
Costs not allocated to segments:								
Other operating income								**442**
Personnel costs								**(3,882)**
Depreciation and amortisation								**(687)**
Other operating expenses								**(12,092)**
Net financial expense								**(226)**
Profit for the financial year before taxation and non-underlying items								**11,890**

Pro forma - 30 April 2015

	Banking and Financial Services	Corporate	Business Services	Employee Pensions and Benefits	Property	Total segments	Other expenses and movement in unbilled revenue	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Segment revenue	12,296	9,992	8,872	7,144	20,073	58,377	2,494	**60,871**
Pro-forma segment contribution (as reported internally)	5,583	2,421	3,235	2,305	8,404	21,948	2,494	**24,442**
Costs not allocated to segments:								
Other operating income								**386**
Personnel costs								**(3,463)**
Depreciation and amortisation								**(822)**
Other operating expenses								**(10,099)**
Net financial expense								**47**
Pro-forma Profit for the financial year before taxation and non-underlying items								**10,491**

No other financial information has been disclosed as it is not provided to the CODM on a regular basis.

4 Other operating income

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Rental income	**326**	329
Gateley (Manchester) LLP income	**116**	57
	442	386

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Depreciation on tangible assets	**687**	721
Depreciation on assets held under finance leases	**-**	101
Operating lease costs	**220**	323
Operating lease costs on property	**2,722**	2,526
Other operating income - rent received	**(326)**	(329)
Foreign exchange losses	**4**	2
Profit on sale of fixed assets	**(8)**	(4)

Non-underlying items and IFRS transition adjustments

	Year ended 30 April 2016 £000	Year ended 30 April 2015 £000
Listing costs	**755**	-
IFRS transition adjustment in relation to leases	**-**	388
One-off professional costs	**101**	143
Property restructuring costs	**-**	123
	856	654

Non-underlying items in the prior year relate to one-off professional costs in respect of the Group's future strategy, on-going lease restructuring costs of certain offices together with additional costs resulting from the release of operating lease incentives in accordance with IFRS, whereby lease incentives are now recognised over the full term of the lease. The current year impact is for comparative purposes only as the amount charged to the profit and loss account in the financial year. This is an underlying cost going forward.

Non-underlying items in the current year relate to expenses incurred in respect of the company's admission to the AIM market of the London Stock Exchange.

6 Staff numbers and costs

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

	Number of employees	
	Year ended 30 April 2016	Year ended 30 April 2015
Legal staff	**392**	376
Administrative staff	**230**	223
	622	599

The aggregate payroll costs of these persons were as follows:	**Year ended 30 April 2016 £000**	Pro-forma Year ended 30 April 2015 £000
Wages and salaries	**34,733**	31,580
Social security costs	**3,491**	3,422
Pension costs	**602**	512
Share based payments expenses	**125**	-
	38,951	35,584

7 Earnings per share

	Year ended 30 April 2016 Number	Pro forma Year ended 30 April 2015 Number
Weighted average number of ordinary shares for calculating basic and diluted earnings per share	**104,928,209**	100,000,011

	Year ended 30 April 2016 £000	Pro forma Year ended 30 April 2015 £000
Profit for the year and basic earnings attributable to ordinary equity shareholders	**8,586**	7,744
Non-underlying items (see note 5)		
Operating expenses and finance costs	**856**	654
Tax on non-underlying items	**(20)**	(131)
Underlying earnings before non-underlying items	**9,422**	8,267

Earnings per share is calculated as follows:

	Year ended 30 April 2016 pence	Pro forma Year ended 30 April 2015 pence
Basic earnings per ordinary share	**8.18p**	7.74p
Diluted earnings per ordinary share	**8.18p**	7.74p
Basic earnings per ordinary share after non-underlying items	**8.98p**	8.27p
Diluted earnings per ordinary share after non-underlying items	**8.98p**	8.27p

Underlying earnings per share have been shown because the Directors consider that this provides valuable additional information about the underlying performance of the Group.

8 Dividends

An interim dividend of 1.895p per share was paid on 22 January 2016 totalling £1,994,945. The Board proposes to recommend a final dividend of 3.764p per share at the AGM. If approved, this dividend will be paid on 28 September 2016 to shareholders on the register at the close of business on 2 September 2016. The shares will go ex-dividend on 1 September 2016. This dividend has not been recognised as a liability in these final statements.

9 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**20,759**	21,179
Unbilled revenue	**9,881**	8,716
Prepayments and accrued income	**3,056**	1,774
Amounts owed to related parties	**-**	26
	33,696	31,695

All trade receivables are repayable within one year.

Movement in the allowance for doubtful receivables

	2016 £000	2015 £000
Brought forward provision	**(1,828)**	(1,911)
Provision utilised	**555**	331
Charged to income	**(913)**	(905)
Provisions released	**394**	657
	(1,792)	(1,828)

Ageing of trade receivables (net of provisions)

	2016 £000	2015 £000
Not past due	**13,283**	14,825
Past due 0-30 days	**1,482**	1,462
Past due 31-120 days	**2,199**	2,122
Past due greater than 120 days	**3,795**	2,770
	20,759	21,179

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Group's maximum exposure to credit risk. Financial assets include client and other receivables and cash. The Group does not hold collateral over these balances.

10 Other interest-bearing loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost are described below. For more information about the Group's exposure to interest rate and foreign currency risk.

	2016 Fair value £000	Carrying amount £000	2015 Fair value £000	Carrying amount £000
Non-Current liabilities				
Unsecured bank loan	**6,938**	**6,938**	6,920	6,920
Loans from former members	**500**	**500**	-	-
	7,438	**7,438**	6,920	6,920
Current liabilities				
Unsecured bank loan	**1,980**	**1,980**	1,980	1,980
Loans from former members	**4,603**	**4,603**	6,353	6,353
	6,583	**6,583**	8,333	8,333

The unsecured overdraft facilities totalling £7m are repayable on demand.

On 8 June 2015, Gateley Plc entered into two new loan agreements of £5m each. The total £10m of term loans are repayable quarterly over five years commencing on 8 November 2015. Interest is chargeable at 2.25% over LIBOR.

On 8 June 2015, all amounts relating to individual members' capital classified as a liability, together with amounts due to members, were converted into Loans from former members. Loans are repayable quarterly over a period of not less than two years subject to adequate working capital facilities, in the opinion of the board of directors, within the Group being available to accommodate such payments. Repayment of the remaining liabilities are forecast to be made quarterly from May 2016. Interest is chargeable at 0.5% over Bank of England base rate.

11 Trade and other payables

	2016	2015
	£000	£000
Current		
Trade payables	**5,844**	4,031
Other taxation and social security payable	**4,153**	3,357
Other payables	**653**	405
Accruals and deferred income	**7,947**	5,632
Obligations under finance leases	**-**	57
	18,597	13,482
Non-current		
Other payables	**154**	154

Current other payables include £0.22m in respect of deferred consideration, being a final payment due for the acquisition of Gateley Capitus Limited (formerly Capitus Limited).

12 Provisions

Professional indemnity

	2016	2015
	£000	£000
On incorporation	**537**	467
Provisions made during the year	**325**	596
Provisions used during the year	**(178)**	(451)
Provisions reversed during the year	**(88)**	(75)
At end of year	**596**	537
Non-current	**339**	377
Current	**257**	160
	596	537

The professional indemnity provision represents amounts equal to the insurance excesses payable on outstanding claims against the Group which are covered by the Company's professional indemnity insurance policy.

13 Share capital

Authorised, issued and fully paid

	2016	**2016**
	Number	**£**
Ordinary shares of 10p each		
On incorporation - 13 November 2014	10	1
Issued on acquisition of business	100,000,001	10,000,000
Issued on initial public offering	5,274,148	527,415
Issued on acquisition of Gateley Capitus Limited	1,122,753	112,275
At 30 April 2016	**106,396,912**	**10,639,691**

The share capital reflects the shares issued to acquire Gateley Plc on 29 May 2015. In line with the requirements of merger accounting, the structure and share capital issued has been recorded as though it had always been in place.

On the Group's admission to the AIM market of London Stock Exchange Plc on 8 June 2015, a further 5,274,148 10p ordinary shares were issued and fully paid up.

On 8 April 2016 the Group acquired the entire issued share capital of Gateley Capitus Limited (formerly Capitus Limited) in part for the issue of 1,122,753 10p ordinary shares.

14 Share based payments

Group

At year end the Group has one share based payment scheme in operation.

Stock Appreciation Rights Scheme

This Scheme is a discretionary executive reward plan which allows the Group to grant conditional share awards or nil cost options to selected executives at the discretion of the Remuneration Committee.

The awards vest after a 3 year performance period, subject to the achievement of performance measures based on earnings per share and total shareholder return targets.

The first awards under the scheme were granted on 8 June 2015 and are summarised below:

	Weighted average exercise price	**Scheme Number**
Granted on admission	£1.0997	7,200,000
Forfeited during the year	£1.0997	(150,000)
Outstanding at end of year	£1.0997	7,050,000
Weighted average remaining contractual life		2.1 years

Fair value calculations

The award is accounted for as equity-settled under IFRS 2. The fair value of awards which are subject to non-market based performance conditions is calculated using the Black Scholes option pricing model. The inputs to this model for awards granted during the financial year are detailed below:

	8 June 2015
Grant date	8 June 2015
Share price at date of grant	£0.95p
Exercise price	£1.10p
Volatility	24%
Expected life	3.3 years
Risk free rate	1%
Dividend yield	6%
Fair value per share	
Market based performance condition	£0.05p
Non-market based performance condition/no performance condition	-

As the Group had only limited share price history at the date of grant, expected volatility was based on a proxy volatility determined from the median volatility of a group of appropriate comparator companies. For the same reason, a similar approach was followed to derive the dividend yield. Expected life has been taken to be between the minimum and maximum exercise period of 3 and 3.5 years, respectively.

15 Business combinations

On 19 May 2015, the Company acquired 100% of the share capital of Gateley EBT Limited (formerly Ensco 1133 Limited) for £1.

On 29 May 2015, the Company acquired 100% of the share capital of Gateley Plc (formerly Ensco 1102 Limited) via a share for share exchange.

On 29 May 2015, the Company acquired 100% of the share capital of Entrust Pension Limited for £1.

On 29 May 2015, the Company acquired the membership interest of Gateley UK LLP for £1.

Acquisition of Gateley Capitus Limited ("GCL") (Formerly Capitus Limited).

On 8 April 2016 the Company acquired 100% of the voting equity interest of GCL, a UK specialist tax incentives advisory business. The acquisition has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of GCL as at the date of the acquisition was:

	Pre-acquisition carrying amount £'000	Policy alignment and fair value adjustments £'000	**Total £000**
Property, plant and equipment	4	-	**4**
Intangible asset relating to brand	-	1,000	**1,000**
Cash and short term deposits	350	-	**350**
Trade receivables	336	-	**336**

Prepayments and accrued income	224	-	**224**
Tax assets	54	-	**54**
Total assets	968	1,000	**1,968**
Trade payables	(1)	-	**(1)**
Other taxation and social security payable	(223)	-	**(223)**
Accruals	(23)	-	**(23)**
Other payables	(99)	-	**(99)**
Deferred tax	-	(200)	**(200)**
Total liabilities	(346)	(200)	**(546)**
Total identifiable net assets at fair value	622	800	**1,422**
Goodwill arising on acquisition			**1,515**
Total acquisition cost			**2,937**
Analysed as follows:			
Initial cash consideration paid			**1,592**
Issue of new 10p ordinary shares in Gateley (Holdings) Plc			**1,125**
Deferred cash consideration payable			**220**
			2,937
Cash inflow on acquisition			
Cash paid			**(1,592)**
Acquisition costs			**(25)**
Net cash acquired with subsidiary (Included in cash flows from investing activities)			**350**
Net cash outflow			**(1,267)**

From the date of acquisition GCL, has contributed £0.08m to revenue and £0.03m to Group profit for the year. If the combination had taken place at the beginning of the year, Group revenue from continuing operations would have been £1.39m and the profit for the year would have been £0.39m.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

- Ends -

[1] Adjusted for depreciation and non-underlying items

[2] Adjusted for non-underlying items

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