

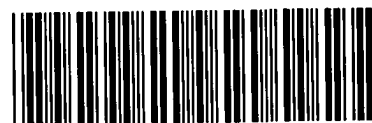
**Fladgate LLP**

**Annual Report and Financial Statements**

**Year ended  
31 March 2019**

**Registration No: OC334334**

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## **Members' Report**

The Board is pleased to present its report on behalf of the members of Fladgate LLP and the audited financial statements of the group (or "the firm") for the year ended 31 March 2019.

### **Firm Structure**

Fladgate LLP is a limited liability partnership registered in England and Wales under the Limited Liability Partnership Act 2000.

A list of members' names is available for inspection at 16 Great Queen Street, London, WC2B 5DG, United Kingdom, which is also Fladgate LLP's principal place of business and registered office. More information about Fladgate LLP is available on our website, [www.fladgate.com](http://www.fladgate.com)

The Financial statements consolidate the accounts of Fladgate LLP and its subsidiary undertakings (the 'Group'), drawn up to 31 March each year

### **Principal Activity and Business Review**

The firm's principal activity is the provision of legal services in the UK. There have been no significant changes in activities during the year. The potential impact of Brexit on the firm is being closely monitored. The results for the year and the financial position at the year end were considered satisfactory by the members.

### **Designated Members**

The designated members who served throughout the year and subsequent to the year end, unless otherwise stated, were:

S J Ekins (Resigned 31 March 2019)  
G D Gordon  
R M Reuben  
S W Lewis  
J A Lewis (Appointed 1 April 2019)  
B A Taylor (Appointed 1 April 2019)

### **Members' Drawings and Capital Policy**

The members' policy on drawings is dependent upon the working capital requirements of the firm. A conservative level of monthly drawings is set at the start of the year and further distributions are made once the results for the year and allocation of profit have been finalised.

The level of members' capital is determined by the members from time to time. Capital is repaid to members on retirement from the firm.

### **Going Concern**

The Board has a reasonable expectation that the LLP and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

### **Auditor**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in accordance with the LLP agreement.

## **Members' Report**

**Year ended 31 March 2019**

### **Members' Responsibilities Statement**

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

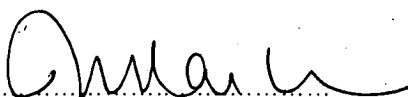
The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the Board on behalf of the members.

Signed on behalf of the Board:



**J A Lewis**

**Designated Member**

27 September 2019

## **Independent Auditor's Report to the Members of Fladgate LLP**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Fladgate LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated and limited liability partnership balance sheets;
- the consolidated and limited liability partnership statements of changes in members' interests;
- the consolidated cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

## **Independent Auditor's Report to the Members of Fladgate LLP (continued)**

### **Other information (continued)**

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the group's and the parent limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the group or the parent limited liability partnership or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Use of our report**

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



**Peter Saunders (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK  
27 September 2019

**Consolidated Profit and Loss Account**  
Year ended 31 March 2019

	Note	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	53,327,728	51,821,564
<b>Other operating income</b>		356,216	517,723
		<u>53,683,944</u>	<u>52,339,287</u>
<b>Operating expenses</b>	<b>4</b>	(24,867,249)	(23,692,878)
<b>Operating profit</b>		28,816,695	28,646,409
Loss on disposal of fixed assets		(3)	(1,180)
Net interest receivable	<b>6</b>	280,840	304,213
<b>Profit before taxation</b>		29,097,532	28,949,442
Tax on profit	<b>7</b>	(53,405)	(51,728)
<b>Profit for the financial year available for discretionary division among members</b>		<u>29,044,127</u>	<u>28,897,714</u>

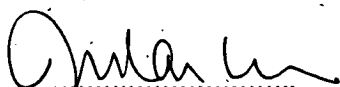
All amounts relate to continuing operations.

There are no items of comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

**Consolidated Balance Sheet**  
31 March 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible fixed assets	10	1,418,617	1,654,928
Investments	11	3	3
		<u>1,418,620</u>	<u>1,654,931</u>
<b>Current assets</b>			
Debtors	12	19,356,211	19,678,292
Amounts due from members		24,306,356	23,030,738
Cash at bank and in hand		<u>5,167,744</u>	<u>2,861,911</u>
		48,830,311	45,570,941
<b>Creditors: amounts falling due within one year</b>	13	<u>(3,626,604)</u>	<u>(4,149,113)</u>
<b>Net current assets</b>		<u>45,203,707</u>	<u>41,421,828</u>
<b>Total assets less current liabilities</b>		46,622,327	43,076,759
<b>Provision for liabilities</b>	14	<u>(1,159,653)</u>	<u>(1,100,000)</u>
<b>Net assets attributable to members</b>		<u>45,462,674</u>	<u>41,976,759</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability		7,980,001	5,877,256
Other amounts		<u>8,438,546</u>	<u>7,201,789</u>
		16,418,547	13,079,045
<b>Equity</b>			
Members' other interests – other reserves classified as equity		29,044,127	28,897,714
		<u>45,462,674</u>	<u>41,976,759</u>
<b>Total Members' interests</b>			
Amounts due from members		(24,306,356)	(23,030,738)
Loans and other debts due to members		16,418,547	13,079,045
Members' other interests		<u>29,044,127</u>	<u>28,897,714</u>
		<u>21,156,318</u>	<u>18,946,021</u>

These financial statements of Fladgate LLP (Registered number OC334334) on pages 5 to 21 were approved by the members and signed on their behalf on 27 September 2019 by



J A Lewis

Designated Member



R M Reuben


Designated Member

**Limited Liability Partnership Balance Sheet**  
**31 March 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible fixed assets	10	1,418,617	1,654,928
Investments	11	250,002	250,002
		<u>1,668,619</u>	<u>1,904,930</u>
<b>Current assets</b>			
Debtors	12	19,172,407	19,728,875
Amounts due from members		24,308,681	23,030,216
Cash at bank and in hand		4,156,612	1,566,956
		<u>47,637,700</u>	<u>44,326,047</u>
<b>Creditors: amounts falling due within one year</b>	13	(2,915,694)	(3,161,094)
<b>Net current assets</b>		<u>44,722,006</u>	<u>41,164,953</u>
<b>Total assets less current liabilities</b>		46,390,625	43,069,883
<b>Provision for liabilities</b>	14	(1,159,653)	(1,100,000)
<b>Net assets attributable to members</b>		<u>45,230,972</u>	<u>41,969,883</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability		7,980,001	5,877,256
Other amounts		8,434,519	7,195,437
		<u>16,414,520</u>	<u>13,072,693</u>
<b>Equity</b>			
Members' other interests – other reserves classified as equity		28,816,452	28,897,190
		<u>45,230,972</u>	<u>41,969,883</u>
<b>Total Members' interests</b>			
Amounts due from members		(24,308,681)	(23,030,216)
Loans and other debts due to members		16,414,520	13,072,693
Members' other interests		28,816,452	28,897,190
		<u>20,922,291</u>	<u>18,939,667</u>

The profit for the financial year attributable to the parent undertaking, Fladgate LLP, was £28,816,452 (2018 - £28,897,190).

These financial statements of Fladgate LLP (Registered number OC334334) on pages 5 to 21 were approved by the members and signed on their behalf on 27 September 2019 by



J A Lewis

Designated Member



R M Reuben

Designated Member

**Consolidated statement of changes in members' interests**  
**Year ended 31 March 2019**

	<b>Members' capital classified as a liability</b>	<b>Loans and other debts due to / (due from) members</b>	<b>Members' other interests</b>	<b>Total members' interests</b>
	£	£	£	£
Amounts due to members		7,036,693		
Amounts due from members		(20,531,369)		
<b>Members' interests at 1 April 2017</b>	5,880,335	(13,494,676)	26,841,190	19,226,849
For discretionary division among members	-	-	28,897,714	28,897,714
Members' interests after profit for the year	5,880,335	(13,494,676)	55,738,904	48,124,563
Allocation of prior year profit	-	26,841,190	(26,841,190)	-
Capital introduced	214,421	-	-	214,421
Repayments of capital	(217,500)	-	-	(217,500)
Amounts paid to and on behalf of members	-	(29,175,463)	-	(29,175,463)
Amounts due to members		7,201,789		
Amounts due from members		(23,030,738)		
<b>Members' interests at 31 March 2018</b>	5,877,256	(15,828,949)	28,897,714	18,946,021
For discretionary division among members	-	-	29,044,127	29,044,127
Members' interests after profit for the year	5,877,256	(15,828,949)	57,941,841	47,990,148
Allocation of prior year profit	-	28,897,714	(28,897,714)	-
Capital introduced	2,769,014	-	-	2,769,014
Repayments of capital	(666,269)	-	-	(666,269)
Amounts paid to and on behalf of members	-	(28,936,575)	-	(28,936,575)
Amounts due to members		8,438,546		
Amounts due from members		(24,306,356)		
<b>Members' interests at 31 March 2019</b>	7,980,001	(15,867,810)	29,044,127	21,156,318

**Limited Liability Partnership statement of changes in members' interests**  
**Year ended 31 March 2019**

	Members' capital classified as a liability	Loans and other debts due to / (due from) members	Members' other interests	Total members' interests
	£	£	£	£
Amounts due to members		7,030,865		
Amounts due from members		(20,533,199)		
<b>Members' interests at 1 April 2017</b>	5,880,335	(13,502,334)	26,843,018	19,221,019
For discretionary division among members	-	-	28,897,190	28,897,190
Members' interests after profit for the year	5,880,335	(13,502,334)	55,740,208	48,118,209
Allocation of prior year profit	-	26,843,018	(26,843,018)	-
Capital introduced	214,421	-	-	214,421
Repayments of capital	(217,500)	-	-	(217,500)
Amounts paid to and on behalf of members	-	(29,175,463)	-	(29,175,463)
Amounts due to members		7,195,437		
Amounts due from members		(23,030,216)		
<b>Members' interests at 31 March 2018</b>	5,877,256	(15,834,779)	28,897,190	18,939,667
For discretionary division among members	-	-	28,816,452	28,816,452
Members' interests after profit for the year	5,877,256	(15,834,779)	57,713,642	47,756,119
Allocation of prior year profit	-	28,897,190	(28,897,190)	-
Capital introduced	2,769,014	-	-	2,769,014
Repayments of capital	(666,269)	-	-	(666,269)
Amounts paid to and on behalf of members	-	(28,936,573)	-	(28,936,573)
Amounts due to members		8,434,519		
Amounts due from members		(24,308,681)		
<b>Members' interests at 31 March 2019</b>	7,980,001	(15,874,162)	28,816,452	20,922,291

**Consolidated Cash Flow Statement**  
**Year ended 31 March 2019**

	Note	2019 £	2018 £
<b>Net cash flows from operating activities</b>	<b>18</b>	29,010,290	27,495,643
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(151,467)	(398,084)
Disposal proceeds of tangible fixed assets		-	12,717
Interest received		280,840	304,213
<b>Net cash flows from investing activities</b>		129,373	(81,154)
<b>Transactions with members and former members</b>			
Drawings and distributions		(28,936,575)	(29,175,463)
Capital contributions by members		2,769,014	214,421
Capital repayment to members		(666,269)	(217,500)
<b>Net cash flows from transactions with members and former members</b>		(26,833,830)	(29,178,542)
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,305,833	(1,764,053)
Cash and cash equivalents at beginning of year		2,861,911	4,625,964
Cash and cash equivalents at end of year		5,167,744	2,861,911

Cash and cash equivalents comprise cash at bank and in hand.

## Notes to the Financial Statements

### Year ended 31 March 2019

#### 1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and in the preparation of the comparative figures.

##### General information and basis of accounting

Fladgate LLP is a Limited liability partnership incorporated in the United Kingdom and registered in England and Wales under the Limited Liability Partnership Act 2000. The address of the registered office is given on page 1. The nature of the Limited Liability Partnerships' operations and its principal activities are set out in the Members' report on pages 1 and 2.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued January 2017).

The functional currency of Fladgate LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

##### Basis of preparation

These financial statements have been prepared under the historical cost convention unless otherwise stated and reflect the results for the year ended 31 March 2019. The financial statements consolidate the accounts of Fladgate LLP and all of its subsidiary undertakings (the "firm"), drawn up to 31 March 2019. No individual profit and loss account is prepared for Fladgate LLP, as permitted by Section 408 of the Companies Act 2006.

##### Going concern

The group has £5,167,744 of cash at bank at 31 March 2019. Further details of the financial position of the group, its cash flows, liquidity position and borrowing facilities are disclosed in the balance sheet, cash flow statement and note 18. The group has considerable financial resources together with a diverse range of clients and suppliers across different geographic locations and sectors. The group also has considerable discretion over the timing of any cash distributions to its members.

After making enquiries, the Members have formed a judgement, at the time of approving the accounts, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Having considered the group's forecasts and projections, and the level of committed facilities available, the Members are satisfied that the firm has adequate resources to continue in operational existence for the foreseeable future. For this reason the Members continue to adopt the going concern basis in preparing the accounts.

## Notes to the Financial Statements

### Year ended 31 March 2019

#### 1. Accounting Policies (continued)

##### Turnover and revenue recognition

Revenue for services represents the fair value of legal services provided during the year on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, expertise and skills provided, and expenses incurred. Fee income is stated net of Value Added Tax.

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income in accordance with Section 23 Revenue of Financial Reporting Standard 102. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement.

Unbilled fee income is included as unbilled revenue within debtors. Unbilled revenue is stated at fair value where the right to consideration has been obtained. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the group. Contingent fee income (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs.

##### Interest recognition

Interest represents amounts received in the normal course of business from the firms banking arrangements or arising from other sources net of amounts paid to clients.

##### Fixed assets

Depreciation is provided so as to write off the cost, less the estimated residual value, of fixed assets over their estimated useful economic lives, as follows:

Leasehold costs & improvements	-	over the remaining period of the lease or anticipated life.
Furniture and equipment	-	between 12.5% and 25% per annum on a reducing balance basis.
Computer equipment	-	25% per annum on a straight-line basis.
Motor vehicles	-	25% per annum on a reducing balance basis.

##### Investments

Fixed asset investments are stated at cost less provision for impairment. Current asset investments are listed investments and are stated at either the lower of cost and net realisable value or at cost less provision for impairment.

##### Taxation

The taxation payable on the profits of limited liability partnerships is usually the personal liability of the members for the year. An amount is retained from each member's profit share within Fladgate LLP to cover the member's estimated liability for income tax and social security contributions on their profit share.

## Notes to the Financial Statements

### Year ended 31 March 2019

#### 1. Accounting Policies (continued)

##### Provisions

The provision for claims represents the estimated cost to Fladgate LLP of settling claims where a liability is considered by the members to be probable, after allowing for recoveries under insurance policies.

##### Staff pensions

Fladgate LLP operates a defined contribution pension scheme.

The amount charged to the profit and loss account for the defined contribution scheme is the amount payable for the period according to the scheme's rules. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments on the balance sheet.

##### Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

##### Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

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.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

## Notes to the Financial Statements

### Year ended 31 March 2019

#### 1. Accounting Policies (continued)

##### Financial instruments (continued)

- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### (i) Investments

In the LLP balance sheet, investments in subsidiaries and joint ventures and associates are measured at cost less impairment.

##### (ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### Members' interests & Divisible profits and members' remuneration

##### Members' interests

Members' capital is repayable on retirement of the member and is therefore classified as a liability. Because members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year.

##### Divisible profits and members' remuneration

No profits for each year are charged as members' remuneration. All profits are available for discretionary division among the members.

#### 2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 1, the members are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## Notes to the Financial Statements

### Year ended 31 March 2019

#### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

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

##### Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the members have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### Revenue recognition – accrued revenue

The value of accrued revenue is derived on the basis of estimations and assumptions regarding the fair value of unbilled time at the year-end having regard to the Group's accounting policy for revenue recognition.

##### Impairment of debtors

The Group makes an estimate of the recoverable value of debtors, other debtors and accrued income/amounts recoverable on contracts. When assessing impairment of trade receivables, other debtors and accrued income/amounts recoverable on contracts, management considers factors including the current credit rating of the debtor, the ageing profile and historic experience. See note 12 for the net carrying amount of the Group's debtors and associated impairment provision.

##### Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

##### Measurement of provisions

The Group's provisions, as set out in note 14 to the financial statements, include provisions for professional indemnity and other commercial claims, and are based on Management's best estimate of future cash flows.

##### Onerous lease obligations

The provisions recorded in respect of onerous leases have been made using estimates of future use, and the present value of rental payments and future income.

#### 3. Segmental Analysis

The Members are of the opinion that the operations of the LLP are substantially similar in that they relate to the provision of legal services. Information in relation to the geographical destination of turnover is not provided on the basis that the Members believe it would be seriously prejudicial to the interests of the LLP.

#### 4. Analysis of Operating Expenses

	Note	2019 £	2018 £
Staff costs	5	12,439,565	12,841,048
Depreciation	10	387,775	437,367
Other operating charges		12,039,909	10,414,463
		<u>24,867,249</u>	<u>23,692,878</u>

**Notes to the Financial Statements**  
Year ended 31 March 2019

**4. Analysis of Operating Expenses (continued)**

	2019	2018
	£	£
Operating profit is stated after charging:		
Depreciation:		
- Owned assets	387,775	437,367
Operating lease rentals:		
- Land and buildings	3,462,040	3,542,586
Auditor's remuneration:		
- Fees payable to the LLP's auditor for the audit of the LLP's annual accounts	36,200	38,000
- Audit related assurance services	30,100	28,650
- Taxation compliance services	22,500	21,400
- Other taxation advisory services	<u>34,944</u>	<u>38,864</u>

**5. Staff and Staff Costs**

	2019	2018
	No.	No.
The average number of people employed during the year (excluding members) was:		
Fee-earners	93	96
Support staff	89	88
	<u>182</u>	<u>184</u>
	2019	2018
	£	£
Staff costs incurred during the year in respect of employees were:		
Salaries (including staff bonus)	10,715,723	11,235,240
Social Security costs	1,322,932	1,222,160
Other pension costs	400,910	383,648
Total staff costs	<u>12,439,565</u>	<u>12,841,048</u>

The cost of contributions in respect of employees' personal pension schemes included in the profit and loss account for the year was £400,910 (2018 - £383,648). No contributions were outstanding at either year end.

# Notes to the Financial Statements

## Year ended 31 March 2019

### 6. Net Interest Receivable

	2019	2018
	£	£
Bank and other interest receivable	<u>280,840</u>	<u>304,213</u>

### 7. Tax on profit

The taxation charge which arises in the corporate entity included within these financial statements is:

	2019	2018
	£	£
Tax charge for the year:		
Current taxation		
United Kingdom corporation tax	<u>(53,405)</u>	<u>(51,728)</u>

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

Reconciliation of current tax	2019	2018
	£	£
Profit of corporate entities before tax	<u>29,097,532</u>	<u>28,949,442</u>
Tax on profit at standard rate of 19% (2018: 19%)	<u>(5,528,531)</u>	<u>(5,500,394)</u>
Factors affecting charge for the year:		
Tax on profit subject to self-assessment	<u>5,475,126</u>	<u>5,448,666</u>
Total actual amount of current tax	<u>(53,405)</u>	<u>(51,728)</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020.

The Government reduced the main rate of corporation tax to 17% effective from 1 April 2020 (substantively enacted on 6 September 2016, Royal Assent on 15 September 2016), replacing the previously enacted 18% rate. This is in line with the Government's proposed changes following the Budget announcement on 8 July 2015.

### 8. Members' Share of Profits

Profits are shared among the members in accordance with agreed profit sharing arrangements after the financial statements have been approved by the members.

	2019	2018
	No.	No.
Average number of members	<u>79</u>	<u>74</u>

The highest remuneration of a member for the year was £1,391,870 (2018 - £1,370,421).

### 9. Profit Attributable to the Limited Liability Partnership

No separate profit and loss account or statement of comprehensive income is presented in respect of the parent undertaking. The profit attributable to the company is disclosed on the footnote to the LLP balance sheet.

**Notes to the Financial Statements**  
Year ended 31 March 2019

**10. Tangible Fixed Assets – Consolidated and Limited Liability Partnership**

	Leasehold costs & improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b><u>COST</u></b>					
At 1 April 2018	1,320,823	985,460	1,794,141	315,873	4,416,297
Additions	3,333	26,043	122,091	-	151,467
Disposals	-	-	(85,166)	-	(85,166)
At 31 March 2019	1,324,156	1,011,503	1,831,066	315,873	4,482,598
<b><u>DEPRECIATION</u></b>					
At 1 April 2018	432,767	657,276	1,458,950	212,376	2,761,369
Charge for the year	104,902	63,647	193,355	25,871	387,775
Disposals	-	-	(85,163)	-	(85,163)
At 31 March 2019	537,669	720,923	1,567,142	238,247	3,063,981
<b><u>NET BOOK VALUE</u></b>					
At 31 March 2019	786,487	290,580	263,924	77,626	1,418,617
At 31 March 2018	888,056	328,184	335,191	103,497	1,654,928

**11. Investments**

Fladgate LLP has investments in the following entities:

Entity	Country of registration	Activity	Proportion of voting rights and ordinary shares held
Walgate Services Ltd *	England and Wales	Service company	100%
Walgate Trustees Ltd *	England and Wales	Dormant	100%
Fladgate Ltd	England and Wales	Dormant	100%
Fladgates Ltd	England and Wales	Dormant	100%
Fladgate Trustees Ltd	England and Wales	Dormant	100%

\* Held directly by Fladgate LLP.

The registered office address for all of the direct and indirect subsidiaries above is 16 Great Queen Street, London WC2B 5DG.

	<b>Consolidated</b>		<b>Limited Liability Partnership</b>	
	2019	2018	2019	2018
	£	£	£	£
Fixed asset investments – stated at the lower of cost or NBV	3	3	250,002	250,002

**Notes to the Financial Statements**  
Year ended 31 March 2019

**12. Debtors**

	<b>Consolidated</b>		<b>Limited Liability Partnership</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Client debtors	10,393,807	10,614,705	10,393,807	10,614,705
Unbilled revenue	4,330,920	4,244,262	4,330,920	4,244,262
Other debtors	139,655	110,300	-	-
Dividend receivable	-	-	-	220,000
Prepayments and accrued income	4,471,721	4,582,025	4,427,572	4,522,908
Listed investment at fair value	20,108	127,000	20,108	127,000
	<u>19,356,211</u>	<u>19,678,292</u>	<u>19,172,407</u>	<u>19,728,875</u>

Included within prepayments and accrued income is £2,179,283 which is due in more than one year.

**13. Creditors: Amounts Falling Due Within One Year**

	<b>Consolidated</b>		<b>Limited Liability Partnership</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	707,571	776,871	683,596	768,908
Amounts owed to subsidiary	-	-	615,527	748,754
Corporation tax	53,405	51,728	-	-
Social security and other taxes	1,385,070	1,325,014	601,085	539,848
Other creditors	63,321	59,099	-	-
Accruals and deferred income	1,417,237	1,936,401	1,015,486	1,103,584
	<u>3,626,604</u>	<u>4,149,113</u>	<u>2,915,694</u>	<u>3,161,094</u>

Balances due to related parties are due within one year and no interest is repayable.

**14. Provision for Liabilities**

**Consolidated and Limited Liability Partnership**

**Provision for claims**  
**£**

At 1 April 2018	1,100,000
Charge for the year	120,177
Provision utilised	<u>(60,524)</u>
At 31 March 2019	<u>1,159,653</u>

**Notes to the Financial Statements**  
Year ended 31 March 2019

**15. Reconciliation of Members' Interests**

Under the terms of the Members' Agreement, members are required to provide capital to the firm. The amount of capital varies according to the seniority of individual partners and is reviewed annually to adjust for new or retiring members. Amendments usually take place on 1 April. Capital is repaid to members upon cessation of membership over a period of 12 months following retirement and so is presented above in amounts due to members.

The members vote to approve the division of profit accrued after the balance sheet date. As a result, the balance of profit available for division among the members as at 31 March 2019 is included in members' other interests. Drawings by members on account of profits for the year have been included within amounts due from members. In the event of a winding up, loans and other debts due to members rank equally with unsecured creditors; members' other interests rank after unsecured creditors.

**16. Capital Commitments**

At the year-end the firm did not have any material capital commitments that were either contracted for but not provided in the financial statements or authorised but not contracted for.

**17. Operating Lease Commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Land and buildings</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Group and LLP		
- within one year	3,462,040	3,462,040
- between one and five years	13,848,160	13,848,160
- after five years	19,041,223	22,503,260
	<u>36,351,423</u>	<u>39,813,460</u>

**18. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Operating profit	28,816,695	28,646,409
Adjustment for:		
Depreciation and amortisation charges	387,775	437,367
Loss on sale of tangible fixed assets	(3)	(1,180)
Taxation	(51,728)	(49,543)
Operating cash flow before movement in working capital	<u>29,152,739</u>	<u>29,033,053</u>
Decrease/(increase) in debtors	322,082	(648,657)
Decrease in creditors	(524,184)	(303,064)
Increase/(decrease) in provisions for liabilities and charges	59,653	(585,689)
<b>Cash generated by operations</b>	<u><u>29,010,290</u></u>	<u><u>27,495,643</u></u>

**Notes to the Financial Statements**  
**Year ended 31 March 2019**

**19. Transactions with Related Parties**

Fladgate LLP is controlled by its members and as such there is no one controlling party.

The LLP has relied upon the exemption given in the Financial Reporting Standard 102 s.33 'Related Party Disclosures' not to disclose transactions between itself and its subsidiary undertakings.

The total remuneration for key management personnel in the year was £5,529,613 (2018 £5,539,849).