Gateley (Holdings) Plc

Annual Report

for year ended 30 April 2017

gateleyplc.com

Gateley (Holdings) Plc

Annual report and consolidated financial statements

Registered number 09310078

For the year ended 30 April 2017

Contents

Company information

Registration number	09310078	
Registered office	One Eleven Edmund Street Birmingham B3 2HJ	
Directors	MJ Ward	Chief Executive Officer
	PG Davies	Chief Operating Officer
	NA Smith	Finance Director and Company Secretary
	NT Payne	Non-Executive Chairman
	JC Lake	Non-Executive Director
	MR Seabrook	Non-Executive Director
Auditor	Grant Thornton UK LLP The Colmore Building 20 Colmore Circus Birmingham B4 6AT	
Nominated advisor and broker	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RB	
	Arden Partners Plc 125 Old Broad Street London EC2N 1AR	
Principal bankers	HSBC Bank plc 6th Floor 120 Edmund Street Birmingham B3 2QZ	
	Lloyds Bank plc 125 Colmore Row Birmingham West Midlands B3 3SF	
Registrars	Capita Asset Services 40 Dukes Place London EC3A 7NH	
Financial PR adviser	IFC Advisory 73 Watling Street London EC4M 9BJ	
Website	www.gateleyplc.com	

Chairman's Statement

In my second year-end results statement to you as Chairman of Gateley, I am pleased to report another year of strong financial results for the Company together with continued investment in the business, both of which translate directly to shareholder value and position the business well for the future. I am, however, not only delighted with the financial performance of the business this year, but also the significant progress we have made from being an LLP to a plc. This is evidenced in part by the equity participation we now have within the Company where staff have continued to build upon their equity interests in the business and by the addition of new external shareholders to our register.

Executed by a Board and senior management team that have the requisite leadership and experience to manage the business, our growth strategy remains firmly based on the three key pillars we set out at the time of our IPO. These are to: differentiate (through our comprehensive service offering and service ethic), to diversify (through organic growth and acquisition of additional complementary non-legal businesses) and to incentivise (offering wider and earlier equity participation to staff). In the year ended 30 April 2017 through strong organic growth, the acquisition of Gateley Hamer, the development of our equity participation schemes, strong client support and a well-balanced business model we have continued to move the Group forward. At the same time, we continue to invest in the future of the business by expanding our staff compliment by record numbers and augmenting our infrastructure and geographical presence with expansion of our new office in Reading.

Our ability to attract quality staff who are interested in benefiting from the opportunities provided by a plc structure continues to strengthen. As we build further scale, breadth and depth into our business, we will maintain our disciplined approach to optimising growth opportunities, whilst keeping our focus on meeting the needs of our client base.

Trading in the first two months of the current financial year has started well and the Board remains confident that the business is well balanced to deliver another year of growth in its core service lines, whilst at the same time continuing to look for complementary acquisitions. Accordingly, the Board looks to the future with confidence and is pleased to propose an increased final dividend, subject to shareholder approval at the Annual General Meeting on 27 September 2017, of 4.4p per share, making a total dividend of 6.6 pence per share for the year, and representing a 17.0% increase on the prior year.

Nigel Payne

Chairman

10 July 2017

Chief Executive Officer's Review

Introduction

I am pleased with the continued progress made by the Group in the year. This represents another year of expansion where we have not only grown the business but also invested further in it to support our future expansion. This has been possible due to the strength of our service offering, the depth of our client relationships and the growth in our teams of skilled professionals.

Financial Results

Our financial performance continues to demonstrate strong long-term growth with increases against last year in both revenue (up 15.7%) and adjusted EBITDA (up 15.5%). Our transition from LLP to plc is in accordance with our original plan and our statement of financial position has strengthened as a result of the ground-breaking change in business model. We have also had another year of strong cash generation from operations and continued to invest for the long-term future of the business. We are pleased to propose a dividend in line with expectations.

Operational Review

The year saw good growth across a number of business divisions with excellent results from the Banking and Financial Services Group; Corporate Group; Business Services Group, and our Property Group, with three 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 at partner level a number of new lateral hires and promotions thereby evidencing our continued investment in growth and the Group's ability to continue to attract, retain and nurture talent. Since IPO, laterally hired partners have totalled 13 in FY16, eight in FY17 with a further five contracted to join us in FY18. We have also internally promoted to partner two employees in FY16, three in FY17 and six in FY18. Our overall staff numbers have also increased from 638 to 717 over the last 12 month reporting period. We now have three employee share schemes in place. A Stock Appreciation Rights Scheme (SARS) which is aimed at partner level. The Gateley Sharesave Scheme which is a Save As You Earn scheme (SAYE) and is a non-discretionary scheme open to all employees and a Company Share Option Plan (CSOP) which is specifically targeted at associates, senior associates, legal directors and their equivalent levels within our support services team. Being able to offer something different as an employer has helped us not only retain staff since the IPO but has also attracted a wide pool of fresh talent. All staff that were employed at the time of the IPO received a nominal number of shares. 43% of all staff participated in our first SAYE scheme in September 2016 whilst 137 associates, senior associates, legal directors and the equivalent levels within our support services team received CSOP awards in December 2016.

We announced the opening of our 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 nineteen, including seven partners and further recruitment is progressing well.

We continue to maintain our presence on legal panels and have been reappointed to the national legal panels of a number of important house builders and UK clearing banks.

Chief Executive Officer's Review *(continued)*

Acquisitions

Acquisitions are an important part of the Group's growth strategy with a focus on acquiring 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. Our second acquisition followed shortly afterwards in September 2016 in the form of Gateley Hamer Limited (formerly Hamer Associates Limited), a specialist property consultancy of similar size to Gateley Capitus Limited and we are pleased to report that the integration of this business is proceeding well. Both businesses are working collaboratively within our Property Group and across our wider client base to complement our national service offering. We continue to explore acquisitions of businesses providing complementary professional services to enable us to further diversify our income streams going forward.

Board Composition

The Board announces that following five years of service with the Group, including two years as a director of the plc following its admission to AIM, having reached the age of 65, Michael Seabrook will not be offering himself for re-election at the forthcoming Annual General Meeting and will stand down as a Director at that point. The Board would like to thank Michael for his valuable contribution to the Group both leading up to the IPO and thereafter as the Group transitioned from an LLP to a plc. The Board wishes him all the best for the future.

The Board is pleased to announce the appointment of Suki Thompson with effect from September 2017. Shortlisted as Influencer of the Year by Creativepool and awarded Most Renowned Woman in Advertising and Communications in the 2016 Executive Awards, Suki sits on the Centaur Media Plc Management Board, has been a Trustee for Macmillan Cancer Support for the past six years and is also the CEO and Co-Founder of award-winning, marketing management consultancy, Oystercatchers. Today, Oystercatchers works with 80% of the FTSE 250 brands and global communications networks including WPP, IPG, Publicis, Omnicom and Havas. A recognised industry influencer, Suki leads debate across many platforms and her innovative Oystercatchers Club regularly attracts over 250 senior business leaders to each event. Her views are regularly sought by the media and event organisers. Most recently, Suki has chaired debate at The Guardian's Changing Media Summit; Advertising Week Europe, and at investment influencer, Platforum.

Suki holds an Honorary Doctorate from Coventry University for International Business Development is a Freeman of the City of London and a former Chair of the UK Marketing Society. The Board welcomes Suki and looks forward to working with her.

Current trading and outlook

Trading in the second half of the financial year ended 30 April 2017 was excellent and we are pleased to report that trading in the first two months of the current financial year has continued well. 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 both core services, and our complementary professional services.

Michael Ward

Chief Executive Officer

10 July 2017

Finance Director's Review

Financial Highlights

The Group delivered another strong performance in 2017 with record revenue generation accompanied by increased profitability. Total reported revenues for the year increased by 15.7% to £77.6m (2016: £67.1m). Adjusting for revenues from acquisitions since IPO of £2.0m (2016: £nil), organic growth of 12.7% has been achieved from our traditional core legal services. As the Group has delivered another year of annual revenue growth we have accelerated our investment in further expansion of our staffing levels to continue to meet increasing client demand and to facilitate further the expansion of services across our national office infrastructure. Whilst it is typical that increased recruitment costs are incurred in advance of the delivery of revenue, both EBITDA and PBT margins have been maintained as the Group continues to capitalise on growth opportunities along its journey as a leading professional services group.

Group revenue was well spread across a record number of clients that has generated strong results and we once again advised on more M&A transactions than other advisers in the market. Whilst pleased with the performance of all of our UK business lines we have seen our largest service lines continue to perform well in a market that remains competitive, but with healthy levels of activity for regionally focused service delivery. Our expertise in mergers & acquisitions, corporate finance, private equity and equity capital markets propelled our Corporate Group into generating revenue growth of 24% (2016: 14%). Our Property Group has performed strongly and generated revenue growth of 28% as our mix of both litigation and transactional property development work streams serviced client requirements well. The UK's construction, property development and housing markets continue to need the specialist legal support that Gateley can offer at both a regional and national level. Our housebuilding sector expertise demonstrates how our focus on strategically key sectors and commercially focused client understanding helps maintain long standing client relationships. We have recently renewed all key bank panel appointments that have arisen during and since the year end and continue to grow our national expertise and teams servicing clients in the delivery of private client and regulatory legal services.

Following the acquisition of Gateley Capitus Limited in April 2016, the Group has further expanded its professional complementary service lines with the acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited) in September 2016 for an anticipated total consideration of £2.0m. Both businesses continue to integrate well and work collaboratively with our legal and support teams. Gateley Capitus Limited has generated revenue of £1.2m and EBITDA of £0.3m during its first full year of ownership and Gateley Hamer Limited has generated revenue of £0.9m and EBITDA of £0.2m since acquisition. Whilst UK operations have performed well the additional investment into our Dubai office has not yet generated expected returns. Whilst fees in Dubai increased by 10% to £1.2m, the office made a loss of £0.4m (2016: loss £0.1m). We have already taken steps to restructure our operations in Dubai and will keep this under constant review.

Operating expenses (excluding depreciation and non-underlying items) rose by 14.2% to £63.4m (2016: £54.7m). This growth in operating costs has been driven mainly by the continued expansion of staff levels to meet client demand. Fee generating staff numbers at the end of the year rose by 7.6% (2016: 6.2%) to 441 (2016: 410). Personnel costs rose accordingly by 17.2% from £38.9m to £45.6m, thereby increasing this cost to 58.7% of revenue from 58.1% in 2016.

Adjusted EBITDA of £14.9m is up by 15.5% from £12.9m reflecting an adjusted EBITDA margin of 19.2% (2016: 19.3%). Adjusted profit before tax was up 11.7% to £13.4m (2016: £12.0m). Adjusted numbers excludes share based payment charges and for 2016 are stated after excluding income or expenses that related to non-underlying items and one-off professional costs together with the costs associated with the IPO and acquisitions.

Finance Director's Review *(continued)*

As a result of the continued expansion of new staff numbers, overall utilisation of staff performing chargeable work decreased to 86% (2016: 89%) but remained within acceptable levels without affecting achieved profit margins. We have now established all of our different share option schemes including our all staff SAYE scheme and CSOP scheme for associates, senior associates, legal directors and their equivalent levels within our support services team. The Board plans to make participation in both of these schemes an annual event alongside our SARS' scheme directed at those "legal partners/directors" the Board wishes to incentivise further with greater levels of future equity share ownership.

Other operating expenses (before non-underlying items) increased by 14.0% to £17.9m (2016: £15.7m). This increase was predominately due to increased volumes of activity and a full year of running costs associated with new offices in Reading and Belfast together with increased professional indemnity insurance premiums, bad debt and professional and consultancy services.

Earnings per share

Basic earnings per share increased to 9.43p (2016: 8.18p). Adjusted* basic earnings per share also increased to 9.43p (2016: 8.98p). Diluted earnings per share was 9.35p (2016 8.18p).

Dividend

The Board has adopted a dividend policy which reflects the strong long-term earning cash flow and earnings potential of the Group, distributing up to 70% of profits after tax each year to shareholders. Following the announcement of our interim dividend of 2.2p (2016: 1.895p) per share that was paid in March 2017, the Board proposes to approve a full year final dividend at its Annual General Meeting on 27 September 2017 of 4.4p (2016: 3.764p) per share, which if approved, will be paid in early October 2017 to shareholders on the register at the close of business on 8 September 2017. The shares will go ex-dividend on 7 September 2017.

Cash resources, borrowings and liquidity

The Group's cash generation has remained strong as we concluded the financial transition from an LLP with the settlement of loans from former partners of Gateley Heritage LLP. Since IPO liabilities repaid to former partners have totalled £21.4m with £0.55m (2016: £5.1m) outstanding at the year-end. Since the year end that balance has now been paid.

Cash generated during the year from operations was £7.7m which represents 76% of profit after taxation due to increased trade and other receivables and increased tax paid of £1.7m. Financing outflows totalled £13.1m which included a full year's dividend payments for the first time since IPO together with £2.0m of repaid bank debt and £4.6m of liabilities repaid to former partners. In addition further capital expenditure was incurred which together with the outlay of cash required for the acquisition of Gateley Hamer Limited meant that Group cash at bank ended the year at £2.7m (2016: £9.8m). The Group's net debt position as at 30 April 2017 has increased to £4.8m (2016: £4.2m).

Net assets

Net assets as at 30 April 2017 were £17.4m (2016: £12.7m). This movement reflected increases in tangible assets, the effect of further acquisitions and the movement in receivables derived from the Group's trading performance.

* Adjusted for non-underlying items

Neil Smith

Finance Director

10 July 2017

Strategic report

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006.

Principal objectives, strategy and outlook

The principal activity of the Gateley Group during the year was the provision of commercial legal services together with complementary non-legal professional services including acting as independent trustees to pension schemes (via Entrust Pension Limited) and providing specialist tax incentive advice (via Gateley Capitus Limited) and specialist property consultancy advice (via Gateley Hamer Limited (formerly Hamer Associates Limited)). The Group sells its services through 18 business lines, grouped into five operating segments. Dependent on a client's requirements, any given mandate or assignment can involve more than one business line with fee earning staff being provided across one or more office locations.

The Group's services are tailored to those required by local, regional and national clients and are provided from eight offices across the UK as well as an office in Dubai. Gateley also maintains informal, non-exclusive, relationships with a number of law firms (30+) around the world, enabling it to provide clients access to a global legal solution.

Gateley became an Alternative Business Structure ("ABS") with effect from 1 January 2014. Non-lawyers are permitted to own and invest in ABS law firms. The Board believes a combination of the new ABS structure and admission to trading on AIM will provide a platform for the continued growth and enhancement of the business. It will enable the business to differentiate itself from competition through an enhanced service-offering and (currently) unique career opportunity, to diversify its revenue streams through the acquisition of additional complementary legal and non-legal professional services businesses and finally to incentivise its people offering wider and earlier ownership to staff of a more modern, dynamic legal business. The Group's current areas of focus are:

- Enhanced opportunities to grow Gateley organically – including lateral hires of individuals or teams
- Making selective acquisitions, including (i) other legal firms which offer geographical expansion or additional specialist services and (ii) professional service businesses offering complementary services
- Alignment through share participation, of the interests of shareholders (including employee shareholders) with those of the business, aiding retention of staff and enhancing Gateley's recruitment appeal.

Organic growth strategy

The UK legal services market continues to exhibit growth and clear opportunities exist for Gateley to continue to differentiate its service offering and grow organically, in particular from:

- The retention of existing employees, working together to deliver 100% client satisfaction by looking after our clients' businesses as if they were our own
- Attracting new talent wishing to be a part of a pioneering law led professional services group
- Whilst legal services will always remain at the heart of the business, we will continue to provide enhanced cross-selling opportunities through collaborative group wide working
- Continued strengthening of our national network, offering a quality, value-for-money legal service to mid-market clients at home, in the markets in which they trade
- Continue to build upon our straight talking mid-market corporate service offering
- Maintaining and building upon Gateley's bank panel representation and "own account" work for banks
- Extending Gateley's relationships with the UK's leading house builders and in particular in those divisions and regions where Gateley does not currently act

Strategic report *(continued)*

Organic growth strategy *(continued)*

- Securing further instructions from Pension trustees to act as independent trustee on large schemes with deficits
- Expansion of specialist areas such as regulatory and private client into other geographical areas
- Developing Gateley's project litigation offering and taking advantage of the offshore work this generates.

Acquisitive growth

Gateley believes that it can strengthen its business by broadening its service offering through the acquisition of complementary legal and non-legal, professional service businesses. A broader set of services create additional channels to market, increase cross-sales potential, facilitate a more flexible sales model and enhance client retention. To owners of target complementary professional services businesses Gateley offers a platform for their continued growth, drawing upon Gateley's established national office network and supporting back-office infrastructure and access, via Gateley's existing "sales force" of partners and other lawyers, to Gateley's existing client-base.

- being well positioned, as a result of its more flexible corporate structure, to take advantage of anticipated consolidation within the UK legal services industry
- acquiring legal teams or firms offering new niche services, sector specialism, or an opportunity to enter new geographic markets deemed strategic
- acquiring complementary professional services businesses (facilitated by the Group's alternative business structure)

Incentivisation

In the last financial year Gateley has introduced a range of employee share schemes that ensure all staff can acquire shares and participate in the financial success of our business.

The aim of encouraging earlier and widespread equity ownership in the business is to attract, retain and motivate talent and to ensure all employees can benefit from the Group's longer term success.

Overview for the year

Management use the following key performance indicators (KPIs) to assess the performance of the Group:

- Revenue up 15.7% to £77.6m (2016: £67.1m)
- Profit before tax up 18.8% to £13.1m (2016: £11.0m)
- Adjusted EBITDA* up 15.5% to £14.9m (2016: £12.9m)
- Basic Earnings per share (EPS) up 15.3% to 9.43p (2016: 8.18p)
- Total dividend declared of 6.6p (2016: 5.7p)
- Revenue per Pound of salary cost £1.70 (2016: £1.72)
- Adjusted EBITDA margin 19.24% (2016: 19.28%) – Adjusted EBITDA as a percentage of revenue
- Operating profit margin 17.29% (2016: 16.80%) – Operating profit as a percentage of revenue
- Revenue days 93 (2016: 85) - Year end trade receivables expressed as the number of preceding days' gross revenue
- Gearing ratio 12.7% (2016: 34.1%) – Borrowings due out within one year divided by opening total equity plus borrowings due out within one year

Strategic report *(continued)*

Overview for the year *(continued)*

- Interest cover – 66.9x (2016: 49.8x) Profit before financial income and expense and income tax (“EBIT”) divided by financial expense
- Net debt £4.8m (2016: £4.2m)

*Adjusted underlying EBITDA excludes income or expenses that relate to depreciation, amortisation share based payment charges and non-underlying items

See Finance Director’s report on pages 7 to 8 for a summary of key financial highlights during the year.

Earnings per share

Basic EPS was 9.43p (2016: 8.18p). Diluted EPS was 9.35p (2016: 8.18p).

Cash flows

Net cash generated from operating activities was £7.7m (2016: £14.3m). Investing cash outflows principally comprised £1.49m (2016: £0.67m) for capital expenditure, together with £0.5m investment in Gateley Hamer Limited (formerly Hamer Associates Limited) (‘GHL’). Consideration in respect of the acquisition of GHL totalling £1.083m remained unpaid at the year end.

Financing cash outflows reflect the key aspects of the Group's transition from Limited Liability Partnership (LLP) to the PLC. Upon admission to AIM in June 2015, the Group received term loans totalling £10m (before charges) together with £5m of new money from the issue of new shares. During the year £2m (2016: £1m) was repaid in respect of the term loans together with £4.6m in respect of the settlement of liabilities converted into loans to the Plc upon admission. These sums were owed to former members of Gateley Heritage LLP. Equity dividends totalling £6.3m were also paid during the year.

Financing

The Group’s net debt position as at 30 April 2017 (including loans owed to former partners) was £4.8m (2016: £4.2m). The decrease in net debt is due to repayments made during the year.

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 ongoing trading performance. The Group is funded through two unsecured term loans for £5m each repayable quarterly over five years commencing in December 2015 together with unsecured overdraft facilities of up to £5m. All of the Group’s overdraft facilities are 12 months in duration. The term loan facilities contain financial covenants which have been met throughout both periods. The Group’s forecasts and projections show that the new facility provides adequate headroom for its current and future anticipated cash requirements.

Strategic report *(continued)*

Principal risks and uncertainties

Risk category	Potential impact	Mitigation
Economic	The economic situation or conditions deteriorate with a consequent reduction in confidence. Competitive pressure resulting in reduced revenue growth and profitability.	The Group continuously reviews its business and growth opportunities both in terms of the specialist services it offers and the markets it operates in. Business requirements are regularly discussed with clients and prospective clients to support the development of the services provided by the Group.
	Potential impact of the UK's exit from the European Union "Brexit"	The Group considers that it is positioned well to withstand an economic down-turn which might result from Brexit. This assessment is made by virtue of the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diversified client-base. The Group's trade is not reliant upon any single client, sector, region or public sector activity, nor is it reliant upon the capital markets activity of its clients. Group cash-flows are largely unaffected by currency fluctuations. The Group also believes that, regardless of Brexit, English law will remain one of, if not the, preeminent legal code, protecting demand for UK legal services even in challenging economic times. The Group believes that potential economic uncertainty justifies the Group's decision to move to a Plc structure, which structure provides the platform for the continued, measured growth and development of the business.
Reputation	The success of the Group's business depends on the maintenance of good client relationships and its reputation for providing high-quality professional services. If a client's expectations are not met, or if the business is involved in litigation or claims relating to its performance in a particular matter, the reputation of the Group could be significantly damaged. The Group's reputation could also be damaged through Gateley's involvement (as an adviser or as a litigant) in high-profile or unpopular legal proceedings. The Group may be required to incur legal expenses in defending itself against any litigation arising in, or out of, such cases and may also incur significant reputational and financial harm if such litigation is successful or if there is negative press coverage.	The Group constantly endeavours to maintain its reputation as a provider of client focussed commercial advice and has adopted internal management processes and training programmes to support this. Its legal services are Lexcel accredited (the SRA's quality standard).

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Reputation (continued)	The Group regards its brand names, trademarks, domain names, trade secrets and similar intellectual property as important to its success. Its businesses have been developed with a strong emphasis on branding. Should the brand name of Gateley be damaged in any way or lose market appeal, the Group's businesses could be adversely impacted.	While the Group will use all reasonable endeavours to protect its intellectual property rights should this be required, it may not be able to prevent any unauthorised use or disclosure of its intellectual property having an adverse effect on the operating, marketing and financial performance of the Group.
Operational risk	The Group's profitability is subject to a variety of operational risks including strategic and business decisions (including acquisitions), client choice in relation to the ability to appoint alternative advisers at any time, technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events.	Gateley has operational risk management practices in place to assess and manage these risks which include regular reports to the boards of the trading companies and to the Directors. The advice of both internal and external experts is sought when appropriate.
Professional liability and uninsured risks	The Group provides professional services, predominantly legal advice. Like all providers of professional services, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. As well as the risk of financial damage, such claims also carry a risk of damage to the Group's reputation. The professional indemnity insurance held by the Group may not cover all potential claims or may not be adequate to indemnify the Group for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or are in excess of the insurance coverage could have a material adverse effect on the Group's business and financial condition.	The Group is advised by market leading insurance brokers and the Directors believe that it holds comprehensive professional liability insurance. Any claims are defended strongly with senior members of the business involved at all stages and external advice is sought where appropriate. The Group works hard to ensure its employees provide excellent advice and service to its clients underpinned by quality processes and bespoke training programmes. In the opinion of the Directors the Group has a good claims history.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Regulatory and Compliance Risks	The Group, like all businesses is subject to a range of regulations. Failure to comply with these could have significant implications for the business ranging from reputational damage to criminal prosecution and sentencing.	The Group seeks advice from both internal and external experts to support it in its adherence to applicable regulations and guidelines.
	In addition, the businesses of the Group operate in regulated markets which impose additional regulation, for example: *Restrictions on holdings of 10 % or more* Under the Legal Services Act 2007, there are restrictions on the holding of "restricted interests" in the Licensed Body law firms. A restricted interest for the purpose of these restrictions is an interest of 10 per cent. or more in the issued share capital of the Licensed Body and includes an interest in the ultimate parent company of the Licensed Body. Gateley Plc is currently a Licensed Body. The effect of the restrictions is that the consent of the Solicitors Regulation Authority ("SRA") is required should any person who is a non-deemed approved lawyer seek to acquire a shareholding of 10 per cent or more in the Company. It is a criminal offence for any non-deemed approved lawyer to acquire a restricted interest without first notifying the SRA or to acquire a restricted interest having notified the SRA but before obtaining its consent. Any consent from the SRA may have conditions attached.	The Directors are in dialogue with the SRA to minimise such risk and as far as they are able, ensure that this particular regulation is made known to shareholders.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Regulatory and Compliance Risks (continued)	The SRA also has power to force the divestment of any shareholding which breaches this rule via the courts and/or to suspend or revoke the Licensed Body status of Gateley Plc, which would have a serious effect on the Group; and *Duty of confidentiality and non-disclosure:* The SRA regulates the use and disclosure of client information. The Group is exposed to the risk of employees engaging in misconduct, including the improper use or disclosure of confidential client information. Employee misconduct could result in considerable harm to the Group's reputation, as well as regulatory sanctions and financial damage.	Staff are trained and reminded of these duties and file management processes are in place to mitigate this risk but it cannot be removed in full.
Employees	Well trained and experienced employees are essential for the delivery of excellent professional services. The market for such employees remains competitive and the loss of or failure to recruit and retain such employees could impact on the Group's ability to deliver professional services and financial performance. A failure to implement effective succession planning throughout the business could also adversely affect financial performance. The geographical spread of management and the development of new offices and operations could compromise effective communication and responsiveness impacting the Group's strategic goals.	Recruitment is led by senior members of the business with all professional staff being interviewed by partners and senior managers. The recruitment process is being developed to include a strong value proposition for candidates. Remuneration arrangements include a range of benefits and are considered to be highly competitive. Employee contracts include appropriate provisions to protect the business where possible. A comprehensive training programme is in place for all staff providing management, leadership, technical and skills training. The Board and the Boards of the subsidiary companies are responsible for the implementation of succession plans for each of the businesses and investment has been made in the recruitment of appropriate staff where required. Use of internal communications systems are continuously reviewed and developed to meet staff needs. The Group has a vision statement which has recently been reviewed and sets out the core values and behaviours expected of staff.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Information systems and other facilities	Loss of its IT provision or other material facilities would have a serious impact on the Group's operations. The Group can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on the Group's financial performance.	The Group monitors the resilience of its information systems and other facilities on an ongoing basis introducing updates and upgrades as appropriate. The Group works with external partners to support for example the delivery of its internal and client facing IT provision. External advice is sought as appropriate. The Group has a business continuity plan which is being reviewed, particularly in the light of recent national events.
Financial	Inaccurate financial information may result in inappropriate decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Group suffering a financial loss.	The systems of internal control deployed within the Group are designed to comply with the applicable regulatory requirements (for example to protect client monies) and also to prevent financial loss. Gateley Plc's compliance with the Solicitors Accounts Regulations is audited annually by external auditors.
Acquisition risk	The Group will consider complementary and earnings enhancing acquisitions as part of its overall growth strategy. Acquisitions may not always realise the benefits expected at the time of completion. A failure to successfully integrate acquisitions may impact on Group profitability.	Due diligence appropriate to the size and nature of targets is undertaken and appropriate warranties and indemnities are sought from sellers wherever possible. Integration plans are formulated as part of the due diligence process and executed on acquisition. Employment contract terms and conditions are aligned between Group employees and new employees where appropriate post integration, to facilitate smooth integration. Formal Board and reporting structures are introduced post acquisition and authorities are agreed.

On behalf of the Board

Neil Smith
Finance Director
10 July 2017

Report on remuneration: voluntary disclosure

The board submits its directors' remuneration report for the year ended 30 April 2017. Although not subject to the reporting regulations of fully listed companies in the UK, the committee has taken account of these regulations in the preparation of this report. This report sets out:

- a summary of the directors' remuneration policy – setting out the parameters within which the remuneration arrangements for directors operate;
- details of the remuneration paid to the directors for the year under review; and
- a description of how the remuneration committee operates;

Remuneration policy

The remuneration policy is designed to provide an appropriate level of remuneration for the executive directors so that they are incentivised and rewarded for their performance, responsibilities and experience, without paying more than is necessary.

The remuneration policy reflects the initial structure implemented by the board to position its cost base correctly on its transition from a Limited Liability Partnership to a Public Limited Company. At present, the committee considers that the balance of all forms of remuneration received by executive directors through a combination of basic annual salary, bonuses, dividend income and share growth, is sufficiently motivating for each executive.

In the long term however the committee recognises that its executive remuneration structures need to attract, motivate and retain directors of the calibre necessary to maintain the Company's position as a market leader and to reward them for enhancing shareholder value and return. It is the committee's intention that executive directors' remuneration be positioned market competitively and at a level which reflects the roles and responsibilities of the directors by the end of the five year lock-in period which is June 2020.

The table below summarises the key elements of the executive directors' remuneration package.

Element, purpose and operation	Opportunity
Base salary Reviewed on an annual basis with any increases normally becoming effective from the start of the financial year.	It is proposed that appropriate salary increases will be awarded to provide alignment with the market over time and so that levels reflect the responsibilities of the role and the skills and experience of the individual.
Bonus Designed to align executive directors' interests with shareholders and to incentivise executive directors to perform at the highest levels. The bonus comprises a merit pool and a performance pool. All executive directors participate in the merit pool. NA Smith also participates in the performance pool.	**Merit pool** Each year, a pre-agreed percentage of pre-tax profits is allocated to the merit pool. The merit pool is distributed to participants based on their individual performance during the year. **Performance pool** A fixed sum is allocated to the performance pool based on the Group achieving budgeted performance. To the extent that budgeted performance is not achieved, the size of the pool is scaled back. The pool is capped at a predetermined amount at the start of each year. The pool is distributed to participants based on a point system, with the allocation of points reflecting a participant's role, responsibility and contribution to the long-term business strategy.

Report on remuneration: voluntary disclosure *(continued)*

Element, purpose and operation	**Opportunity**
Stock Appreciation Rights (SARs) On Admission, the Company introduced the SAR Scheme to assist in the recruitment, incentivisation and retention of senior employees and executive directors. Under the rules of the SAR Scheme, share options may be granted to participants which normally become capable of exercise from the third anniversary of the date of grant until six months thereafter subject to continued employment. Of the executive directors, only NA Smith participates in the SAR Scheme.	On exercise, participants will receive the growth in value of the share options between the date of grant and the date of exercise in excess of the hurdle rate. The hurdle rate is currently set at 115.765% of the market value of the underlying shares on the date of grant.
Pension and benefits	The executive directors have chosen not to participate in a company funded pension scheme nor receive a cash allowance in lieu thereof. The executive directors do not receive any form of taxable benefits.

Shareholding guideline

There is no minimum shareholding guideline save for those set out in the lock-in arrangements entered into upon IPO. As disclosed on page 20, all of the executive directors have significant shareholdings.

Policy for the remuneration of employees more generally

The key principles of the remuneration policy for executive directors also applies to employees more generally. In particular, senior employees may participate in the merit bonus pool and performance bonus pool depending on their role and responsibilities and contribution to the business. The Company also supports and encourages share ownership for all employees through the use of three share schemes; the SAR Scheme, the all employee Save As You Earn (SAYE) scheme and the Company Share Option Plan (CSOP). In owning shares, employees are directly aligned with the interests of shareholders and are able to participate in the dividend income that share ownership provides. 63.4% of the Company's issued share capital was held by employees as at 30 April 2017.

It is also the committee’s intention that senior employees’ remuneration will be reviewed in the context of market positioning and the end of the five year lock-in period ceasing in June 2020.

Non-executive directors’ fees

The chairman of the board and the other non-executive directors receive an annual fee for their services, reflective of their level of responsibility, relevant experience and specialist knowledge. Non-executive directors are also reimbursed for appropriate travel expenses to and from board meetings.

Report on remuneration: voluntary disclosure *(continued)*

Executive directors' service agreements and non-executive directors' letters of appointment

The executive directors signed new service agreements on 1 June 2015. The service agreements provide that their employment with the Company is on a rolling basis, subject to written notice being served by either party of not less than six months. The service agreements contain provisions for early termination in the event of a breach of a material term of the service agreement by the executive director or where the executive director ceases to be a director of the Company for any reason. The service agreements also contain restrictive covenants for a period of 12 months following termination of employment. No bonus is payable to the executive director if their employment terminates for any reason or they are under notice of termination (whether given by the Company or the executive director) at or prior to the date when the bonus is paid. All bonuses are payable within six months of the financial year end.

The non-executive directors serve under letters of appointment (dated 1 June 2015). The appointments are for an initial fixed term of three years unless terminated by either party serving at least three months' written notice on the other during or after such initial fixed term. The agreement contains provisions for early termination in the event of a serious or repeated breach of the agreement by the non-executive director or where the non-executive director ceases to be a director of the Company for any reason.

Summary of directors' remuneration for the year

The following table represents the directors' remuneration for the years ended 30 April 2017 and 30 April 2016:

	Salaries and fees	Bonus	Share Options	Total 2017	Salaries and fees	Bonus	Share Options	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Nigel Terrence Payne	36	-	-	36	32	-	-	32*
Joanne Carolyn Lake	30	-	-	30	27	-	-	27*
Michael Richard Seabrook	30	-	-	30	27	-	-	27*
Michael James Ward	135	57	-	192	132	44	-	176
Peter Gareth Davies	135	57	-	192	132	44	-	176
Neil Andrew Smith	138	76	4	218	132	44	3	179
	504	**190**	**4**	**698**	**482**	**132**	**3**	**617**

Bonuses for the year

The Company's performance for the year ended 30 April 2017 resulted in bonuses paid under the merit pool bonus for MJ Ward, PG Davies and NA Smith together with amounts paid under the performance pool bonus for NA Smith.

The merit pool for the year ended 30 April 2017 was set at 15% of pre-tax profits and resulted in awards of up to £57,000 being made to executive directors.

The Company delivered performance for the year ended 30 April 2017 resulting in a performance pool for the year equal to £0.44m. An award of £19,000 was made to NA Smith based on his points allocation.

Grant of share options

In October 2016 NA Smith was granted 150,000 share options under the SAR Scheme. No other share options were granted to executive directors during the year ended 30 April 2017.

Report on remuneration: voluntary disclosure *(continued)*

Directors' Interests

Directors' shareholdings at 30 April 2017 were as follows:

	10p ordinary shares		10p ordinary shares	
	Number of shares	**Percentage Holding**	Number of shares	Percentage Holding
	At 30 April 2017		At 30 April 2016	
Nigel Terrence Payne	**39,107**	**0.04%**	39,107	0.04%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Michael Richard Seabrook	**15,700**	**0.01%**	15,700	0.01%
Michael James Ward	**2,960,104**	**2.77%**	3,289,004	3.09%
Peter Gareth Davies	**2,989,004**	**2.80%**	3,289,004	3.09%
Neil Andrew Smith	**500,000**	**0.47%**	474,702	0.45%

The following directors held share options under the SAR Scheme as at 30 April 2017:

	Number of options at 30 April 2017	Date of grant	Exercise price in £	Earliest exercise date
Neil Andrew Smith	150,000	8 June 2015	1.10[1]	8 June 2018
Neil Andrew Smith	150,000	7 October 2016	1.38[2]	7 October 2019

1. Being the share price on the date of grant of £0.95 multiplied by the hurdle rate of 115.765%.
2. Being the share price on the date of grant of £1.20 multiplied by the hurdle rate of 115.765%.

Under the SAR Scheme, the participant is entitled to shares equivalent to the growth in value above the exercise price.

Remuneration committee

The committee is appointed by the board and is formed entirely of non-executive directors. The committee is chaired by Michael Seabrook and the other members are Nigel Payne and Joanne Lake.

The committee meets formally at least twice a year and has responsibility for setting the Company's general policy on remuneration and also specific packages for individual directors including the directors that comprise the strategic board. The committee is also responsible for structuring non-executive director pay, which is subject to approval of all independent directors. The committee receives internal advice from executive directors and external advice from remuneration consultants where necessary. The committee also makes recommendations to the board concerning the allocation of share options to employees under the SAR Scheme. The committee's terms of reference are available for public inspection on request.

Other members of the board of directors are invited to attend meetings when appropriate, but no director is present when his or her remuneration is discussed.

Deloitte LLP were engaged as advisors to the committee in June 2017. Deloitte LLP is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

Corporate governance: voluntary disclosure

Corporate Governance Codes

Gateley (Holdings) Plc is quoted on AIM and is not subject to the requirements of the UK Corporate Governance Code (formerly the Combined Code) issued by the Financial Reporting Council in September 2014 (“the Code”), nor is it required to disclose its specific policies in relation to corporate governance.

However, whilst the Group does not comply with the UK Governance Code the Board of Directors is committed to delivering high standards of corporate governance, integrity and business ethics and, having considered the Guidance for Smaller Quoted Companies on the Code (produced by the Quoted Companies Alliance), has taken steps to apply the principles of the Code insofar as it can be applied practically given the size of the Group and the nature of its operations. The Board of Directors operates within the framework set out below.

The guidance issued by the BEIS Committee in March 2017 has been considered by the Board. The Board has resolved to keep the recommendations under review and to adopt recommendations as appropriate in view of the development of the business.

The Board and its committees

Board composition and independence

The Board consists of three Executive Directors (the Chief Executive Officer, the Chief Operating Officer and the Finance Director), the independent Non-executive Chairman and two further independent Non-executive Directors. The Non-executive Directors are considered by the Board to be independent of management and are free from any relationship which may materially interfere with the exercise of independent judgement. At the Annual General Meeting of the Company held on 21 September 2016 each of the Directors was reappointed to the Board. At future annual general meetings, a third of the Directors will submit themselves for re-election every year.

Operation of the Board

The Board meets regularly throughout the year, as well as on an ad hoc basis as required, to consider all aspects of the Group's activities. A formal schedule of matters reserved for the Board includes overall Group strategy, acquisition progress, operational review, committee updates, governance and risk and approval of major expenditure. The agenda and relevant briefing papers (which include reports from the Executive Directors and minutes of subsidiary board meetings) are distributed on a timely basis in advance of each board meeting.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed.

Remuneration Committee

The Remuneration Committee comprises Michael Seabrook (Chairman), Nigel Payne and Joanne Lake. The Remuneration Committee is responsible for all elements of the remuneration of the Executive Directors and the members of the Strategic Board. The Committee also oversees the operation of the Company's share option schemes. The Chief Executive Officer is invited to meetings of the Remuneration Committee to discuss the performance of other Executive Directors but is not involved in the decisions. The Remuneration Committee may invite any person it thinks appropriate to join the members of the Remuneration Committee at its meetings. Further details of the Committee are included in the Remuneration Report.

Corporate governance: voluntary disclosure *(continued)*

Audit and Risk Committee

The Audit and Risk Committee comprises Joanne Lake (Chairman), Nigel Payne and Michael Seabrook. Joanne Lake and Nigel Payne are Chartered Accountants and the Board believes the Committee is independent with all members being Non-executive Directors. The Committee meets, together with the Finance Director, Neil Smith, at least twice a year. It is responsible for ensuring the financial performance of the Group is properly reported on and monitored. The Committee reviews the interim and annual accounts, reviews reports from the auditor, monitors the Group's risk register and the adequacy and effectiveness of the systems of internal control, and reviews annually the effectiveness of the auditor. The auditor, Grant Thornton UK LLP, attends meetings at the request of the Chairman and the Committee meets with the auditor without Executive Directors being in attendance for part of the meeting.

Nomination Committee

The Nomination Committee comprises Nigel Payne (Chairman), Michael Seabrook and Joanne Lake. The Committee is responsible for monitoring the size and composition of the Board and the other Board committees. It is also responsible for identifying suitable candidates for board membership and will monitor the performance and suitability of the current Board on an on-going basis.

Communications with shareholders

Communications with shareholders are given a high priority by the Directors who take responsibility for ensuring that a satisfactory dialogue takes place. The principal methods of communication with private shareholders remain the annual report and financial statements, the interim report, the AGM and the group's website (www.gateleyplc.com). During the last financial year, the Company has contributed to DirectorsTalk to support its engagement with private shareholders. It is intended that all directors will attend each AGM and shareholders will be given the opportunity to ask questions. In addition, the Chief Executive Officer, Finance Director and Head of Investor Relations meet with institutional shareholders following the announcement of interim and final results and at other appropriate times. The Chief Executive Officer and Finance Director are also in regular contact with analysts who publish reports on the Group's performance.

Internal control

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness. The Board regularly reviews the process for identifying, evaluating and managing any significant risks faced by the Group. The Audit & Risk Committee discusses the effectiveness of the systems of internal control with the auditor. The implementation of an Internal Audit function to support the work of the Audit & Risk Committee is continuing.

Systems of internal control continue to develop as the Group's activity expands. The internal controls in the businesses acquired by the Company during 2016 (Gateley Capitus Limited and Gateley Hamer Limited) are, where appropriate, the same as those in Gateley Plc.

The operational functions (professional practice, finance, IT, HR, training, business development, support services and compliance) operate within an established management structure. The managers within the trading businesses have specific responsibilities and authority to manage risk effectively and report monthly either directly to the Operations Board or via their respective committees. Decisions made by the Operations Board are reviewed monthly by the Strategic Board and the Board.

The operational Risk Committee meets regularly to review financial, operational and compliance risks for the businesses and reports to the Audit & Risk Committee. Processes to embed risk management throughout the Group will continue to be reviewed and implemented as appropriate, as will reviews of social, environmental and ethical matters to ensure that all significant risks to the business of the Group arising from these matters are adequately addressed.

Corporate governance: voluntary disclosure *(continued)*

It must be recognised that any system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. Any such system of internal control can at best provide reasonable but not absolute assurance against material misstatement or loss. The Board is committed to operating in accordance with the Code as far as it is appropriate to do so in view of the current stage of development of the Group.

Slavery and Human trafficking statement

Gateley (Holdings) Plc is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and expects its suppliers to adopt the same high standards. As part of our commitment to combating modern slavery, we have a specific modern slavery policy and we expect all of our suppliers to operate a zero tolerance approach to modern slavery and human trafficking.

Gateley (Holdings) Plc's slavery and human trafficking statement, made in accordance with section 54(1) of the Modern Slavery Act 2015 for the financial year commencing 1 May 2016 and ending 30 April 2017, can be found on its website, www.gateleyplc.com

On behalf of the Board

Nigel Payne
Chairman
10 July 2017

Board of Directors

Details of the Directors', their roles and their backgrounds are as follows:

Nigel Payne, aged 57, *Non-Executive Chairman*
Nigel has over 30 years' experience as a director of both publicly listed and private companies. He has extensive experience of listing companies, fund raising on the public markets acting as either Chairman on Non-Executive Director of public companies. Nigel is presently Non-Executive Chairman of AIM quoted Stride Gaming Plc, AIM quoted EG Solutions Plc and AIM quoted ECSC Plc. Previously Nigel was the CEO of Sportingbet Plc, one of the world's largest internet gambling companies where Nigel made a number of acquisitions whilst listed on the London Stock Exchange (both FTSE listed and AIM quoted). Nigel holds an Executive MBA from the IMD Business School (Lausanne, Switzerland) and a degree in Economics and Accounting from Bristol University.

Michael Ward, aged 58, *Chief Executive Officer*
Mike has over 30 years' experience as a corporate lawyer, advising private and public companies, management teams and private investors. He joined Gateley in 1987 and has been instrumental in the development of Gateley. He was elected as Senior Partner in 2001 and sits on the Strategic Board. Mike is a former President and Treasurer of the Birmingham Law Society and a former President of the Greater Birmingham Chamber of Commerce.

Peter Davies, aged 59, *Chief Operating Officer*
Peter has over 30 years' experience as a dispute resolution lawyer. He has considerable experience in construction disputes, acting for developers, contractors, sub-contractors and construction professionals. More recently, he has concentrated on providing advice to the firm's house-builder clients. He is a member of the Law Society, TeCSA, and is also a CEDR accredited mediator. He has been involved in the management of Gateley LLP for over 20 years. He sits on the Strategic Board and Chairs the Operations Board.

Neil Smith, aged 41, *Finance Director and Company Secretary*
Neil has more than 20 years' experience working in the accountancy profession where he specialised in the professional services industry. Initially Neil spent 14 years at a major accounting practice where he gained considerable experience of auditing and advising a wide range of privately owned and publicly listed business across many sectors. He joined Gateley LLP in 2008, was appointed as Finance Director in 2011 and became the first none lawyer to be appointed as Partner within Gateley LLP following its successful application to become an Alternative Business Structure in January 2014. Neil was a member of the management team on Gateley LLP's acquisition of the commercial law business from Halliwells LLP in 2010 and, following his involvement in Gateley (Holdings) Plc's admission to AIM, was appointed to the Plc Board in 2015. As well as Company Secretary for the Gateley Group he is also the Group's compliance officer for finance and administration ("COFA") and a fellow of the Association of Certified Chartered Accountants.

Joanne Lake, aged 53, Non-Executive Director
Joanne has over 30 years' experience in financial and professional services; in investment banking with firms including Panmure Gordon, Evolution Securities and Williams de Broe and in audit and business advisory services with Price Waterhouse. Joanne is Non-executive Chairman of AIM quoted wealth management group, Mattioli Woods plc and Non-executive Deputy Chairman of main market listed land management and construction group, Henry Boot PLC. She is a non-executive director of AIM quoted non-standard finance provider, Morses Club PLC and tissue converter, Accrol Group Holdings plc and is a trustee of The Hepworth Wakefield gallery. Joanne is a Fellow of the Chartered Institute for Securities & Investment and of the ICAEW, and is a member of the ICAEW's corporate finance faculty.

Michael Seabrook, aged 65, *Non-Executive Director*
Michael has over 30 years' experience as a solicitor, nearly 25 of which were served as a partner in Eversheds LLP, where he performed a number of senior roles before retiring in 2011. Since then he has held non-executive director roles at Springboard Corporate Finance Limited, West Midlands Enterprise Limited and other businesses, and acts as a trustee of the Queen Elizabeth Hospital Birmingham Charity.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2017.

Principal activities

The principal activities of the Gateley Group during the year were the provision of commercial legal services together with complementary non-legal services including acting as independent trustees to pension schemes (via Entrust Pension Limited), the provision of specialist tax incentive advice (via Gateley Capitus Limited) and the supply of specialist property consultancy services (via Gateley Hamer Limited (formerly Hamer Associates Limited)).

Business review

The results of Gateley (Holdings) Plc for the year are set out in the consolidated statement of profit and loss and other comprehensive income on page 30.

A review of the business, results and dividends, and likely future developments of the company are contained in the Chief Executive Officer's review on pages 5 to 6 and the Finance Director's review on pages 7 to 8. The strategic report, which includes a description of the principal risks and uncertainties facing the Group, is set out on pages 9 to 16.

Dividends

The Directors propose to recommend that a final dividend of £4,702,806 (2016: £4,019,385), being 4.4p per share, be paid, giving a total dividend for the year of 6.6p (2016: 5.641p). The final dividend has not been included within creditors as it was not approved before the year end.

The directors and their interests in the shares of the parent company

	10p ordinary shares		10p ordinary shares	
	Number of shares 2017	**Percentage Holding 2017**	Number of shares 2016	Percentage Holding 2016
Nigel Terrence Payne	**39,107**	**0.04%**	39,107	0.04%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Michael Richard Seabrook	**15,700**	**0.01%**	15,700	0.01%
Michael James Ward	**2,960,104**	**2.77%**	3,289,004	3.09%
Peter Gareth Davies	**2,989,004**	**2.80%**	3,289,004	3.09%
Neil Andrew Smith	**500,000**	**0.47%**	474,702	0.45%

Directors' report *(continued)*

Substantial shareholdings

The Company was notified that the following were interested in 3% or more of the issued share capital of the company as at 26 June 2017:

Name	**Number of ordinary shares**	% of issued share capital
Liontrust Asset Management	**10,143,287**	9.49%
Miton Asset Management	**7,710,579**	7.21%
Premier Fund Management	**6,103,780**	5.71%

Slavery and Human trafficking statement

Gateley (Holdings) Plc is committed to preventing acts of modern slavery and human trafficking from occurring within its business and supply chain, and expects its suppliers to adopt the same high standards. As part of our commitment to combating modern slavery, the directors have approved the adoption and implementation of a specific modern slavery policy. We expect all of our suppliers to adhere to our Anti-Slavery Policy and will not tolerate slavery and human trafficking within our supply chains.

Gateley (Holdings) Plc's slavery and human trafficking statement, made in accordance with section 54(1) of the Modern Slavery Act 2015 can be found on its website, www.gateleyplc.com.

Disabled employees

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

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through informal discussions between management and other employees at a local level.

Financial instruments

It is the Group's policy not to enter into complex financial instruments. More detail on financial instruments is given in note 20 to the financial statements.

Political donations

The Group made no political donations (2016: £nil).

Directors' indemnity

All Directors and officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third party indemnity provision, was in force throughout the last two financial years and is currently still in force. The Group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors and Officers, although no cover exists in the event Directors or officers are found to have acted fraudulently or dishonestly.

Directors' report *(continued)*

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of Grant Thornton UK LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Michael J Ward
Chief Executive Officer

One Eleven Edmund Street
Birmingham
West Midlands
B3 2HJ

10 July 2017

Grant Thornton

Independent auditor's report to the members of Gateley (Holdings) Plc

We have audited the financial statements of Gateley (Holdings) Plc for the year ended 30 April 2017 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated and parent company statements of financial position, the group and parent company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Grant Thornton

Independent auditor's report to the members of Gateley (Holdings) Plc *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David White (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

10 July 2017

Consolidated statement of profit and loss and other comprehensive income
for the year ended 30 April 2017

	Note	**2017** **£'000**	2016 £'000
Revenue	2	**77,587**	67,061
Other operating income	3	**445**	442
Personnel costs	5	**(45,558)**	(38,951)
Depreciation and amortisation		**(1,291)**	(687)
Other operating expenses		**(17,871)**	(16,605)
Operating profit	4	**13,312**	11,260
Adjusted EBITDA	4	**14,928**	12,928
Share based payment charges		**(325)**	(125)
Depreciation and amortisation		**(1,291)**	(687)
Non-underlying items			
One off professional costs	4	**-**	(101)
Admission costs	4	**-**	(755)
Net financing expense	6	**(199)**	(226)
Profit before tax		**13,113**	11,034
Taxation	7	**(3,058)**	(2,448)
Profit for the year after tax attributable to equity holders of the parent		**10,055**	8,586
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences			
- Exchange differences on foreign branch		**81**	-
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		**10,136**	8,586
Statutory Earnings per share			
Basic	8	**9.43p**	8.18p
Diluted	8	**9.35p**	8.18p

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

The accompanying notes on pages 34 to 66 for an integral part of these financial statements.

Consolidated statement of financial position
at 30 April 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	10	**2,160**	1,478
Investment property	11	**164**	164
Intangible assets & goodwill	12	**3,842**	2,515
Other investments	13	**85**	85
		6,251	4,242
Current assets			
Trade and other receivables	14	**39,086**	33,696
Cash and cash equivalents		**2,696**	9,795
Total current assets		**41,782**	43,491
Total assets		**48,033**	47,733
Non-current liabilities			
Other interest-bearing loans and borrowings	15	**(4,958)**	(7,438)
Other payables	16	**-**	(154)
Deferred tax liability	17	**(239)**	(200)
Provisions	18	**(381)**	(339)
Total non-current liabilities		**(5,578)**	(8,131)
Current liabilities			
Other interest-bearing loans and borrowings	15	**(2,531)**	(6,583)
Trade and other payables	16	**(20,629)**	(18,597)
Provisions	18	**(210)**	(257)
Current tax liabilities		**(1,655)**	(1,441)
Total current liabilities		**(25,025)**	(26,878)
Total liabilities		**(30,603)**	(35,009)
NET ASSETS		**17,430**	12,724
EQUITY			
Share capital	19	**10,688**	10,640
Share premium		**4,332**	4,332
Merger reserve		**(9,950)**	(9,950)
Other reserve		**1,547**	1,013
Treasury reserve		**(132)**	(27)
Translation reserve		**81**	-
Retained earnings		**10,864**	6,716
TOTAL EQUITY		**17,430**	12,724

These financial statements were approved by the directors on 10 July 2017 and were signed and authorised for issue on their behalf by:

Michael J Ward
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078

The accompanying notes on pages 34 to 66 for an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital	Share premium	Merger reserve	Other reserve	Treasury reserve	Retained earnings	Foreign currency translation reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May 2015	10,000	-	(9,950)	-	-	-	-	50
Comprehensive income:								
Profit for the year	-	-	-	-	-	8,586	-	8,586
Transactions with owners recognised directly in equity:								
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**
At 1 May 2016	**10,640**	**4,332**	**(9,950)**	**1,013**	**(27)**	**6,716**	**-**	**12,724**
Comprehensive income:								
Profit for the year	-	-	-	-	-	10,055	-	10,055
Exchange rate differences	-	-	-	-	-	-	81	81
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**10,055**	**81**	**10,136**
Transactions with owners recognised directly in equity:								
Repurchase of treasury shares	-	-	-	-	(164)	-	-	(164)
Cash gain into employee benefit trust from lock in arrangements						110	-	110
Sale of treasury shares	-	-	-	-	59	-	-	59
Issue of shares	48	-		534	-	-	-	582
Dividend paid	-	-	-	-	-	(6,342)	-	(6,342)
Share based payment transactions	-	-	-	-	-	325	-	325
Total equity at 30 April 2017	**10,688**	**4,332**	**(9,950)**	**1,547**	**(132)**	**10,864**	**81**	**17,430**

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.

On 29 May 2015, the Company acquired 100% 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 year 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 are therefore presented. The first day of trading of the Group included in this statement was therefore 1 May 2015.

Although the share for share exchange resulted in a change of legal ownership, in substance these financial statements reflect the continuation of the pre-existing group, headed by Gateley LLP

The accompanying notes on pages 34 to 66 for an integral part of these financial statements.

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Consolidated cash flow statement
for year ended 30 April 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the year after tax		10,055	8,586
Adjustments for:			
Depreciation and amortisation	10/12	1,291	687
Financial income	6	(237)	(265)
Financial expense	6	436	491
Equity settled share based payments		325	125
Profit on disposal of property, plant and equipment		2	(8)
Tax expense	7	3,058	2,448
		14,930	12,064
Increase in trade and other receivables		(5,041)	(1,387)
Increase in trade and other payables		636	4,605
Increase in provisions		(5)	59
Cash generated from operations		**10,520**	**15,341**
Tax paid		(2,844)	(1,007)
Net cash flows from operating activities		**7,676**	**14,334**
Investing activities			
Acquisition of property, plant and equipment	10	(1,485)	(670)
Purchase of other investments	13	-	(15)
Consideration paid on acquisition of subsidiary	26	(508)	(1,592)
Cash received on acquisition of subsidiary	26	280	350
Proceeds from sale of property, plant and equipment		-	16
Net cash used in investing activities		**(1,713)**	**(1,911)**
Financing activities			
Issue of ordinary shares, net of issue costs	19	-	4,910
Interest and other financial income paid	6	(183)	(226)
Proceeds from new term bank loans	15	-	9,907
Repayment of term bank loans/borrowings	15	(1,980)	(989)
Repayment of loans from former members of Gateley Heritage LLP	15	(4,552)	(10,153)
Repayment of fixed capital from former members of Gateley Heritage LLP	15	-	(6,717)
Cash received from lock in arrangements		159	-
Acquisition of own shares		(164)	(27)
Dividends paid	9	(6,342)	(1,995)
Payment of finance lease liabilities	15	-	(57)
Net cash used in financing activities		**(13,062)**	**(5,347)**
Net increase in cash and cash equivalents		(7,099)	7,076
Cash and cash equivalents at beginning of year		9,795	2,719
Cash and cash equivalents at end of year		**2,696**	**9,795**

The accompanying notes on pages 34 to 66 for an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Basis of preparation and significant accounting policies

Gateley (Holdings) Plc is a Company incorporated and domiciled in the United Kingdom. The Company was incorporated on 13 November 2014.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group and Company financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 24.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except where Adopted IFRSs require an alternative treatment. The principal variations relate to investment properties and financial instruments which are carried at fair value.

1.2 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 ongoing trading performance. The Group is funded through two unsecured term loans for £5m each repayable quarterly over five years commencing in December 2015 together with unsecured overdraft facilities of up to £5m. All of the Group's overdraft facilities are 12 months in duration. The term loan facilities contain financial covenants which have been met throughout both periods. The Group's forecasts and projections show that the new facility provides adequate headroom for its current and future anticipated cash requirements.

1.3 Basis of consolidation

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 year ended 30 April 2016 were prepared on a merger accounting basis as though this Group structure had always been in place and a full 12 month set of results are therefore presented. The first day of trading of the Group included in the comparatives was therefore 1 May 2015.

Although the share for share exchange resulted in a change of legal ownership, in substance these financial statements reflect the continuation of the pre-existing group, headed by Gateley LLP.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

1.5 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instruments (including members' capital) are classified as a financial liability. Profit distributions relating to equity instruments are debited direct to equity.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

1.6 Non derivative financial instruments

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

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 any dividend income, impairment losses and, in the case of monetary items such a debt securities, foreign exchange gains and losses which are recognised in the profit and loss account. 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 receivables. 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 statement of profit and loss 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.

v) Treasury shares

The Group operates an Employee Benefit Trust (“EBT”) under which ordinary shares have been issued and are held by the EBT. These are treated as treasury shares and are added to the Treasury Share Reserve.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

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.

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.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvements	over the term of the lease
Equipment	33.3% straight line
Fixtures and fittings	20% straight line

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

1.8 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 profit or loss.

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 profit or loss.

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.

1.9 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.

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.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

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 statement of financial position date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer lists	10 years

1.10 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Any gain or loss arising from a change in fair value is recognised in profit or loss.

1.11 Impairment excluding investment properties

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Intangibles and property, plant and equipment

The carrying amount of the Group's assets including property, plant and equipment and intangibles other than goodwill is reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss where it relates to an amount charged to profit or loss.

Goodwill

Goodwill is capitalised as an intangible asset and is not amortised but tested for impairment annually and when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. For impairment testing purposes, goodwill is allocated to cash-generating units. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit or loss on sale.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

1.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Group operates an equity settled share based compensation plan.

The grant date fair value of share-based payment awards made to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non market performance conditions at the vesting date, measured at the grant date fair value of the award.

At each reporting date, the group revises its estimates of the number of share incentives which are expected to vest. The impact of the revision of original estimates is recognised in the income statement with a corresponding adjustment to equity.

1.13 Own shares held by EBT trust (treasury reserve)

Transactions of the group-sponsored EBT trust are included in the group financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

1.14 Professional indemnity provisions

A provision is recognised in the statement of financial position 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.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

1.15 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.

1.16 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 over the term of the lease as an integral part of the total lease expense.

1.17 Financial income and expenses

Financial expenses comprise interest payable and exchange losses that are recognised in the statement of profit and loss. Financial income comprises interest receivable on funds invested and exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.18 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

1.19 Non-underlying items

Non-underlying items are non-trading items disclosed separately in the Consolidated Income Statement where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group. The following are included by the Group in its assessment of non-underlying items:

- Gains or losses arising on disposal, closure, restructuring or reorganisation of businesses that do not meet the definition of discontinued operations.
- Expenses associated with acquisitions.
- Impairment charges in respect of tangible or intangible fixed assets.
- Costs incurred as part of significant refinancing activities.
- Significant costs in relation to the IPO.

The tax effect of the above is also included if considered significant.

Details in respect of the non-underlying items recognised in the current and prior year are set out in note 4 to the Financial Statements.

1.20 Ordinary dividends

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

1.21 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued and endorsed by the EU but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements (other than IFRS 15 and IFRS 16):

Endorsed:

- IFRS 15 – Revenue from contracts with customer (effective from 1 January 2018)
- IFRS 9 - Financial instruments

Not yet endorsed by EU and included as may be relevant:

- IFRS 16 – Leases
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised losses
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions
- Amendments to IAS 40 – Transfer of investment property
- IFRIC Interpretation 22 - Foreign currency transactions and advance considerations

There are other standards in issue which are not considered applicable and are not expected to have an impact on the Company and have therefore not been included in the list above. Both IFRS 15 and IFRS 16 are expected to require amendments for operating revenue and operating leases however management are undertaking an exercise to determine the impact on results and have not yet quantified this.

The directors have not yet calculated the impact that the adoption of the other Standards and Interpretations noted in future periods will have.

Notes *(continued)*

2 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 restructuring services
Corporate	Provision of legal advice in respect of corporate, family, 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, including Entrust Pension Limited's trustee services.
Property	Provision of legal advice in respect of construction, planning, real estate and residential development services. Also includes Gateley Capitus Limited's property related tax incentive services together with Gateley Hamer Limited's easement and wayleave and compulsory purchase order services.

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

	2017	2016
	£'000	£'000
United Kingdom	**73,711**	63,180
Europe	**1,870**	2,288
Middle East	**712**	443
North and South America	**372**	275
Asia	**416**	346
Other	**506**	529
	77,587	67,061

The Group's assets and costs are predominately located in the UK save for those assets and costs located in the United Arab Emirates (UAE) via its Dubai branch. Net assets of £0.4m (2016: £0.2m) together with costs of £1.6m (2016: £1.2m) are located in the Group's Dubai branch. Revenue generated by the Group's Dubai branch to customers in the UAE totalled £712,000 (2016: £443,000) as disclosed above as due to the customers in the Middle East.

The Group has no individual customers that represent more than 10% of revenue in either the 2017 or 2016 financial year.

Notes *(continued)*

2 Operating segments *(continued)*

2017

	Banking and Financial Services £'000	Corporate £'000	Business Services £'000	Employee Pensions and Benefits £'000	Property £'000	Total segments £'000	Other expense and movement in unbilled revenue £'000	Total £'000
Segment revenue	15,146	14,074	10,946	7,130	28,562	75,858	1,729	**77,587**
Segment contribution (as reported internally)	6,306	4,082	4,542	2,645	12,978	30,553	1,729	**32,282**
Costs not allocated to segments:								
Other operating income								**445**
Personnel costs								**(5,391)**
Depreciation and amortisation								**(1,282)**
Other operating expenses								**(12,742)**
Net financial expense								**(199)**
Profit for the financial year before taxation and non-underlying items								**13,113**

2016

	Banking and Financial Services £'000	Corporate £'000	Business Services £'000	Employee Pensions and Benefits £'000	Property £'000	Total segments £'000	Other expenses and movement in unbilled revenue £'000	Total £'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

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

Notes *(continued)*

3 Other operating income

	2017 £'000	2016 £'000
Rental income	**396**	326
Other investment income	**49**	116
	445	442

4 Expenses and auditor's remuneration

Included in profit are the following:

	2017 £'000	2016 £'000
Depreciation on tangible assets	**819**	687
Amortisation of intangible assets	**472**	-
Operating lease costs	**230**	220
Operating lease costs on property	**3,094**	2,722
Other operating income – rent received	**(275)**	(326)
Foreign exchange (gains)/losses	**(43)**	4
Loss/(profit) on sale of fixed assets	**2**	(8)

Non-underlying items and IFRS transition adjustments

	2017 £'000	2016 £'000
Listing costs	**-**	755
One-off professional costs	**-**	101
	-	856

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.

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.

Notes *(continued)*

4 Expenses and auditor's remuneration *(continued)*

Auditor's remuneration

	2017	2016
	£'000	£'000
Audit of these financial statements	**55**	92
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**19**	15
Other assurance services	**26**	92
Corporate finance services	**-**	300
Tax compliance services	**11**	33

5 Employees

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

	Number of employees	
	2017	2016
Legal and professional staff	**457**	392
Administrative staff	**239**	230
	696	622

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	**40,458**	34,733
Share based payments expenses	**325**	125
Social security costs	**4,075**	3,491
Pension costs	**700**	602
	45,558	38,951

Details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 17 to 20.

Notes *(continued)*

6 Financial income and expense

Recognised in profit and loss

	2017	2016
	£'000	£'000
Financial income		
Interest income	**237**	265
Total finance income	**237**	265
Financial expense		
Interest expense on bank borrowings measured at amortised cost	**(436)**	(491)
Total financial expense	**(436)**	(491)
Net financial expense	**(199)**	(226)

7 Taxation

	2017	2016
	£'000	£'000
Current tax expense		
Current tax on profits for the year	**3,069**	2,448
Under provision of taxation in previous period	**84**	-
Total current tax	**3,153**	2,448
Deferred tax expense		
Origination and reversal of temporary differences	**(95)**	-
Total tax expense	**3,058**	2,448

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2017	2016
	£'000	£'000
Profit for the year (subject to corporation tax)	**13,428**	11,034
Tax using the Company's domestic tax rate of 20% (2016 – 20%)	**2,686**	2,207
Expenses not deductible for tax purposes	**288**	241
Under provision of taxation in previous period	**84**	-
Total tax expense	**3,058**	2,448

Reductions in the UK corporation tax rate to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 30 April 2016 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly

Notes *(continued)*

8 Earnings per share

Statutory earnings per share

	2017 Number	2016 Number
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**106,663,150**	104,928,209
Shares deemed to be issued for no consideration in respect of share based payments	**759,599**	-
Weighted average number of ordinary shares for calculating diluted earnings per share	**106,422,749**	104,928,209

	2017 £'000	2016 £'000
Profit for the year and basic earnings attributable to ordinary equity shareholders	**10,055**	8,586
Non-underlying items (see note 4)		
Operating expenses and finance costs	**-**	856
Tax on non-underlying items	**-**	(20)
Underlying earnings before non-underlying items	**10,055**	9,422

Earnings per share is calculated as follows:

	2017 pence	2016 pence
Basic earnings per ordinary share	**9.43**	8.18
Diluted earnings per ordinary share	**9.35**	8.18
Basic earnings per ordinary share after non-underlying items	**9.43**	8.98
Diluted earnings per ordinary share after non-underlying items	**9.35**	8.98

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

9 Dividends

	2017 £'000	2016 £'000
Equity shares:		
Interim dividend in respect of 2016 (1.895p per share) – 22 January 2016	**-**	1,995
Final dividend in respect of 2016 (3.746p per share) – 28 September 2016	**3,996**	-
Interim dividend in respect of 2017 (2.2p per share) – 3 March 2017	**2,346**	-
	6,342	1,995

The Board proposes to recommend a final dividend of 4.4p (2016: 3.746p) per share at the AGM. If approved, this dividend will be paid in early October 2017 to shareholders on the register at the close of business on 8 September 2017. The shares will go ex-dividend on 7 September 2017. This dividend has not been recognised as a liability in these final statements.

Notes *(continued)*

10 Property, plant and equipment

	Leasehold improvements £'000	Equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 1 May 2015	151	4,668	4,634	9,453
Arising on acquisition	-	6	-	6
Additions	-	433	237	670
Disposals and write offs	-	(2,151)	(1,288)	(3,439)
Balance at 30 April 2016	151	2,956	3,583	6,690
Balance at 1 May 2016	151	2,956	3,583	6,690
Arising on acquisition	-	39	-	39
Additions	75	807	603	1,485
Disposals	-	(4)	-	(4)
Balance at 30 April 2017	**226**	**3,798**	**4,186**	**8,210**
Depreciation and impairment				
Balance at 1 May 2015	28	4,176	3,750	7,954
Arising on acquisition	-	2	-	2
Depreciation charge for the year	9	322	356	687
Disposals	-	(2,141)	(1,290)	(3,431)
Balance at 30 April 2016	37	2,359	2,816	5,212
Balance at 1 May 2016	37	2,359	2,816	5,212
Arising on acquisition	-	21	-	21
Depreciation charge for the year	22	464	333	819
Disposals	-	(2)	-	(2)
Balance at 30 April 2017	**59**	**2,842**	**3,149**	**6,050**
Net book value				
At 30 April 2016	114	597	767	1,478
At 30 April 2017	**167**	**956**	**1,037**	**2,160**

Notes *(continued)*

11 Investment property

	£'000
Fair value	
Balance at 1 May 2015 and 30 April 2016	164
Balance at 1 May 2016 and 30 April 2017	**164**

The Group's interest in its freehold property at 216 Capella House, Celestia Falcon Drive, Cardiff Bay, Cardiff, CF10 4RE was valued as at 30 April 2017 at £164,000 (2016: £164,000) by the Directors based on current open market values for existing use. However, it was noted that a valuation by a qualified individual with relevant experience has not been performed during the year on the basis that it is not expected by the Directors to have materially changed.

12 Intangible assets and goodwill

	Goodwill £'000	Customer lists £'000	Total £'000
Deemed cost			
At 1 May 2015	-	-	-
Acquisitions through business combinations	1,515	1,000	**2,515**
At 30 April 2016	1,515	1,000	**2,515**
Acquisitions through business combinations	1,161	638	**1,799**
At 30 April 2017	**2,676**	**1,638**	**4,314**
Amortisation			
At 1 May 2015 at 30 April 2016	-	-	**-**
Charge for the year	-	472	**472**
At 30 April 2017	**-**	**472**	**472**
Carrying amounts			
At 30 April 2016	1,515	1,000	**2,515**
At 30 April 2017	**2,676**	**1,166**	**3,842**

Notes *(continued)*

12 Intangible assets and goodwill (*continued*)

Impairment testing

The Group tests goodwill annually for impairment. The impairment test involves determining the recoverable amount of the cash generating unit to which the goodwill has been allocated. The directors believe that each operating segment represents a cash generating unit for the business and as a result, impairment is tested for each segment, and all the assets of each segment are considered. All of the goodwill is allocated to the property cash generating unit. The recoverable amount is based on the present value of expected future cash flows (value in use) which was determined to be higher than the carrying amount of goodwill so no impairment loss was recognised. Value in use was determined by discounting the future cash flows generated from the continuing operation of the Group and was based on the following key assumptions:

- A pre tax discount rate of 15% was applied in determining the recoverable amount. The discount rate is based on the average weighted cost of capital
- The values assigned to the key assumptions represent management's estimate of expected future trends and are based on both external (industry experience, historic market performance) and internal sources (existing management knowledge, track record and an in-depth understanding of the work types being performed).
    - Growth rates of between 10-20% are based on management's understanding of the market opportunities for services provided pertaining to the industry concerned.
    - Increases in costs are based on current inflation rates and expected levels of recruitment needed to generate predicted turnover growth.
    - Attrition rates are based on the expected level of fees from existing clients as a percentage of total forecast fees
    - Cashfows have been assessed over a five year period which management consider to be the correct average life of clients relationships
- The review demonstrated significant headroom such that the estimated carrying value is not sensitive to changes in assumptions. Having reviewed the key assumptions used, the Directors do not believe that there is a reasonably possible change in any of the key assumptions that require further disclosure

13 Other investments

The Group holds other investment interests in the following third party investments:

	£'000
Fair value	
Balance at 1 May 2015	70
Additions	15
Balance at 30 April 2016	85
Balance at 1 May 2016	85
Additions	-
Balance at 30 April 2017	**85**

£30,000 - Gateley Investments Limited holds a 5% investment interest in the ordinary shares of Mantua Capital Limited.

£40,000 - Gateley Plc holds a 1% investment in the ordinary shares of Business Collaborator Limited.

£15,000 – Gateley Investments Limited holds a 1.9% investment in the ordinary shares of PeptigelDesign Ltd.

Management believe the fair value of all investments remains in line with costs paid for such investments. As other investments are holdings in unquoted companies the directors consider that the fair value of investments cannot be reliably measured. As such other investments are carried at cost.

13 Other investments *(continued)*

Investments in subsidiaries

The Group has effective control of the following:

	Country of incorporation	Ordinary share proportion held during year to 30 April 2017	Nature of business
Gateley Plc	England and Wales	100%	Legal services
Entrust Pension Limited	England and Wales	100%	Pension trustee services
Gateley Capitus Limited	England and Wales	100%	Tax incentive services
Gateley Hamer Limited (formerly Hamer Associates Limited)	England and Wales	100%	Specialist property consultancy
Gateley EBT Limited	England and Wales	100%	Employee benefit trust
Gateley Investments Limited	England and Wales	100%*	Corporate investment company
Ensco Trustee Company Limited	England and Wales	100%*	Corporate trustee company
Gateley Secretaries Limited	England and Wales	100%*	Non-trading
Gateley Incorporations Limited	England and Wales	100%*	Non-trading
Gateley Custodian and Nominee Services Limited	England and Wales	100%*	Non-trading
Gateley Custodian and Nominee Services No.2 Limited	England and Wales	100%*	Non-trading

	Country of incorporation	Controlling interest held during year to 30 April 2017	Nature of business
Gateley Heritage LLP	England and Wales	100%*	Non-trading
Gateley UK LLP	England and Wales	100%**	Legal services via a branch in Dubai
Gateley (Manchester) LLP	England and Wales	51%*	Non-trading

* these investments are indirectly held at the year end

** certain Group directors of Gateley (Holdings) Plc as individuals are members of this entity, although effective control is held by Gateley Holdings Plc via a trust holding arrangement

On 15 September 2016, the Company acquired 100% of the share capital of Gateley Hamer Limited (formerly Hamer Associates Limited). Details of consideration paid can be found at note 26.

During the year, Gateley (Manchester) LLP became dormant.

Notes *(continued)*

14 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	**26,132**	20,759
Unbilled revenue	**10,487**	9,881
Prepayments	**2,467**	3,056
	39,086	33,696

All trade receivables are repayable within one year.

Movement in the allowance for doubtful receivables

	2017 £'000	2016 £'000
Brought forward provision	**(1,792)**	(1,828)
Provision utilised	**302**	555
Charged to income	**(815)**	(913)
Provisions released	**294**	394
	(2,011)	(1,792)

Receivables not impaired past due

	2017 £'000	2016 £'000
Not past due	**18,464**	13,074
Past due 0-30 days	**1,864**	1,480
Past due 31-120 days	**3,212**	3,303
Past due greater than 120 days	**4,603**	4,694
	28,143	22,551

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.

All of the group's trade and other receivables have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers experiencing financial difficulties.

Notes *(continued)*

15 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, see note 21.

	2017 Fair value £'000	**Carrying amount £'000**	2016 Fair value £'000	Carrying amount £'000
Non-Current liabilities				
Unsecured bank loan	**4,958**	**4,958**	6,938	6,938
Loans from former members	**-**	**-**	500	500
	4,958	**4,958**	7,438	7,438
Current liabilities				
Unsecured bank loan	**1,980**	**1,980**	1,980	1,980
Loans from former members	**551**	**551**	4,603	4,603
	2,531	**2,531**	6,583	6,583

The unsecured overdraft facilities totalling £5m 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 the 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 were 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 with the final payment arising in quarter one of the year ended 30 April 2018. Interest is chargeable at 0.5% over Bank of England base rate.

16 Trade and other payables

	2017 £'000	2016 £'000
Current		
Trade payables	**5,204**	5,844
Other taxation and social security payable	**4,671**	4,153
Other payables	**1,395**	653
Accruals	**9,359**	7,947
	20,629	18,597
Non-current		
Other payables	**-**	154

Current other payables include £0.05m (2016: £0.22m) in respect of deferred consideration being a final payment due for the acquisition of Gateley Capitus Limited together with £0.96m in respect of deferred consideration scheduled for payment after 31 March 2018 following the acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited). £0.42m of the Gateley Hamer Limited deferred consideration is to be settled by way of 10p ordinary shares with the balance payable in cash.

Notes *(continued)*

17 Deferred tax liability

	Customer lists	**Total**
	£'000	**£'000**
At 1 May 2015	-	**-**
Acquisitions through business combinations – Gateley Capitus Limited	200	**200**
At 30 April 2016	200	**200**
Acquisitions through business combinations – Gateley Hamer Limited (formerly Hamer Associates Limited)	134	**134**
Credited during the year in the Consolidated income statement	(95)	**(95)**
At 30 April 2017	**239**	**239**

18 Provisions

Professional indemnity

	2017 **£'000**	2016 £'000
Brought forward	**596**	-
On incorporation	**-**	537
Provisions made during the year	**270**	325
Provisions used during the year	**(91)**	(178)
Provisions reversed during the year	**(184)**	(88)
At end of year	**591**	596
Non-current	**381**	339
Current	**210**	257
	591	596

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. The amount or timing of amounts payable in these cases are uncertain as the resolution of the cases are unknown at the year end.

19 Share capital

Authorised, issued and fully paid

	2017 Number	**2017 £**	2016 Number	2016 £
Ordinary shares of 10p each				
Brought forward	106,396,912	10,639,691	-	-
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
Issued on acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited)	388,029	38,803	-	-
Issued as part of deferred consideration of Gateley Hamer Limited (formerly Hamer Associates Limited)	97,012	9,701	-	-
At 30 April 2017	**106,881,953**	**10,688,195**	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 in part for the issue of 1,122,753 10p ordinary shares.

On 15 September 2016 the Group acquired the entire issued share capital of Gateley Hamer Limited (formerly Hamer Associates Limited) in part for the issue of 388,029 10p ordinary shares. This was followed by a further issue in respect of 97,012 10p ordinary shares in line with deferred consideration conditions of the acquisition.

Notes *(continued)*

20 Financial instruments and related disclosures

Financial risk management

The Group has overall responsibility for the oversight of the Group's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Board, who also monitor the status of agreed actions to mitigate key risks.

Management's objective in managing financial risks is to ensure the long-term sustainability of the Group.

As the Group's principal financial instruments comprise cash, client receivables and unbilled revenue, the main risks are those that relate to credit in regard to receivables.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. The Group has a policy of performing credit checks and the large spread of reputable clients ensures there are no unacceptable concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Group.

Gateley Plc is financed through a combination of unsecured bank loans together with unsecured loans from former members. The Board reviews the projected financing requirements annually when agreeing the Group's budget and, based on this review, sets the value of the future capital requirements of the business. The cash flow forecast for the entire Group is updated regularly and compared to the budget with any significant variance being reported to the Board.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk. Management does not consider this to be a significant risk to the Group.

Interest rate risk

The Group's bank borrowings incur variable interest rate charges linked to LIBOR plus a margin. Management do not consider this to be a significant risk to the Group.

Foreign currency risk

The Group has one overseas operation based in Dubai which, therefore, exposes the Group to changes in Sterling/Dirhams exchange rates. Management does not consider this to be a significant risk to the Group.

Notes *(continued)*

20 Financial instruments and related disclosures *(continued)*

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short term deposits and borrowings	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long-term borrowings	The fair value of bank loans and other loans approximates to the carrying value reported in the statement of financial position.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There are no financial instruments carried at fair value within this financial information.

The fair value of financial assets and liabilities are as follows (there is no difference between the carrying value of the financial assets and liabilities and their fair value):

	2017 £'000	2016 £'000
Cash and cash equivalents	**2,696**	9,795
Trade receivables	**36,619**	30,640
Total financial assets	**39,315**	40,435
Trade and other payables (excluding intercompany)	**(15,994)**	(14,444)
Short-term borrowings	**(2,531)**	(6,583)
Current financial liabilities	**(18,525)**	(21,027)
Long-term borrowings	**(4,958)**	(7,438)
Total financial liabilities	**(23,483)**	(28,465)

Notes *(continued)*

20 Financial instruments and related disclosures *(continued)*

Financial instruments sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short term fluctuations on its earnings. At the end of each reporting period, the effect of hypothetical changes in interest and currency rates are as follows:

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. cash and cash equivalents and bank borrowings which attract interest at floating rates) if interest rates were to change by +/- 1%. The impact on the results in the statement of profit and loss and other comprehensive income and equity would be:

	2017 Increase/ (decrease) in equity £'000	2016 Increase/ (decrease) in equity £'000
+1 % movement in interest rates	**59**	95
-1 % movement in interest rates	***(59)***	*(95)*

The borrowing facilities arranged typically include overdraft facility and short term borrowing facilities. All borrowings are repayable within one year.

Foreign exchange rate sensitivity analysis

The Group had the following net currency denominated financial instruments at year end:

	2017 £'000	2016 £'000
Net currency	**182**	146

The effect of foreign currency fluctuations on the financial statements is immaterial.

21 Operating leases

Future minimum lease payments regarding non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2017 £'000	**Other 2017 £'000**	Land and buildings 2016 £'000	Other 2016 £'000
Less than one year	**2,967**	**132**	3,020	194
Between one and five years	**10,954**	**456**	11,593	131
More than five years	**13,950**	**-**	15,056	-
	27,871	**588**	29,669	325

Notes *(continued)*

22 Related parties

Gateley Plc entered into a lease agreement for the Leicester office, in which some of the directors have a beneficial interest. The annual rent charge under the lease is £95,000 (2016: £95,000) and the amounts outstanding at the year-end are £Nil (2016: £Nil).

Mattiolli Woods Plc

The Company's Non-Executive Director, Joanne Lake, is a Non-Executive Director and Chairman of Mattiolli Woods Plc. Mattiolli Woods Plc and its subsidiaries are a provider of wealth management and employee benefit services. During the year, the Group paid Mattiolli Woods Plc a total of £6,400 in respect of employee benefits services provided by Mattiolli Woods Plc. In addition, the Group received revenues of £95,061 in respect of corporate legal services provided to the Mattiolli Woods Plc and its subsidiaries.

Compensation paid to key management personnel

At the year end, Directors of Gateley (Holdings) Plc control 6.11% (2016: 6.70%) of the voting shares of the Company.

The key management personnel comprise the strategic board who make any final key decisions.

Short term compensation paid to key management personnel during the year totalled 2017: £1.695m (2016: £1.465m).

Short term remuneration is included in personnel costs and analysed as follows:

	2017	2016
	£'000	£'000
Wages and salaries	**1,486**	1,287
Social security	**205**	178
Pension costs	**-**	-
Share based payment charges	**4**	-
	1,695	1,465

Notes *(continued)*

23 Share based payments

Group

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

Scheme 1 - Stock Appreciation Rights Scheme ('SARS')

This SARS 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 three year performance period. On exercise, participants will receive the growth in value of the share options between the date of grant and the date of exercise in excess of the hurdle rate. The hurdle rate is currently set at 115.765% of the market value of the underlying shares on the date of grant.

Awards granted under the scheme are summarised below:

8 June 2015	**Weighted average exercise price**	**Number of options**
Granted on admission	£1.0997	7,200,000
Forfeited during previous year	£1.0997	(150,000)
Forfeited during the year	£1.0997	(100,000)
Outstanding at end of year	£1.0997	6,950,000
Weighted average remaining contractual life		1.2 years

7 October 2016	**Weighted average exercise price**	**Number of options**
Granted on admission	£1.3880	10,850,000
Forfeited during the year	-	-
Outstanding at end of year	£1.3880	10,850,000
Weighted average remaining contractual life		2.4 years

Notes *(continued)*

23 Share based payments (*continued*)

Scheme 2 – Company Share Option Plan ('CSOP')

The Group operates an HMRC approved CSOP scheme for associates, senior associates, legal directors, equivalent positions in Gateley Group subsidiary companies and senior management positions in our support teams. Options under this scheme will vest if the participant remains employed for the agreed vesting period of three years. Upon vesting, each option allows the holder to purchase the allocated ordinary shares at the price on the date of grant. Share options and weighted average exercise prices are as follows for the reporting periods presented:

20 December 2016	Weighted average exercise price	Number of options
Granted on admission	1.305p	946,433
Forfeited during the year	1.305p	(13,411)
Outstanding at end of year	1.305p	933,022
Weighted average remaining contractual life		2.7 years

Scheme 3 – Save As You Earn scheme ('SAYE')

The Group operates an HMRC approved SAYE scheme for all staff. Options under this scheme will vest if the participant remains employed for the agreed vesting period of three years. Upon vesting, each option allows the holder to purchase the allocated ordinary shares at a discount of 20% of the market price determined at the grant date. Share options and weighted average exercise prices are as follows for the reporting periods presented:

1 October 2016	Weighted average exercise price	Number of options
Granted on admission	0.95p	1,166,646
Forfeited during the year	0.95p	(45,848)
Outstanding at end of year	0.95p	1,120,798
Weighted average remaining contractual life		2.4 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:

	CSOP	SAYE	SARS	SARS
Grant date	20 December 2016	1 October 2016	7 October 2016	8 June 2015
Share price at date of grant	1.305p	0.95p	£1.20p	£0.95p
Exercise price	1.305p	0.95p	£1.39p	£1.10p
Volatility	24%	24%	24%	24%
Expected life	3.3 years	3.3 years	3.3 years	3.3 years
Risk free rate	1%	1%	1%	1%
Dividend yield	4%	4%	4%	6%
Fair value per share				
Market based performance condition	£0.15p	£0.25p	£0.06p	£0.05p
Non-market based performance condition/no performance condition	-	-	-	-

Notes *(continued)*

23 Share based payments (*continued*)

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 three and three and a half years, respectively.

The total charge to the income statement for all schemes now in place, included within personnel costs, is £325,000 (2016: £125,000).

24 Accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions which affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The key areas where a higher degree of judgement or complexity arises, or where estimates and assumptions are significant to the consolidated financial statements are discussed below.

Impairment assessment of trade receivables

The total carrying amount of trade receivables on client assignment is held net of impairment losses after consideration is given to the clients' willingness to pay those amounts accrued. The valuation of amounts recoverable and not recoverable on trade receivables involves significant judgement. The estimation of provisions is established based on interactions between finance, the legal staff member and clients, mindful of the specific circumstances of clients and individual matters and invoices. Historic performance of client's ability to settle past debts and their current financial position play a significant part in management's assessment of whether a provision in full or in part may be necessary.

Unbilled revenue on client assignments

The valuation of unbilled revenue involves significant judgement, and affects the amount of revenue recognised. The valuation is based on an estimate of the amount expected to be recoverable from clients on unbilled items based on such factors as time spent, the expertise and skills provided and the stage of completion of the assignment. Provision is made for such factors as historical recoverability rates, contingencies, agreements with clients, external expert's opinion and the potential credit risks, following interactions between legal staff, finance and clients. In assessing whether unbilled time is recognised as unbilled revenue, management are required to make judgements in determining the point at which the contingency is resolved and when the fair value of consideration can be measured reliability. Where a case is contingent at the statement of financial position date, no revenue is recognised. Where entitlement to income is certain it is recognised at selling price.

Professional indemnity provisions

The Group occasionally receives claims in respect of professional service matters. The possibility of future exposure to the Group of any such claims involves significant judgement by Management and the Group's insurance providers. The Group defends such claims where appropriate but makes a provision for possible amounts considered likely to be payable, up to the deductible amount under the Group's related insurance arrangements. These provisions are estimates, capped at the negotiated excess in place during the year each claim is reported. The actual amount settled upon, if at all, of future claims are dependent on future events. Management reviews these provisions at each reporting date with its insurers.

Valuation of intangibles

Measurement of intangible assets relating to acquisitions: In attributing value to intangible assets arising on acquisition, management has made certain assumptions in terms of cash flows attributable to intellectual property and customer relationships. The key assumptions relate to the trading performance of the acquired business and discount rates applied to calculate the present value of future cash flows. The directors consider the resulting valuations to be reasonable approximations as to the value of the intangibles acquired.

Notes *(continued)*

24 Accounting estimates and judgements *(continued)*

Share based payment

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. The use of a valuation model such as this involves making certain assumptions around the inputs into the model. There is also uncertainty around the number of shares likely to vest and the model therefore takes into account management's best estimate of this.

25 Pensions

The Group participates in a defined contribution scheme operated by Aegon UK plc, the assets of which are held separately from the Group. The amounts charged to the profit and loss account in respect of this scheme represent contributions payable in respect of the accounting year. The total annual pension cost for the defined contribution scheme was £699,512 (2016: £602,000) and the outstanding balance at the year- end was £126,180 (2016: £114,000).

26 Business combinations

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

On 29 May 2015, the Company acquired 100% of the share capital of Gateley Plc 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.

On 8 April 2016 the Company acquired 100% of the voting equity interest of Gateley Capitus Limited, a UK specialist tax incentives advisory business. The acquisition has been accounted for using the acquisition method.

Notes *(continued)*

26 Business combinations (*continued*)

Acquisition of Gateley Hamer Limited ("GHL") (Formerly Hamer Associates Limited).

On 15 September 2016 the Company acquired 100% of the voting equity interest of GHL, a specialist property consultancy business. The acquisition has been accounted for using the acquisition method. The fair value of the identifiable assets and liabilities of GHL 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	18	-	**18**
Intangible asset relating to brand	-	638	**638**
Cash and short term deposits	280	-	**280**
Trade receivables	333	-	**333**
Prepayments and accrued income	14	-	**14**
Total assets	645	638	**1,283**
Trade payables	-	-	**-**
Other taxation and social security payable	(206)	-	**(206)**
Accruals	(54)	-	**(54)**
Deferred tax	-	(134)	**(134)**
Total liabilities	(260)	(134)	**(394)**
Total identifiable net assets at fair value	385	504	**889**
Goodwill arising on acquisition			**1,161**
Total acquisition cost			**2,050**
Analysed as follows:			
Initial cash consideration paid			**508**
Issue of new 10p ordinary shares in Gateley (Holdings) Plc			**459**
Deferred share consideration payable *			**542**
Deferred cash consideration payable			**541**
			2,050
Cash outflow on acquisition			
Cash paid			**(508)**
Acquisition costs			**-**
Net cash acquired with subsidiary (Included in cash flows from investing activities)			**280**
Net cash outflow			**(228)**

* On the 3 February 2017 £125,000 of deferred consideration was subsequently settled by way of issue of ordinary shares of 10p each.

From the date of acquisition, GHL has contributed £0.87m to revenue and £0.16m to Group profit for the year. If the combination had taken place at the beginning of the year, GHL would have contributed revenue of £1.35m and profit for the year of £0.15m.

Notes *(continued)*

26 Business combinations *(continued)*

The acquisition of GHL is consistent with the Group's growth strategy to acquire businesses offering complementary professional and other specialist services to clients in the Group's target markets. GHL has developed a specialist property consultancy offering in the fields of Easement and Wayleaves and Compulsory Purchase and Compensation. The GHL Easements and Wayleaves team advises property developers on negotiations in relation to the removal of utility infrastructure (pylons, cables, pipes etc.) from development sites, and negotiates compensation for loss of development value where that infrastructure remains in-situ. The Compulsory Purchase and Compensation team advises project promoters on all aspects of compulsory purchase, from initial consultation through to settlement of claims; facilitating housing, regeneration, infrastructure and energy projects. The team also represents landowners and businesses affected by compulsory purchase. The acquisition will further enhance Gateley's ability to support its property clients, offering them not only a first rate legal service, but also a suite of specialist commercial property services. The business will sit alongside Gateley's national property business, which itself acts for an array of developers, including seventeen of the UK's top twenty house builders.

GHL will operate as a wholly owned subsidiary of Gateley (Holdings) Plc with its own existing dedicated management team and employees. An operating board, made up of senior management from both the Group and GHL will oversee the ongoing delivery and development of the business.

Customer lists and brands have been recognised as specific intangible assets as a result of the acquisition. The residual goodwill arising primarily represents the assembled workforce, market share and geographical advantages afforded to the Group. Policy alignment and fair value adjustments principally relate to harmonisation with Group IFRS accounting policies, including the provisional application of fair values on acquisition.

None of the recognised goodwill is expected to be deductible for income tax purposes. The fair value of the customer lists and brand has been based upon management’s assessment of its ability to generate future profitability for the acquired assets over the next three years after taking into account a 10% present value discount factor. The customer lists and brand value will be amortised on a straight-line basis over an estimated useful life of three years.

There were no transaction costs incurred during the course of the acquisition.

27 Subsequent events

There are no subsequent events to disclose in these financial statements.

Parent company statement of financial position
at 30 April 2017

	Note	2017	2016
		£'000	£'000
Non-current assets			
Investments	5	**15,437**	12,937
Total non-current assets		**15,437**	12,937
Current assets			
Trade and other receivables	6	**7,725**	3,268
Cash and cash equivalents		**2**	-
Total current assets		**7,727**	3,268
Total assets		**23,164**	16,205
Current liabilities			
Total current liabilities	7	**(1,013)**	(220)
Total liabilities		**(1,013)**	(220)
Net assets		**22,151**	15,985
Equity			
Share capital		**10,688**	10,640
Share premium		**4,332**	4,332
Other reserves		**1,548**	1,013
Shares to be issued		**450**	-
Retained earnings		**5,133**	-
Total equity		**22,151**	15,985

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The profit for the year to 30 April 2017 was £11,476,000 (2016: £1,995,000).

These financial statements were approved by the directors on 10 July 2017 and were signed and authorised on their behalf by:

Michael J Ward
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078

The accompanying notes on pages 70 to 77 for an integral part of these financial statements.

Parent company statement of changes in equity

	Share capital	Share premium	Other reserves	Retained earnings	Shares based payment reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
On incorporation	-	-	-	-	-	-
Comprehensive income:						
Profit for the year	-	-	-	1,995	-	1,995
Total comprehensive income	-	-	-	1,995	-	1,995
Transactions with owners recognised directly in equity						
Share for share exchange with subsidiary	10,000	-	-	-	-	10,000
Issue of shares – On admission to AIM	528	4,482	-	-	-	5,010
Issue of shares – Acquisition of Gateley Capitus Limited	112	-	1,013		-	1,125
Share issue costs	-	(150)		-	-	(150)
Dividend paid	-	-		(1,995)	-	(1,995)
Total equity at 30 April 2016	**10,640**	**4,332**	**1,013**	**-**	**-**	**15,985**

	Share capital	Share premium	Other reserves	Retained earnings	Share based payment reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
At May 2016	**10,640**	**4,332**	**1,013**	**-**	**-**	**15,985**
Comprehensive income:						
Profit for the year	-	-	-	11,476	-	11,476
Share based payment expenses	-	-	-	-	450	450
Total comprehensive income	-	-	-	11,476	450	27,911
Transactions with owners recognised directly in equity						
Issue of shares – Acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited)	38	-	420	-	-	458
Issue of deferred income shares – Acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited)	10		115	-	-	125
Dividend paid	-	-		(6,343)	-	(6,343)
Total equity at 30 April 2017	**10,688**	**4,332**	**1,548**	**5,133**	**450**	**22,151**

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

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

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

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

Share based payment reserve – Annual cost of share options issued

The accompanying notes on pages 70 to 77 for an integral part of these financial statements.

Parent company cash flow statement
for year ended 30 April 2017

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**11,475**	1,995
Increase in trade and other receivables	**(4,459)**	(3,268)
Net cash flows from operating activities	**7,016**	(1,273)
Investing activities		
Consideration paid on acquisition of subsidiary	**(672)**	(1,592)
Net cash used in investing activities	**(672)**	(1,592)
Financing activities		
Proceeds from the issue of share capital	**-**	5,010
Share issue costs	**-**	(150)
Dividends paid	**(6,342)**	(1,995)
Net cash from financing activities	**(6,342)**	2,865
Net increase in cash and cash equivalents	**2**	-
Cash and cash equivalents at beginning of the year	**-**	-
Cash and cash equivalents at end of year	**2**	-

The accompanying notes on pages 70 to 77 for an integral part of these financial statements.

Parent company notes to the financial statements

For the period ended 30 April 2017

(forming part of the financial statements)

1 Basis of preparation and significant accounting policies

Gateley (Holdings) Plc (the "Company") is a company incorporated and domiciled in the UK under the Companies Act. The nature of the Group's operations and its principal activities are set out in the strategic report. Gateley (Holdings) Plc was incorporated on 13 November 2014. On 29 May 2015, the Company invested in Gateley Plc via a share for share exchange. On 8 June 2015, the Company listed on the AIM Market of the London Stock Exchange.

The financial statements have been prepared and approved by the directors in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union (adopted IFRSs).

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.7 below.

Measurement convention

The financial statements are prepared on the historical cost basis except where Adopted IFRSs require an alternative treatment. The principal variations relate to financial instruments which are carried at fair value.

1.1 Going concern

The Company and 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 ongoing trading performance. The Group is funded through two unsecured term loans for £5m each repayable quarterly over five years commencing in December 2015 together with unsecured overdraft facilities of up to £5m. All of the Group's overdraft facilities are 12 months in duration. The term loan facilities contain financial covenants which have been met throughout both periods. The Group's forecasts and projections show that the new facility provides adequate headroom for its current and future anticipated cash requirements.

1.2 Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(c) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(d) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instruments are classified as a financial liability.

1.3 Non derivative financial instruments

Financial Assets

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

Parent company notes to the financial statements *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

Non derivative financial instruments *(continued)*

vi) Investments

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

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. Cost of investment also includes share-based payment charges of equity settled share based payment schemes to be settled on behalf of subsidiary companies.

vii) Trade and other receivables

Trade and other receivables are recognised and carried at original amount less provision for impairment.

A provision for impairment of amounts owed from related parties is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the engagement. 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 statement of profit and loss in other operating expenses.

viii) Cash and cash equivalents

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

1.4 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Parent company notes to the financial statements *(continued)*

1 Basis of preparation and significant accounting policies *(continued)*

1.5 Taxation *(continued)*

A deferred tax asset is recognised on deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.6 Ordinary dividends

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

1.7 *Adopted IFRS not yet applied*

The following Adopted IFRSs have been issued and endorsed by the EU but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

Endorsed:

- IFRS 15 – Revenue from contracts with customer (effective from 1 January 2018)
- IFRS 9 - Financial instruments

Not yet endorsed by EU and included as may be relevant:

- IFRS 16 – Leases
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised losses
- Amendments to IFRS2 – Classification and measurement of share-based payment transactions
- Amendments to IAS 40 – Transfer of investment property
- IFRIC Interpretation 22 - Foreign currency transactions and advance considerations

There are other standards in issue which are not considered applicable and are not expected to have an impact on the Company and have therefore not been included in the list above. Both IFRS 15 and IFRS 16 are expected to require amendments for operating leases and revenue however management are undertaking an exercise to determine the impact on results and have not yet quantified this.

The directors have not yet calculated the impact that the adoption of the other Standards and Interpretations noted in future periods will have.

2 Expenses

Audit fees in relation to the audit of these accounts of £10,000 (2016: £10,000) have been borne by Gateley Plc. The company does not have any employees (2016: Nil)

Parent company notes to the financial statements *(continued)*

3 Investment income

On 10 December 2015, Gateley Plc, paid an intercompany dividend of £1,995,000 to its parent company Gateley (Holdings) Plc.

On 19 September 2016, Gateley Plc, paid an intercompany dividend of £6,500,000 to its parent company Gateley (Holdings) Plc.

On 28 April 2017, Gateley Plc, paid an intercompany dividend of £5,000,000 to its parent company Gateley (Holdings) Plc.

4 Taxation

The Company's profit for the period arises solely from the receipt of intercompany dividends, which are not chargeable to corporation tax. As a result, no provision for corporation tax is needed in these financial statements.

5 Investments

	£'000
On incorporation	-
Share for share exchange	10,000
Acquisition of Gateley Capitus Limited	2,937
Balance at 30 April 2016	**12,937**
At 1 May 2016	12,937
Share based payment charge	450
Acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited)	2,050
Balance at 30 April 2017	**15,437**

Investments in subsidiaries

The Company has effective control of the following:

	Country of incorporation	**Ordinary share proportion held during year to 30 April 2017**	**Nature of business**
Gateley Plc	England and Wales	100%	Legal services
Entrust Pension Limited	England and Wales	100%	Pension trustee services
Gateley Capitus Limited	England and Wales	100%	Tax incentive services
Gateley Hamer Limited (formerly Hamer Associates Limited)	England and Wales	100%	Specialist property consultancy
Gateley EBT Limited	England and Wales	100%	Employee benefit trust
Gateley Investments Limited	England and Wales	100%*	Corporate investment company
Ensco Trustee Company Limited	England and Wales	100%*	Corporate trustee company
Gateley Secretaries Limited	England and Wales	100%*	Non-trading
Gateley Incorporations Limited	England and Wales	100%*	Non-trading

Parent company notes to the financial statements *(continued)*

5 Investments *(continued)*

Investments in subsidiaries *(continued)*

	Country of incorporation	Ordinary share proportion held during year to 30 April 2017	Nature of business
Gateley Custodian and Nominee Services Limited	England and Wales	100%*	Non-trading
Gateley Custodian and Nominee Services No.2 Limited	England and Wales	100%*	Non-trading

	Country of incorporation	Controlling interest held during year to 30 April 2017	Nature of business
Gateley Heritage LLP	England and Wales	100%*	Non-trading
Gateley UK LLP	England and Wales	100%**	Legal services via a branch in Dubai
Gateley (Manchester) LLP	England and Wales	51%*	Collection of residual assets

* these investments are indirectly held at the year end

** certain Group directors of Gateley Holdings Plc as individuals are members of Gateley UK LLP and, as such, hold Gateley (Holdings) Plc's 100% membership interest on trust. Effective control is held by directors of Gateley Plc

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

On 29 May 2015, the Company acquired 100% of the share capital of Gateley Plc 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.

On 8 April 2016, the Company acquired 100% of the share capital of Gateley Capitus Limited.

On 15 September 2016, the Company acquired 100% of the share capital of Gateley Hamer Limited (formerly Hamer Associates Limited). Details of consideration paid can be found at note 26 of the consolidated financial statements.

6 Trade and other receivables

	2017 £'000	2016 £'000
Amounts owed from Gateley Plc	**7,725**	3,268

All trade receivables are anticipated to be due within one year. £5m is due in September 2017 with the balance expected to be settled by 30 April 2018.

The carrying amount of financial assets recorded in these accounts, which is net of any impairment losses, represents the Company's maximum exposure to credit risk. Financial assets include amounts due from Gateley Plc. The Company does not hold collateral over these balances.

Parent company notes to the financial statements *(continued)*

7 Other payables

	2017 £'000	2016 £'000
Deferred consideration	**1,013**	220

8 Capital and reserves

Share capital

	2017 Number	**2017 £**	2016 Number	2016 £
Ordinary shares of 10p each				
Brought forward as at 1 May 2016	10	1	-	-
On incorporation – 13 November 2014	-	-	10	1
Issued on acquisition of business	100,000,001	10,000,000	100,000,001	10,000,000
Issued on initial public offering	5,274,148	527,415	5,274,148	527,415
Issued on acquisition of Gateley Capitus Limited	1,122,753	112,275	1,122,753	112,275
Issued on acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited)	388,029	38,803	-	-
Issued as per of deferred consideration of Gateley Hamer Limited (formerly Hamer Associates Limited)	97,012	9,701	-	-
At 30 April 2017	**106,881,953**	**10,688,195**	106,396,912	10,639,691

9 Financial instruments and related disclosures

Financial risk management

The Company has overall responsibility for the oversight of the Company's risk management framework. A formal process for reviewing and managing risk in the business has been developed. A register of strategic and operational risk is maintained and reviewed by the Board, who also monitor the status of agreed actions to mitigate key risks.

Management's objective in managing financial risks is to ensure the long-term sustainability of the Company and Group.

As the Company's principal financial instruments comprise cash and inter-group receivables. The main risks are those noted below:

Credit risk

Credit risk is the risk of financial loss to the Company if a subsidiary to a financial instrument fails to meet its contractual obligation. The Company has a policy of monitoring subsidiaries who perform credit checks which together with the spread of reputable clients ensures there are no unacceptable concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that the Group has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that there is sufficient cash or working capital facilities to meet the cash requirements of the Company.

Gateley Plc is financed through a combination of unsecured bank loans together with unsecured loans from former members. The Board reviews the projected financing requirements annually when agreeing the Group's budget and, based on this review, sets the value of the future capital requirements of the business. The cash flow forecast for the entire Group is updated regularly and compared to the budget with any significant variance being reported to the Board.

Parent company notes to the financial statements *(continued)*

9 Financial instruments and related disclosures *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income. The Company's exposure to market risk predominantly relates to interest and currency risk. Management does not consider this to be a significant risk to the Company.

Interest rate risk

The Group's bank borrowings incur variable interest rate charges linked to LIBOR plus a margin. Management do not consider this to be a significant risk to the Company or Group.

Foreign currency risk

The Group has one overseas operation based in Dubai which, therefore, exposes the Group to changes in Sterling/ Dirhams exchange rates. Management does not consider this to be a significant risk to the Company or Group.

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Inter Group receivables	The fair value approximates to the carrying value because of the short maturity of these instruments.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There are no financial instruments carried at fair value within this financial information.

The fair value of financial assets and liabilities are as follows (there is no difference between the carrying value of the financial assets and liabilities and their fair value):

	2017	2016
	£'000	£'000
Cash and cash equivalents	**2**	-
Group receivables	**7,725**	3,268
Total financial assets	**7,727**	3,268
Deferred consideration	**(1,013)**	(220)
Current and Total financial liabilities	**(1,013)**	(220)

The company itself does not have any exposure to interest or foreign exchange rates. The Group's expose is detailed in note

Parent company notes to the financial statements *(continued)*

10 Share premium

The share premium arose on 8 June 2015 when the Company was floated on the AIM market of the London Stock Exchange. 5,274,148 £0.10 ordinary shares were issued at £0.85 above their nominal value, therefore creating share premium of £4,483,026. Share issue costs of £150,000 have been deducted from share premium in accordance with Accounting Standards.

11 Other reserves

Other reserves arose on 8 April 2016 during the acquisition of Gateley Capitus Limited when the Company issued 1,122,753 £0.10p ordinary shares for £1,125,000, therefore creating other reserves at 30 April 2016 of £1,012,725.

Further other reserves arose on 15 September 2016 during the acquisition of Gateley Hamer Limited (formerly Hamer Associates Limited) when the Company issued 485,041 £0.10p ordinary shares for £583,262, therefore creating other reserves of £534,758. At 30 April 2017 total other reserves were £1,547,483.

12 Related parties

None of the executive directors received any remuneration from the Company during the year, other than dividend income, as they are remunerated by Gateley Plc.

13 Accounting estimates and judgements

The preparation of these financial statements under IFRS requires management to make estimates and assumptions which affect these financial statements. The key estimates and assumptions relate to the impairment assessment of investments.

Impairment of investments

The total carrying amount of investments is held net of impairment losses. In determining whether investments are impaired requires an estimation of the future value arising from a subsidiary or the trade and assets acquired with it. The value is use calculation requires an estimate of the future cash flows expected to arise from a subsidiary or cash generating unit and the use of a suitable discount rate in order to calculate present value. Any change in estimates could result in an adjustment to recorded amounts. Due to the market capitalisation position of the business at the year end and time of signing these financial statements management do not believe any impairment is necessary against the carrying value of its investments.

14 Subsequent events

There are no subsequent events to disclose in these financial statements.

Company number: 09310078

GATELEY (HOLDINGS) PLC

Notice of Annual General Meeting

NOTICE IS GIVEN that the annual general meeting of the above named Company will be held at One Eleven Edmund Street, Birmingham B3 2HJ on 27 September 2017 at 12.30pm. Shareholders will be asked to consider and, if thought fit, to pass the following resolutions of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive the Company's annual accounts for the financial year ended 30 April 2017 together with the directors' report and the auditors' report on those accounts.

2. To approve the directors' remuneration report for the financial year ended 30 April 2017, which is set out in the Company's annual report for the financial year ended 30 April 2017.

3. To declare a final dividend for the year ended 30 April 2017 of 4.4p per share payable on 4 October 2017 to shareholders on the register of members at the close of business on 8 September 2017.

4. To reappoint Michael James Ward (who retires in accordance with article 23.4.2 of the Company's articles of association and, being eligible, offers himself for re-election) as a director of the Company.

5. To appoint Suki Thompson (in accordance with article 23.1 of the Company's articles of association) as a director of the Company with effect from 27 September 2017.

6. To appoint Grant Thornton UK LLP as auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company.

7. To authorise the directors to fix the remuneration of the auditors of the Company.

8. **THAT**, in substitution for all existing and unexercised authorities and powers, the directors of the Company be generally and unconditionally authorised for the purpose of section 551 Companies Act 2006 (the **Act**) to exercise all or any of the powers of the Company to allot shares of the Company or to grant rights to subscribe for, or to convert any security into, shares of the Company (such shares and rights being together referred to as **Relevant Securities**) up to an aggregate nominal value of £3,562,731 to such persons at such times and generally on such terms and conditions as the directors may determine (subject always to the articles of association of the Company), such authority, unless previously renewed, varied or revoked by the Company in general meeting, to expire at the conclusion of the next annual general meeting of the Company (or, if earlier, at the close of business on 26 December 2018) save that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require relevant securities or equity securities (as the case may be) to be allotted after the expiry of such period and the directors of the Company may allot relevant securities or equity securities (as the case may be) in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTION

9. **THAT**, if resolution 8 above is passed, and in substitution for all existing and unexercised authorities and powers, the directors of the Company be and are hereby generally and unconditionally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) (**Equity Securities**) for cash under the authority given by that resolution 8 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:

9.1 the allotment of Equity Securities or sale of treasury shares in connection with a rights issue or similar offer in favour of ordinary shareholders where the Equity Securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on that date provided that the directors of the Company may make such exclusions or other arrangements to deal with any legal or practical problems under the laws of any territory or the requirement of any regulatory body or any stock exchange or with fractional entitlements as they consider necessary or expedient; and

9.2 the allotment of Equity Securities or sale of treasury shares (otherwise than under paragraph 9.1 above) up to an aggregate nominal amount of £534,410 representing approximately 5% of the current share capital of the Company,

such authority, unless previously renewed, varied or revoked by the Company in general meeting, to expire at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on 26 December 2018) save that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Equity Securities to be allotted (and treasury shares to be sold) after the expiry of such period and the directors of the Company may allot Equity Securities (and sell treasury shares) in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

10. **THAT**, if resolution 8 above is passed, and in addition to any authority granted under resolution 9 above, the directors of the Company be and are hereby generally and unconditionally empowered pursuant to section 570 of the Act to allot Equity Securities for cash under the authority given by that resolution 8 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment of Equity Securities, such authority to be:

10.1 limited to the allotment of Equity Securities or sale of treasury shares pursuant to the authority granted under resolution 8 up to an aggregate nominal amount of £534,410 representing approximately 5% of the current share capital of the Company; and

10.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice of annual general meeting of the Company,

such authority, unless previously renewed, varied or revoked by the Company in general meeting, to expire at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on 26 December 2018) save that the directors of the Company may, before the expiry of such period, make an offer or agreement which would or might require Equity Securities to be allotted (and treasury shares to be sold) after the expiry of such period and the directors of the Company may allot Equity Securities (and sell treasury shares) in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

BY ORDER OF THE BOARD

……………………………………..
Neil Andrew Smith
Secretary

Date: 1 September 2017

Registered office:
One Eleven Edmund Street
Birmingham
B3 2HJ

NOTES:

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. A proxy need not be a member of the Company.

2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact the Company's Registrars, Capita Asset Services in writing at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12.30pm on 25 September 2017.

3. A proxy may only be appointed using the procedures set out in these notes and the notes to the proxy form. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's Registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12:30pm on 25 September 2017. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.

4. In order to revoke a proxy appointment, a member must sign and date a notice clearly stating his intention to revoke his proxy appointment and deposit it at the office of the Company's Registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 3.00pm on 26 September 2017.

5. Any corporation which is a member of the Company may authorise one or more persons (who need not be a member of the Company) to attend, speak and vote at the meeting as the representative of that corporation. A certified copy of the board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the meeting must be deposited at the office of the Company's Registrars at the address set out in note 3 above prior to the commencement of the meeting.

6. The right to vote at the meeting shall be determined by reference to the register of members of the Company. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company at close of business on 25 September 2017 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

7. Copies of the service contracts and letters of appointment (as appropriate) of the directors with the Company or any of its subsidiaries will be available for inspection at the Company's Registered Office from the date of this notice until the time of the annual general meeting and will be available for inspection at the annual general meeting.

8. Members who have general queries about the annual general meeting should contact the Company's Registrars, Capita Asset Services on 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge. From overseas +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Capita Asset Services are open between 9.00am - 5.30pm, Monday to Friday excluding public holidays in England and Wales). No other methods of communication will be accepted. You may not use any electronic address provided either:

8.1 in this notice; or

8.2 any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

EXPLANATORY NOTES ON CERTAIN BUSINESS OF THE ANNUAL GENERAL MEETING

Resolution 5 – Appointment of Suki Thompson
As announced in the Company's preliminary results announcement released on 11 July 2017, having reached the age of 65, Michael Richard Seabrook will not be offering himself for re-election at the annual general meeting and will stand down as a director at that point. It is proposed that Suki Thompson fills this vacancy on the board of directors of the Company with effect from 27 September 2017.

Resolution 8 – Directors' power to allot relevant securities
Under section 551 of the Act, relevant securities may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the directors to issue shares without further reference to the shareholders. This resolution authorises the general issue of shares up to an aggregate nominal value of £3,562,731, which is equal to 33% of the nominal value of the current ordinary share capital of the Company. Unless previously revoked or varied, the authority will expire on the conclusion of the next annual general meeting of the Company or on the date which is 15 months after the resolution being passed (whichever is the earlier).

Resolutions 9 and 10 – Disapplication of pre-emption rights on equity issues for cash
Section 561 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure which, in the case of a rights issue, may prove to be both costly and cumbersome. These resolutions exclude that statutory procedure as far as rights issues are concerned.
These special resolutions are drawn up in accordance with the Pre-Emption Group's Statement of Principles, and enable the directors to allot shares up to:

(a) an aggregate nominal value of £534,410, which is equal to 5% of the nominal value of the current ordinary share capital of the Company, which could be used for any purpose; and

(b) an additional aggregate nominal value of £534,410, which is equal to 5% of the nominal value of the current ordinary share capital of the Company, which could only be used for an acquisition or specified capital investment,

subject in each case to resolution 8 being passed. The directors believe that the limited powers provided by these resolutions will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplications will expire on the conclusion of the next annual general meeting of the Company or on the date which is 15 months after the relevant resolution being passed (whichever is the earlier).

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Gateley (Holdings) Plc