Gateley (Holdings) Plc

Annual Report

for year ended 30 April 2018

gateleyplc.com

Gateley (Holdings) Plc

Annual report and consolidated financial statements
Registered number 09310078
For the year ended 30 April 2018

Company

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
	SFA Thompson	Non-Executive Director
Auditor	Grant Thornton UK LLP The Colmore Building 20 Colmore Circus Birmingham B4 6AT	
Nominated advisor	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RB	
Joint broker	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	Link Asset Services 6th Floor 65 Gresham Street London EC2V 7NQ	
Financial PR adviser	IFC Advisory 15 Bishopsgate London EC2N 3AR	
Website	www.gateleyplc.com	

Chairman's Statement

I am delighted with the performance of the business in the twelve months to 30 April 2018. Following on from our two previous successful years on AIM, we have seen revenues rise by 11.0% this year to £86.1m and earnings per share rise by 17.0% from 9.43p to 11.03p. What is particularly pleasing is that this strong growth has been achieved whilst maintaining a healthy balance of continuing to support and enhance our customer offering and seeking new opportunities for future investment. The scale, breadth and depth of our business continues to expand and our insatiable focus of leveraging our service offering for the benefit of our customers, has been and will continue to be, at the forefront of our strategic thinking and operational focus.

Since we became a public company, we have seen an increase in the interest that staff have in this new structure for a law firm. I'm pleased to say that our ability to attract quality staff, who are interested in benefiting from the opportunities provided by our plc structure, continues to strengthen. During the year we have increased our average employee numbers by 8.8% from 696 to 757. The next important phase of our incentivisation journey commenced shortly after our year end with the delivery of greater equity participation and rewards through our initial Stock Appreciation Rights Scheme that was awarded to partners present at the IPO. Alongside our all staff share scheme and CSOPs, employees from all parts of the Group continue to benefit as shareholders. The majority of Group employees now have some form of equity in the business.

After a period of integration following our first two acquisitions in 2016, we have been working hard this year in seeking the right next steps for our acquisition strategy that deliver both high quality output as well as complementing our existing service lines. This has resulted in the two recent strategic acquisitions of GCL Solicitors and Kiddy & Partners. These two very different businesses have excellent reputations of long term client retention, high levels of service delivery and the Board is delighted to welcome them to the Group. Without our Plc status, I do not believe that we would have appealed to either business in the same way.

The opportunity that Gateley pioneered by being the first UK commercial law firm to IPO three years ago has now ignited increased interest across our changing sector and several more law businesses have followed us onto the AIM market. As a Board, we very much welcome the creation of a broader, larger sector for stakeholders to consider. As an established investment choice, I continue to remain confident that Gateley has the right strategy for the profitable growth of the Group and to deliver enhanced value for all our stakeholders. Our management team remain steadfast in its vision to succeed with their stated aims 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).

The Board remains confident that the business is well placed to deliver another year of growth, whilst at the same time continuing to seek complementary service lines to further enhance our customer offering. 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 26 September 2018, of 4.8 pence per share, making a total dividend of 7.0 pence per share for the year, and representing a 6.1% increase on the prior year.

Finally, and certainly not least, I would like to pass on my thanks to our Chief Executive, Michael Ward, as well as to the Board, to the management team and to all of the staff at Gateley for their hard work, support and fantastic contribution this year in delivering a strong set of results and making considerable further strategic progress.

Nigel Payne

Nigel Payne
Chairman
16 July 2018

Chief Executive Officer's Review

Introduction

Our entire team have worked tirelessly this year in delivering another set of financial results in line with our original IPO strategy and current market expectations. It has been a very busy year with numerous opportunities opening up for us as a result of our different service offerings. Our steadfast dedication towards client service continues to ensure we deliver the services clients want time and again. The passion of our staff shines through in the work they perform and I'm proud to lead them through these exciting times. As we grow, we continue to deliver on our promises to clients, employees and investors.

We have demonstrated strong cash generation, achieved record revenues and profits, whilst expanding our network and services lines, through further strategic investment and recruitment, that I am sure will deliver long-term, sustainable, growth.

Three years on from our IPO our vision for a professional services Group continues as we diversify through our acquisitions strategy, and incentivise our staff. Our stated commitment to staff incentivisation is about to materialise as our initial Stock Appreciation Rights Scheme Issue vested on 8 June 2018. This option scheme is for the benefit of partner level employees. Their share awards will ensure they remain aligned with the long term success of the Group.

Financial Results

Our financial performance continues to demonstrate growth in revenue and profits in line with market expectations together with strong cash generation. Our diverse revenue streams have grown by 11.0% whilst profit before tax has grown at a similar rate of 11.7%. Growth in EPS and dividend returns to all investors is good news for all. Investment in new people helps us meet growing client demand and also ensures we deliver our promises to the management teams of our acquired complementary businesses. Gateley Hamer has branched out into London and Gateley Capitus have added new experts to deliver additional benefit to clients in Research and Development tax credits. We continue to build our teams with a national and strategic focus to ensure we can meet demand.

The strength in depth of our core legal business presents appealing opportunities across many business types and sectors. Whilst transactional activity levels across Corporate, Banking and Property segments remain significant, our long-established expertise in Business Services such as litigation and dispute resolution work has produced significant returns once again. The strength of our connections across national board rooms and intermediaries, and our reputation for quality teams with a focus on client service, result in continuing instructions across many sectors, including private equity and housebuilding.

Our transition from LLP to Plc is now complete and in addition we have now repaid half of the term loans advanced at the time of the IPO. We are pleased to once again propose a dividend to shareholders in line with expectations. EPS, both basic and diluted, is attractive to future shareholders.

Operational Review

We remain focused on investing in the right people to join the Gateley team. This remains our largest challenge in an ever-changing economic environment. Our Plc status provides an attractive alternative across all generations of staff. Average total staff numbers grew by 8.8% from 696 to 757 including 11.4% growth in professional staff and 3.8% growth in business support services. The lateral hiring of other law firm partners is typically longer-term in nature but strategically important for business development. We are pleased to see healthy interest in traineeships of professionals across the Group and congratulate all those staff, both professional and support that were promoted to higher roles this year.

Chief Executive Officer's Review *(continued)*

Operational Review *(continued)*

Our three established Group share option schemes are starting to reward staff with their share awards. This is an important element of our strategy to ensure alignment with share performance and long-term investment in the business. The Group's Stock Appreciation Rights Scheme (SARS), which is aimed at partner level staff, will vest shortly after the year end with a healthy return to all option holders that have been with the Group since IPO. A third year's SARS award was issued in October 2017 to those partners currently driving the Group's performance. Also around the same time the Group issued its second issue of its CSOP and SAYE schemes. Being able to offer something different as an employer has helped us not only retain staff since the IPO but also attracts a wide pool of new talent. 55% of all staff below partner level have participated in our SAYE scheme whilst all associates, senior associates, legal directors and the equivalent levels within our support services team received further CSOP awards.

With the recent acquisition of GCL Solicitors on 23 May 2018 that helped establish our new Guildford office we have now established a trio of southern offices from which to create a strong, coherent base to attract the significant number of existing opportunities to the Group. Our Reading office has continued to establish wider connections and obtain greater local recognition culminating in being named Law Firm of the Year at the Thames Valley Business Awards this year. Our existing London base provides niche services lines, creates opportunities for synergies, such as with Kiddy & Partners and remains a gateway for our international connections.

Acquisitions

Our acquisition strategy, focuses on niche businesses which can supplement our core legal services offering. Our Plc status and established reputation attracts first class professionals to enhance our core legal services. As our wide and diverse client base benefits from the added value services provided by Gateley Capitus and Gateley Hamer, we have this year focused on adding to one of our key strengths in the house building sector, which resulted in the acquisition of GCL Solicitors.

I am delighted to welcome GCL to the Group. The acquisition will further strengthen our leading position in the Residential Development sector nationally and provide us with a substantial presence in the Southern market, which we see as critical in developing a full service offering for our clients.

There is a structural under supply of new housing in the UK and we see this as a market that will remain strong. The South East in particular will continue to be a significant engine for housing growth for the foreseeable future.

The acquisition allows us to offer a greater depth of specialism and expertise in all aspects of the residential development market. We can now match our national office network to our Residential Development clients' networks with seven Residential Development teams operating across the country. There are also many clear opportunities across the Group from this strategic acquisition, not least for Gateley Hamer and Gateley Capitus.

On 6 July 2018, we further expanded our suite of niche businesses with the acquisition of Kiddy & Partners (Kiddy). Kiddy significantly broadens and strengthens our Employment and People Services offering. There will be clear opportunities for us to collaborate and deliver integrated advice and services to a broader set of large-scale employers across a wide range of industries. Kiddy represents our first acquisition in the Human Capital sector, which when put alongside Global Mobility and our Entrust pension trustee operation, moves our business further forward, offering employers a range of legal and consultancy services. This acquisition is in line with our stated plan and follows behind similar progress made in our Property group noted above where high-value, niche, chartered surveying services now sit-alongside and complement our core legal offering.

All of our businesses complement each other in service delivery and enhance our go to market proposition.

Chief Executive Officer's Review *(continued)*

Board Composition

At our 2017 AGM we welcomed Suzanne Thompson to the Board. Suzanne has settled in well as we look to benefit from her marketing, advertising and communications expertise in the next stage of our differentiation objective.

Current trading and outlook

We are pleased with our performance after three years as an AIM quoted Group and welcome the recent activity and interest in other law related businesses joining AIM. As the first UK commercial law-led professional services group we feel proud of our team who continue to support our journey. The Board strongly believes the time remains right for greater choice for our clients and investors. We therefore strive to further enhance our offering for the benefit of all stakeholders.

At the same time, we aim to continue to build resilience into our business model and feel confident that the business we have built over many decades is now better placed to address market opportunities.

Michael Ward
Chief Executive Officer
16 July 2018

Finance Director's Review

Financial Highlights

The Group delivered another strong performance in 2018 with record revenue generation accompanied by increased profitability. Total reported revenues for the year increased by 11.0% to £86.1m (2017: £77.6m). Revenue from core legal services grew organically by 9.5% after adjusting for revenues from acquisitions since IPO of £3.3m (2017: £2.0m). The Group continues to demonstrate consistent levels of annual revenue and profit growth whilst actively seeking opportunities for the strategic expansion of our national teams. Headcount has once again increased to meet client demand but credit for the Group's performance should go first and foremost to our established national teams. As our IPO structure attracts senior (work winning) recruitment opportunities we have maintained a sensible balance of the management of cost and future investment. The strength of our client relationships and the consistent delivery of the highest levels of commercial professional advice serve the Group well. EBITDA margins are performing as expected as we grow our teams within our already invested locations.

Group revenue was well spread across a growing number of clients from many varied sectors. Our strong performance in transactional led disciplines such as M&A and Real Estate is complemented by exceptional growth in our less established service lines. With a focus on cross selling, the performance of all of our UK business lines is to be commended as they have all demonstrated growth this year. The well-balanced nature of our services provides a natural workflow hedge, and balancing transactional assignments against large specialist litigation service continues to provide resilience against many economic challenges facing clients. Our Corporate group generated revenue growth of 14% whilst our Property group grew revenue by 18%. 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 nationally capable teams help maintain long standing client relationships and trust. Our post year end acquisition of the business and assets of GCL Solicitors LLP, who specialise in legal advice for land and property clients, will further enhance our presence across Southern England out of its existing Guildford location. The Guildford office provides a good strategic fit with our established Reading and London offices.

Revenue and profits continue to grow across our professional complementary service lines of Gateley Capitus and Gateley Hamer. We have expanded our service lines in both businesses and created a new London team within Gateley Hamer. Our Global Mobility consultancy continues to develop opportunities whilst we seek other Human Capital work type acquisitions. Fees in our Dubai office reduced slightly on the previous year as the office contracted in activity and headcount in line with locally reduced demand. The office has broken even this year following last year's loss.

Operating expenses rose by 10.7% to £71.6m (2017: £64.7m). This growth in operating costs has been driven mainly by the continued expansion of staff levels to meet client demand. Average numbers of legal and professional staff rose by 11.4% to 509 (2017: 457). Personnel costs, including increased share based payment charges, rose as a result by 15.5% from £45.6m to £52.6m, thereby increasing this cost to 61.1% of revenue from 58.7% in 2017.

As a result of the expansion of new staff numbers, overall utilisation of staff performing chargeable work decreased to 85% (2017: 86%) but remained within acceptable levels without affecting profit margins.

Other operating expenses decreased by 2.2% to £17.5m (2017: £17.9m). Other operating expenses (before exceptional items) increased by 0.9% to £18.0m from £17.9m. This increase was predominately due to increased volumes of activity and expenditure on information technology.

Finance Director's Review *(continued)*

Extract of UK statement of comprehensive income	**2018**	2017
	£'000	£'000
Revenue	**86,090**	77,587
Operating profit	**14,825**	13,312
Operating profit margin (%)	**17.22%**	17.16%
Reconciliation to alternative performance measure: Adjusted EBITDA		
Operating profit	**14,825**	13,312
Depreciation	**970**	819
Non-underlying items		
Share based payment charge	**719**	325
Amortisation	**547**	472
Exceptional items		
Release of lease incentive	**(182)**	-
Release of contingent consideration	**(362)**	-
Adjusted EBITDA	**16,517**	14,928
Adjusted EBITDA margin (%)	**19.19%**	19.24%

Adjusted EBITDA of £16.5m is up by 10.6% from £14.9m reflecting an adjusted EBITDA margin of 19.2% (2017: 19.2%). Operating profit before tax was up 11.7% to £14.6m (2017: £13.1m).

Earnings per share

Basic earnings per share increased to 11.03p (2017: 9.43p). Basic earnings per share after non-underlying items increased to 10.62p (2017: 9.43p). Diluted earnings per share was 10.64p (2017 9.35p).

Dividend

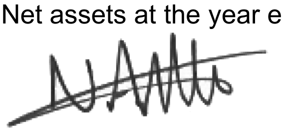
The Board has adopted a dividend policy which reflects the strong long-term earning cash flow and earnings potential of the Group, distributing up to 70% of profits after tax each year to shareholders. Following the announcement of our interim dividend of 2.2p (2017: 2.2p) per share that was paid in March 2018, the Board proposes to approve a full year final dividend at its Annual General Meeting on 26 September 2018 of 4.8p (2017: 4.4p) per share, which if approved, will be paid in early October 2018 to shareholders on the register at the close of business on 14 September 2018. The shares will go ex-dividend on 13 September 2018.

Cash resources, borrowings and liquidity

Cash generated during the year from operations was £12.2m (2017: £7.7m) which represents 103.7% (2017: 76.3%) of profit after taxation. Financing outflows totalled £9.7m (2017: £13.1m) which included dividends paid totalling £7.0m (2017: £6.3m) and term loan repayments of £2.0m (2017: £2.0m). The final balance of loans due to former partners of £0.55m was repaid in June 2017. Capital expenditure decreased to £0.79m (2017: £1.49m) due to their being no significant office or IT outlays during the year compared to 2017. Group cash at bank increased to £4.3m (2017: £2.7m) during the year. The Group's net debt position as at the year end therefore finished at £0.7m (2017: £4.8m).

Net assets

Net assets at the year end, before declaration of final dividend, were £23.0m (2017: £17.4m).



Neil Smith
Finance Director
16 July 2018

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), specialist tax incentive advice (via Gateley Capitus Limited) and specialist property consultancy advice (via Gateley Hamer Limited). The Group sells its services through 19 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 geographical office location.

The Group's services are tailored to those required by local, regional and national clients and are provided from nine offices across the UK, including its newly acquired Guildford office, 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 provides a platform for the continued profitable growth and future development of the business. It enables the business to differentiate itself from its 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. Gateley will expand by:

- 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 11.0% (2017: 15.7%) to £86.1m (2017: £77.6m)
- Profit before tax up 11.7% (2017: 18.8%) to £14.6m (2017: £13.1m)
- Adjusted EBITDA* up 10.6% (2017: 15.5%) to £16.5m (2017: £14.9m)
- Basic Earnings per share (EPS) up 15.1% (2017: 15.3%) to 11.03p (2017: 9.43p)
- Total dividend declared of 7.0p (2017: 6.6p)
- Revenue per pound of salary cost £1.64 (2017: £1.70)
- Adjusted EBITDA margin 19.19% (2017: 19.24%) – Adjusted EBITDA as a percentage of revenue
- Operating profit margin 17.2% (2017: 17.2%) – Operating profit as a percentage of revenue
- Revenue days 91 (2017: 93) - Year end trade receivables (excluding unbilled disbursements and expenses) expressed as the number of preceding days' gross revenue
- Gearing ratio 7.9% (2017: 12.7%) – 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 – 82.8x (2017: 66.9x) Profit before financial income and expense and income tax ("EBIT") divided by financial expense
- Net debt £0.7m (2017: £4.8m)

*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 8 to 9 for a summary of key financial highlights during the year.

Earnings per share

Basic EPS was 11.03p (2017: 9.43p). Diluted EPS was 10.64p (2017: 9.35p).

Cash flows

Net cash generated from operating activities was £12.2m (2017: £7.7m). Investing cash outflows principally comprised £0.79m (2017: £1.49m) for capital expenditure, together with £0.2m (2017:£0.5m) cost of investment in Gateley Hamer Limited ('GHL'). Consideration in respect of the acquisition of GHL totalling £0.47m (2017: £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 and the continued repayment of external bank loan funding. 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 (2017: £2m) was repaid in respect of the term loans together with £0.5m (2017: £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 £7.0m (2017: £6.3m) were also paid during the year.

Financing

The Group's net debt position as at 30 April 2018 (including loans owed to former partners) was £0.7m (2017: £4.8m). The decrease in net debt is due to repayments made during the year and the increased generation of cash from operating activities.

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 £8m. All of the Group's overdraft facilities are 12 months in duration. The term loan facilities contain appropriate financial covenants. 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

Due to the nature of the business and the markets in which it operates, many of the risks it faces are ongoing over longer than any single year. The key risks identified by the business are detailed below.

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, pre-eminent 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 provides the platform for the continued, measured growth and development of the business. The Group continues to look at future service lines, such as its Global Mobility consultancy services, which are set to benefit from the movement of people across borders.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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) and the Lexcel standards are being developed for application across the non-legal parts of the business.
	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.
	The Group's practice management system is end of life. The practice management system forms the base of all transactions undertaken by the Group and its replacement presents a risk both in relation to data and continuity of business.	A project to replace the existing practice management system has been in progress for over 12 months. A replacement product has been identified and a project delivery and implementation team established.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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.
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. The last year has seen the introduction of additional regulation including for example the Criminal Finances Act and GDPR. Experts within the business have provided advice and appropriate policies, procedures and training have been adopted and implemented. In many cases the introduction of new regulations also provides an opportunity for us to support our clients in their adoption of these regulations in their businesses.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Regulatory and Compliance Risks *(continued)*	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.
	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.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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. Over the last 12 months our recruitment process has been 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 continues to be 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 sets out the core values and behaviours expected of staff.
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 tested. The tests include IT services and staff communications.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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 and filed annually by external auditors. Remedial action necessary for any breaches identified during the year or as part of the annual audit is communicated to the business by the Compliance Officer for Legal Practice ('COLP') and/or Compliance Officer for Finance and Administration ('COFA').
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 acquisition process and executed in anticipation of and following acquisition as appropriate. For example: ♦ day 1 IT requirements are identified and implemented, ♦ employment contract terms and conditions are aligned between existing and new employees where appropriate post integration, ♦ formal Board and reporting structures are introduced post acquisition and authorities are agreed.

On behalf of the Board

Neil Smith
Finance Director
16 July 2018

Report on remuneration: voluntary disclosure

The board submits its directors' remuneration report for the year ended 30 April 2018. 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 period to 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 their role, responsibility and contribution to the long-term business strategy.

Report on remuneration: voluntary disclosure *(continued)*

Element, purpose and operation	Opportunity
Stock Appreciation Rights Scheme (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 detailed in the company’s admission document entered into upon IPO. As disclosed on page 22, 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. 58.7% (2017: 63.4%) of the Company's issued share capital was held by employees as at 30 April 2018.

It is the committee’s intention that senior employees’ remuneration be positioned market competitively and at a level which reflects the roles and responsibilities of the individuals by the end of the five year period to 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 2018 and 30 April 2017:

	Salaries and fees £'000	Bonus £'000	Share Options £'000	Total 2018 £'000	Salaries and fees £'000	Bonus £'000	Share Options £'000	Total 2017 £'000
Nigel Terrence Payne	40	-	-	40	36	-	-	36
Joanne Carolyn Lake	36	-	-	36	30	-	-	30
Suzanne Francis Alison Thompson (appointed 27 September 2017)	18	-	-	18	-	-	-	-
Michael Richard Seabrook (resigned 27 September 2017)	2	-	-	2	30	-	-	30
Michael James Ward	174	87	-	261	135	57	-	192
Peter Gareth Davies	163	81	-	244	135	57	-	192
Neil Andrew Smith	155	74	9	238	138	76	4	218
	588	242	9	839	504	190	4	698

Salary increases for the year

Salary increases awarded during the year reflect the committee's intention for executive remuneration to be competitively positioned by 2020, as referenced in the remuneration policy

Report on remuneration: voluntary disclosure *(continued)*

Bonuses for the year

The following table represents the bonuses received by the Executive Directors for the year ended 30 April 2018.

	Merit Pool[1] £'000	Performance Pool[2] £'000	Total £'000	% salary
Michael James Ward	87	-	87	50%
Peter Gareth Davies	81	-	81	50%
Neil Andrew Smith	48	26	74	48%

[1]The merit pool for year ended 30 April 2018 was set at a sum equivalent to 17.5% of pre-tax profits.

[2]The total performance pool bonus for the year ended 30 June 2018 was £0.6m, from which NA Smith was awarded a bonus of £26,000 based on his performance in role and contribution to the business strategy during the year. MJ Ward and PG Davies did not participate in the performance pool.

Grant of share options

MJ Ward and PG Davies do not currently participate in the SAR Scheme because they already hold a large number of shares in Gateley (Holdings) Plc and are therefore deemed to be sufficiently incentivised through their existing shareholding acquired on IPO. In October 2017 NA Smith was granted 100,000 share options under the SAR Scheme based on his performance and contribution to the business. The share options have been granted with an exercise price equal to £1.83 (representing 115.765% of the share price on the grant date) and therefore include an inherent stretching share price condition, as the share price would need to exceed £1.83 before any value is delivered. The share options will vest in October 2020.

Directors' Interests

Directors' shareholdings at 30 April 2018 were as follows:

	10p ordinary shares At 30 April 2018		10p ordinary shares At 30 April 2017	
	Number of shares	Percentage Holding	Number of shares	Percentage Holding
Nigel Terrence Payne	**39,107**	**0.04%**	39,107	0.04%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Suzanne Francis Alison Thompson	**10,000**	**0.01%**	-	-
Michael James Ward	**2,631,204**	**2.46%**	2,960,104	2.77%
Peter Gareth Davies	**2,660,104**	**2.49%**	2,989,004	2.80%
Neil Andrew Smith	**520,000**	**0.49%**	500,000	0.47%

Report on remuneration: voluntary disclosure *(continued)*

Directors' interests *(continued)*

The following directors held share options under the SAR Scheme as at 30 April 2018:

	Number of options at 30 April 2018	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
Neil Andrew Smith	100,000	3 October 2017	1.83[3]	3 October 2020

[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%.

[3]Being the share price on the date of grant of £1.58 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 Suzanne Thompson (previously Michael Seabrook until 27 September 2017) 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 Quoted Companies Alliance (QCA) published a new Corporate Governance Code in 2018 which updates and revises the old QCA code. As part of the revisions to the rules of the Alternative Investment Market (AIM) companies with their shares traded on AIM will be required to apply and report against a recognised corporate governance code from September 2018. The Group intends to adopt this code when required to do so in September 2018.

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 27 September 2017 each of the Directors was reappointed to the Board other than Michael Seabrook who stepped down from the Board and was replaced by Suzanne Thompson on the same date. 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.

The Board has considered the time availability that Nigel Payne has to carry out his duties as Chairman of Gateley (Holdings) Plc. The Board considers that Nigel's other public company duties take on average no more than five working days per month leaving ample spare capacity for him to carry out his duties as Non-Executive Directors of the Group.

Corporate governance: voluntary disclosure *(continued)*

Operation of the Board (continued)

The Board has considered the time availability that both Joanne Lake and Suzanne Thompson have to carry out their duties as Non-Executive Directors of Gateley (Holdings) Plc. The Board considers that Joanne's other public company duties take on average no more than ten working days per month leaving ample spare capacity for her to carry out her duties as Non-Executive Director of the Group. Suzanne has a full time role as the Chief Executive Officer of Oystercatchers and member of the EXCO, Centaur Media Plc. She has been given permission by the board of Centaur Media Plc and as such the Board considers she has sufficient capacity to carry out her duties as a Non-Executive Director of the Group.

Remuneration Committee

The Remuneration Committee comprises Suzanne Thompson (previously 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.

Audit and Risk Committee

The Audit and Risk Committee comprises Joanne Lake (Chairman), Nigel Payne and Suzanne Thompson (previously 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), Suzanne Thompson (previously 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). In addition to the formal channels of London Stock Exchange communication through the regulatory news service, the Company utilises the services of DirectorsTalk and Hardman & Co 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.

Corporate governance: voluntary disclosure *(continued)*

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.

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 2017 and ending 30 April 2018, can be found on its website, www.gateleyplc.com

On behalf of the Board

Nigel Payne

Nigel Payne
Chairman
16 July 2018

Board of Directors

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

Nigel Payne, aged 58, *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 and Non-Executive Director of AIM quoted GetBusy 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 59, *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 60, *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 42, *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 businesses 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.

Board of Directors *(continued)*

Joanne Lake, aged 54, 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.

Suzanne Thompson, aged 51, *Non-Executive Director*
Suzanne specialises in marketing transformation, pioneering new marketing model development and digital capability programmes. Working with 80% of the FTSE 250 and leading global communications networks and technology groups, she is helping to drive client business in the USA, Europe and Asia. Suzanne is an entrepreneur and transformational business leader. Business launches include Bunker Gin, The Haystack Group and award-winning marketing, management consultancy, Oystercatchers.

Centaur Media acquired Oystercatchers in September 2016 and as member of The Centaur Management Board, Suzanne is now responsible for vision and growth of Centaur's consultancy, capability and pitch businesses.

Suzanne is also a Board Trustee of Macmillan Cancer Support, NED at Gateley (Holdings) Plc and Addidi Angel Investor for Small Businesses. She sits on the steering committee of The Women's Equality Party, is former Chair of the Marketing Society and a long standing member of WACL and MGGB. Suzanne also holds an honorary Doctorate from Coventry University for services to Entrepreneurship and International Business. She was awarded Small Business Entrepreneur of the Year.

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2018.

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).

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 38.

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 7 and the Finance Director's review on pages 8 to 9. The Group's key performance indicators (KPIs) are set out on pages 11 and 12.
The strategic report, which includes a description of the principal risks and uncertainties facing the Group, is set out on pages 10 to 18.

Dividends

The Directors propose to recommend that a final dividend of £4,988,045 (2017: £4,702,806), being 4.8p (2017: 4.4p) per share, be paid, giving a total dividend for the year of 7.0p (2017: 6.6p). 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 2018	**Percentage Holding 2018**	**Number of shares 2017**	**Percentage Holding 2017**
Nigel Terrence Payne	**39,107**	**0.04%**	39,107	0.04%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Suzanne Francis Alison Thompson (appointed 27 September 2017)	**10,000**	**0.01%**	-	-
Michael Richard Seabrook (resigned 27 September 2017)	**15,700**	**0.01%**	15,700	0.01%
Michael James Ward	**2,631,204**	**2.46%**	2,960,104	2.77%
Peter Gareth Davies	**2,660,104**	**2.49%**	2,989,004	2.80%
Neil Andrew Smith	**520,000**	**0.49%**	500,000	0.47%

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 7 July 2018:

Name	Number of ordinary shares	% of issued share capital
Liontrust Asset Management	**11,376,861**	10.52%
Miton Asset Management	**5,868,759**	5.42%
Unicorn Asset Management Limited	**5,715,590**	5.28%

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 22 to the financial statements.

Political donations

The Group made no political donations (2017: £nil).

Directors' professional indemnity insurance

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

Michael Ward
Chief Executive Officer
16 July 2018

One Eleven Edmund Street
Birmingham
West Midlands
B3 2HJ

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Gateley (Holdings) Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2018 which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

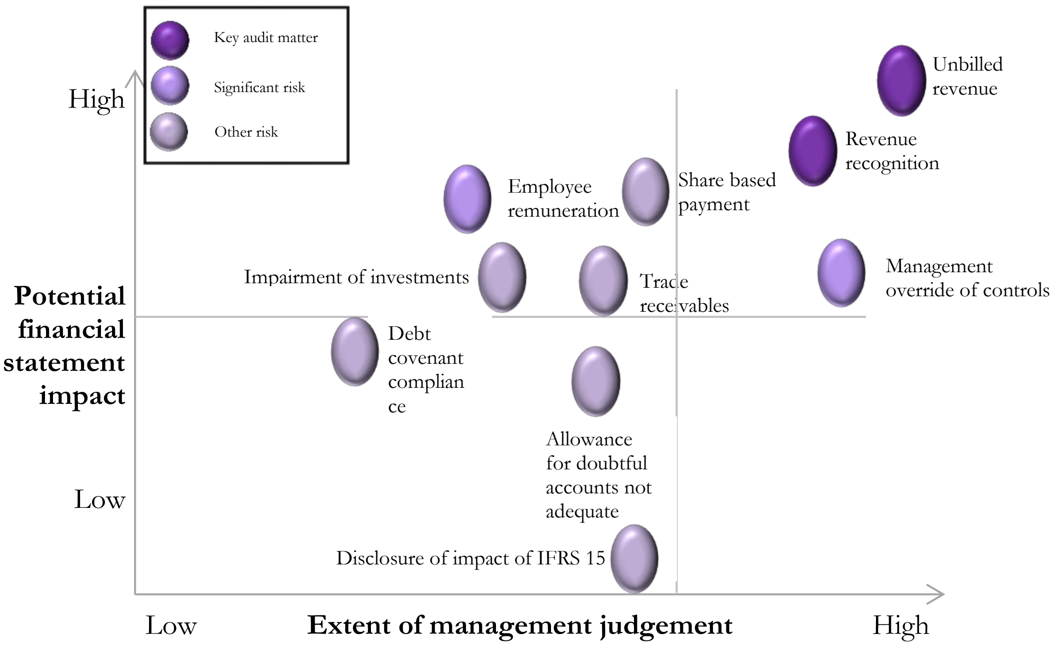
Independent auditor’s report to the members of Gateley (Holdings) Plc (continued)

Overview of our audit approach

- Overall materiality: £732,000, which represents 5% of the group's profit before taxation
- Key audit matters were identified as revenue recognition and unbilled revenue for the Group.
- We performed full-scope procedures on all operations due to all trading components being United Kingdom based and therefore requiring a statutory audit by law.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is a key driver of the business and is also a significant amount in the financial statements. There is significant management judgement involved in assessing that the right to consideration has been earned and the stage of completion of work performed. We therefore identified revenue recognition (focussing on occurrence) as one of the most significant assessed risks of material misstatement (whether or not due to fraud).	Our audit work included, but was not restricted to: • walkthroughs of each significant class of revenue transactions and assessing the design effectiveness of key controls; • evaluating the Group's accounting policies for recognition of revenue for appropriateness in accordance with requirements of International Accounting Standard (IAS) 18 'Revenue'; • analytically comparing revenue on a month-by-month basis across business units; • determining whether a service has been provided or a sale had occurred in the financial year for revenue recorded through review of individual matters in accordance with engagement letters, challenging the stage of completion and revenue recognised against unbilled amounts through checking to proof of service and corroborative inquiry with matter managers and management on a sample basis. The Group's accounting policy on revenue recognition is shown in note 1.15 and related disclosures are included in note 2. **Key observations** Based on our audit work, we found the Group's revenue recognition policy was consistently applied. There are no findings in relation to revenue recognition.
Unbilled revenue Due to the nature of the business there is a significant year end unbilled revenue balance. Determining the amount of revenue to be recognised requires management to make significant judgements and estimates including assumptions about future events, and the identification of, any other costs that might arise, the impact of any changes in scope of work and the recoverability of work-in-progress (WIP) and receivables balances. We therefore identified unbilled revenue as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • agreeing, on a sample basis, engagement terms to ensure matters are classified correctly between contingent and non-contingent; • testing non-contingent matters, on a sample basis, to understand the nature of the matter through review of engagement letter; • agreeing the recoverability of the balance of unbilled revenue to post year end billing and cash receipts, and where billing has not yet occurred we challenged matter managers on the expected recovery, confirming unbilled revenue is recorded in the correct period and at the correct amount and is supported by time costs incurred; • Performing analytical review procedures to assess whether recovery rates applied in the assessment of WIP balances are consistent and reasonable. The Group's accounting policy on unbilled revenue is shown in note 1.6 and related disclosures are included in note 15. **Key observations** Based on the procedures performed, we did not identify any material misstatement of unbilled revenue.

We did not identify any Key Audit Matters in relation to the parent company.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

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

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£732,000 which is 5% of Group profit before tax. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of directors to report to investors on the financial performance of the Group. Materiality for the current year is higher than the level that we determined for the year ended 30 April 2017 as a result of the increased profit before tax in the current year.	£240,000 which is 1% of parent company total assets. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of directors to report to investors on the financial performance of the Company whose principal activity is that of an investment holding company. Materiality for the current year is higher than the level that we determined for the year ended 30 April 2017 as a result of the increase in total assets.
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the Group's overall control environment, we determined a performance materiality of 75% of financial statement materiality. In the previous year our performance materiality was 70% to reflect it being our first year of involvement.	Based on our risk assessment, including the Company's overall control environment, we determined a performance materiality of 75% of financial statement materiality. In the previous year our performance materiality was 70% to reflect it being our first year of involvement.
Specific materiality	We determined a lower level of materiality for certain specific areas such as directors' remuneration and related party transactions.	We determined a lower level of materiality for certain specific areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£36,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

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

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

The components of the Group were evaluated by the audit team based on a measure of materiality considering each as a percentage of total Group assets, liabilities, revenues and profit before taxes, to assess the significance of the component and to determine the planned audit response. An interim visit was conducted before the year end at all significant components of the Group to complete advance substantive audit procedures and evaluate the Group's internal controls environment. All trading components are based in the United Kingdom and therefore to meet statutory requirements we performed a full-scope audit approach for each trading entity, performed to lower materiality where applicable.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 4 to 31, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
16 July 2018

Consolidated statement of profit and loss and other comprehensive income *for the year ended 30 April 2018*

	Note	2018 £'000	2017 £'000
Revenue	2	**86,090**	77,587
Other operating income	3	**357**	445
Personnel costs	5	**(52,621)**	(45,558)
Depreciation and amortisation	4	**(1,517)**	(1,291)
Other operating expenses		**(17,484)**	(17,871)
Operating profit	4	**14,825**	13,312
Adjusted EBITDA	4	**16,517**	14,928
Depreciation	10/13	**(970)**	(819)
Non-underlying items			
Share-based payment charges	5	**(719)**	(325)
Amortisation	12	**(547)**	(472)
Exceptional items			
Release of lease incentive	4	**182**	-
Release of contingent consideration	4	**362**	-
Net financing expense	6	**(179)**	(199)
Profit before tax		**14,646**	13,113
Taxation	7	**(2,853)**	(3,058)
Profit for the year after tax attributable to equity holders of the parent		**11,793**	10,055
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign exchange translation differences			
- Exchange differences on foreign branch		**(58)**	81
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		**11,735**	10,136
Statutory Earnings per share			
Basic	8	**11.03p**	9.43p
Diluted	8	**10.64p**	9.35p

The results for the periods presented above are derived from continuing operations.

The accompanying notes on pages 42 to 73 for an integral part of these financial statements.

Consolidated statement of financial position at 30 April 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	10	**1,935**	2,160
Investment property	11	**164**	164
Intangible assets & goodwill	12	**3,295**	3,842
Other intangible assets	13	**39**	-
Other investments	14	**85**	85
		5,518	6,251
Total non-current assets			
Current assets			
Trade and other receivables	15	**41,417**	39,086
Cash and cash equivalents		**4,301**	2,696
Total current assets		**45,718**	41,782
Total assets		**51,236**	48,033
Non-current liabilities			
Other interest-bearing loans and borrowings	16	**(2,982)**	(4,958)
Other payables	17	**(121)**	-
Deferred tax liability	18	**(128)**	(239)
Provisions	19	**(405)**	(381)
Total non-current liabilities		**(3,636)**	(5,578)
Current liabilities			
Other interest-bearing loans and borrowings	16	**(1,977)**	(2,531)
Trade and other payables	17	**(20,978)**	(20,619)
Provisions	19	**(200)**	(210)
Current tax liabilities		**(1,457)**	(1,665)
Total current liabilities		**(24,612)**	(25,025)
Total liabilities		**(28,248)**	(30,603)
NET ASSETS		**22,988**	17,430
EQUITY			
Share capital	21	**10,688**	10,688
Share premium		**4,576**	4,332
Merger reserve		**(9,950)**	(9,950)
Other reserve		**1,547**	1,547
Treasury reserve		**(15)**	(132)
Translation reserve		**23**	81
Retained earnings		**16,119**	10,864
TOTAL EQUITY		**22,988**	17,430

These financial statements were approved by the directors on 16 July 2018 and were signed and authorised for issue on their behalf by:

Michael J. Ward

Michael J Ward
Chief Executive Officer

Neil Smith
Finance Director

Company registered number: 09310078
The accompanying notes on pages 42 to 73 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 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 difference	-	-	-	-	-	-	81	81
Total comprehensive income	**10,640**	**4,332**	**(9,950)**	**1,013**	**(27)**	**10,055**	**81**	**10,136**
Transactions with owners recognised directly in equity:								
Purchase 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**
At 1 May 2017	**10,688**	**4,332**	**(9,950)**	**1,547**	**(132)**	**10,864**	**81**	**17,430**
Comprehensive income:								
Profit for the year	-	-	-	-	-	11,793	-	11,793
Exchange rate differences	-	-	-	-	-	-	(58)	(58)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**11,793**	**(58)**	**11,735**
Transactions with owners recognised directly in equity:								
Purchase of treasury shares	-	-	-	-	(38)	-	-	(38)
EBT reserves adjustment	-	-	-	-	-	29	-	29
Reclassification of gain on own shares	-	244	-	-	-	(244)	-	-
Sale of treasury shares	-	-	-	-	155	-	-	155
Dividend paid	-	-	-	-	-	(7,042)	-	(7,042)
Share based payment transactions	-	-	-	-	-	719	-	719
Total equity at 30 April 2018	**10,688**	**4,576**	**(9,950)**	**1,547**	**(15)**	**16,119**	**23**	**22,988**

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

Share premium – Amount subscribed for share capital in excess of nominal value together with gains on the sale of own shares.

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.

Foreign currency translation reserve – Represents the movement in exchange rates back to the Group's functional currency of profits and losses generated in foreign currencies.

The accompanying notes on pages 42 to 73 for an integral part of these financial statements.

Consolidated cash flow statement for year ended 30 April 2018

	Note	**2018 £'000**	2017 £'000
Cash flows from operating activities			
Profit for the year after tax		11,793	10,055
Adjustments for:			
Depreciation and amortisation	10/12/13	1,517	1,291
Financial income	6	(233)	(237)
Financial expense	6	412	436
Release of contingent consideration		(362)	-
Equity settled share based payments		719	325
Profit on disposal of property, plant and equipment		-	2
Tax expense	7	2,853	3,058
		16,699	14,930
Increase in trade and other receivables		(2,330)	(5,041)
Increase in trade and other payables		851	636
Decrease/(increase) in provisions		14	(5)
Cash generated from operations		**15,234**	**10,520**
Tax paid		(3,051)	(2,844)
Net cash flows from operating activities		**12,183**	**7,676**
Investing activities			
Acquisition of property, plant and equipment	10	(745)	(1,485)
Acquisition of other intangible assets	13	(46)	-
Deferred consideration paid - acquisition of subsidiary	17	(179)	(508)
Cash received on acquisition of subsidiary	17	-	280
Net cash used in investing activities		**(970)**	**(1,713)**
Financing activities			
Interest receivable	6	233	237
Interest and other financial income paid	6	(412)	(420)
Repayment of term bank loans	16	(1,980)	(1,980)
Repayment of loans from former members of Gateley Heritage LLP	16	(551)	(4,552)
Cash received from lock in arrangements		-	159
Proceeds from sale of own shares		361	-
Acquisition of own shares		(217)	(164)
Dividends paid	9	(7,042)	(6,342)
Net cash used in financing activities		**(9,608)**	**(13,062)**
Net increase in cash and cash equivalents		1,605	(7,099)
Cash and cash equivalents at beginning of year		2,696	9,795
Cash and cash equivalents at end of year	20	**4,301**	**2,696**

The accompanying notes on pages 42 to 73 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 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 26.

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 positive 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 £8m (2017: £5m). All of the Group's overdraft facilities are 12 months in duration. 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.

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 as 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 re-measured 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

Other intangible assets, including software licences, expenditure on internally generated goodwill and brands, customer contracts and relationships are capitalised at cost and amortised on a straight-line basis over their estimated useful economic lives through operating expenses.

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)*

1.9 Intangible assets and goodwill (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	3 years
Computer software	3 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 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 and exceptional items

Non-underlying items

Non-underlying items are non-trading and or non-cash 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:

- Share based payment charges.
- Amortisation and Impairment charges in respect of intangible fixed assets.

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

Exceptional items

Exceptional items are one off transactions, unrelated to the underlying trading performance of the Group 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 exceptional 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.
- Costs incurred as part of significant refinancing activities.

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
- IFRS 16 – Leases
- 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

Notes *(continued)*

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

1.21 Adopted IFRS not yet applied (continued)

New standards and interpretations not yet applied

IFRS 15 'Revenue from Contracts with Customers'

On 1 January 2018, IFRS 15 replaces the existing revenue recognition accounting standards – IAS 18 Revenue' and IAS 11 'Construction Contracts'. This standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised; this includes the matching of stand-alone prices for services provided to the satisfaction of performance obligations. The model is not expected to change the timing of revenue recognition for the activities of the Group as management currently recognise and assess the key aspects of the new standard in their existing assessment of revenue recognition, however management continue to monitor its application and impact carefully as part of their ongoing assessment which will be completed by 31 October 2018. Under IFRS 15, revenue must be accounted for at the individual contract level. Therefore, the contracts will be disaggregated and the assessment of revenue will depend on the performance obligations under the contract.

The Group considers that there are typically two revenue contract types used in performing professional services advice, being non-contingent and contingent contract types. Non-contingent work is typically recognised at a fixed value or based upon the value of time incurred to complete the work. It is recognised over the duration of the contract. Contingent work is typically recognised once pre agreed stages of the contracts performance are reached or concluded as a result of an event linked to each work type performance. Contingent work can contain a profit premium mark up as a result of the risks associated with offering this type of contractual arrangement to clients. Management believe that the performance of the Group's legal and complementary services can be categorised within these two category types.

Under IAS 18 and IAS 11, revenue was recognised in respect of contracts where there was also a probable recovery of cash in order to settle the value of advice provided. This assessment has always been part of management's assessment of whether to recognise revenue and will continue to be the case under the new standard.

IFRS 15 includes a choice on the transitional adjustments on initial application. Management believe that should they discover an adjustment to be made through the application of the new standard they will choose 'modified retrospective adoption', which is to retrospectively apply the standard with the cumulative effect of applying IFRS 15 to the opening balance of retained earnings on 1 May 2018. Implementation will therefore not result in restatement of comparative period results using this approach.

IFRS 16 'Leases'

IFRS 16 replaces the existing leasing accounting guidance, which includes IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The standard is effective for periods beginning on or after 1 January 2019.

The standard requires lessees to account for most contracts using an on-balance sheet model, with the distinction between operating and finance leases being removed. There is no change to the revenue recognition methodology for lessor operating leases.

Notes *(continued)*

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

1.21 Adopted IFRS not yet applied (continued)

IFRS 16 'Leases (continued)

The standard provides certain exemptions from recognising leases on the balance sheet, including where the asset is of low value or the lease term is twelve months or less. In addition, the standard makes changes to the definition of a lease to focus on, amongst other things, which party has the right to direct the use of the asset.

Under the new standard, the Group will be required to recognise right of use lease assets and lease liabilities on the balance sheet. The right of use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. Liabilities are measured based on the present value of future lease payments over the lease term. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The recognition of the depreciation of right of use lease assets and interest on lease liabilities over the lease term will have no overall impact on profit before tax over the life of the lease; however, the result in any individual year will be impacted and the change in presentation of costs will likely be material to the Group's key financial metrics. Under IAS 17, the charge is booked in full to operating profit. Metrics which will therefore be affected will include operating profit and operating margin, interest and interest cover, EBITDA and operating cash flow.

Furthermore, the principal amount of cash paid and interest in the cash flow statement will be presented separately as a financing activity. Operating lease payments under IAS 17 would have been presented as operating cash flows. There will be no overall net cash flow impact.

The Group has commenced work to understand the impact of the new standard and the project will complete during 2018. Work will include a detailed review of all lease contracts to establish lease classification, assessment of transition options, the quantification of financial impacts, design of future processes and the related systems changes, the assessment of the related impacts on the Group's regulatory and commercial reporting requirements, and the impact on the Group's long-term incentive schemes. The review is currently ongoing and will be disclosed in full in next year's financial statements.

Information on the undiscounted amount of the Group's operating lease commitments under IAS 17 'Leases', the current leasing standard, is disclosed in the Group's annual financial statements. The leases substantially relate to property leases used to perform professional activities as an operating lease lessor.

Other new standards and amendments

IFRS 9 'Financial Instruments' specifies how an entity should classify and measure financial assets, including some hybrid contracts. The Group is expected to apply this standard for the Group's 30 April 2019 financial statements and work is ongoing to assess its impact which will be disclosed in full in next year's Group financial statements.

A number of other standards have been modified. These include Disclosure Initiative (Amendments to IAS 7), Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) and Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). None of these amendments are expected to have a material effect on the Group's financial statements.

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 and global mobility consultancy.
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:

	2018 **£'000**	2017 £'000
United Kingdom	**80,515**	73,711
Europe	**3,149**	1,870
Middle East	**670**	712
North and South America	**1,258**	372
Asia	**138**	416
Other	**360**	506
	86,090	77,587

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 £0.46m (2017: £0.40m) together with costs of £0.8m (2017: £1.6m) are located in the Group's Dubai branch. Revenue generated by the Group's Dubai branch to customers in the UAE totalled £0.9m (2017: £0.7m) 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 2018 or 2017 financial year.

Notes *(continued)*

2 Operating segments *(continued)*

2018

	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	15,489	16,019	12,225	7,516	33,694	84,943	1,147	**86,090**
Segment contribution (as reported internally)	5,755	4,338	5,062	2,819	15,769	33,743	1,147	**34,890**
Costs not allocated to segments:								
Other operating income								**719**
Personnel costs								**(5,209)**
Depreciation and amortisation								**(1,517)**
Other operating expenses								**(14,058)**
Net financial expense								**(179)**
Profit for the financial year before taxation								**14,646**

2017

	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	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								**13,113**

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

	2018 £'000	2017 £'000
Rental and service charge income	**357**	396
Other investment income	**-**	49
	357	445

4 Expenses and auditor's remuneration

Included in profit are the following:

	2018 £'000	2017 £'000
Depreciation on tangible assets	**970**	819
Amortisation of intangible assets	**547**	472
Operating lease costs	**132**	230
Operating lease costs on property	**2,981**	3,094
Other operating income – rent received	**(295)**	(275)
Foreign exchange losses/(gains)	**66**	(43)
Loss on sale of fixed assets	**-**	2

Exceptional items

	2018 £'000	2017 £'000
Release of lease incentive	**182**	-
Release of contingent consideration	**362**	-
	544	-

Exceptional items represent the release of over accrued contingent consideration calculated within the earn-out clause of the acquisition of Gateley Hamer Limited and the release of an incentive as a result of termination a property lease.

Auditor's remuneration

	2018 £'000	2017 £'000
Audit of these financial statements	**52**	55
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**19**	19
Other assurance services	**27**	26
Tax compliance services	**11**	11

Notes *(continued)*

5 Employees

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

	Number of employees	
	2018	2017
Legal and professional staff	**509**	457
Administrative staff	**248**	239
	757	696

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	**45,825**	40,458
Share based payment expense	**719**	325
Social security costs	**5,283**	4,075
Pension costs	**794**	700
	52,621	45,558

Details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 19 to 23.

6 Financial income and expense

Recognised in profit and loss

	2018	2017
	£'000	£'000
Financial income		
Interest income	**233**	237
Total finance income	**233**	237
Financial expense		
Interest expense on bank borrowings measured at amortised cost	**(412)**	(436)
Total financial expense	**(412)**	(436)
Net financial expense	**(179)**	(199)

Notes *(continued)*

7 Taxation

	2018 £'000	2017 £'000
Current tax expense		
Current tax on profits for the year	**2,926**	3,069
Under provision of taxation in previous period	**38**	84
Total current tax	**2,964**	3,153
Deferred tax expense		
Origination and reversal of temporary differences	**(111)**	(95)
Total tax expense	**2,853**	3,058

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:

	2018 £'000	2017 £'000
Profit for the year (subject to corporation tax)	**14,646**	13,113
Tax using the Company's domestic tax rate of 19% (2017 – 20%)	**2,783**	2,623
Expenses not deductible for tax purposes	**32**	351
Under provision of taxation in previous period	**38**	84
Total tax expense	**2,853**	3,058

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 2018 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

	2018 Number	2017 Number
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**106,881,953**	106,663,150
Shares deemed to be issued for no consideration in respect of share based payments	**3,948,441**	759,599
Weighted average number of ordinary shares for calculating diluted earnings per share	**110,830,394**	107,422,749

	2018 £'000	2017 £'000
Profit for the year and basic earnings attributable to ordinary equity shareholders	**11,793**	10,055
Exceptional items (see note 4)		
Operating expenses and finance costs	**(544)**	-
Tax on non-underlying items	**103**	-
Underlying earnings before non-underlying items	**11,352**	10,055

Earnings per share is calculated as follows:

	2018 Pence	2017 Pence
Basic earnings per ordinary share	**11.03**	9.43
Diluted earnings per ordinary share	**10.64**	9.35
Basic earnings per ordinary share after non-underlying items	**10.62**	9.43
Diluted earnings per ordinary share after non-underlying items	**10.24**	9.35

9 Dividends

	2018 £'000	2017 £'000
Equity shares:		
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
Final dividend in respect of 2017 (4.4p per share) – 4 October 2017	**4,691**	-
Interim dividend in respect of 2018 (2.2p per share) – 16 March 2018	**2,351**	-
	7,042	6,342

The Board proposes to recommend a final dividend of 4.8p (2017: 4.4p) per share at the AGM. If approved, this dividend will be paid in early October 2018 to shareholders on the register at the close of business on 14 September 2018. The shares will go ex-dividend on 13 September 2018. 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 2016	151	2,956	3,583	6,690
Arising on acquisition	-	39	-	39
Additions	75	807	603	1,485
Disposals and write offs	-	(4)	-	(4)
Balance at 30 April 2017	226	3,798	4,186	8,210
Balance at 1 May 2017	226	3,798	4,186	8,210
Additions	-	634	111	745
Balance at 30 April 2018	**226**	**4,432**	**4,297**	**8,955**
Depreciation and impairment				
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
Balance at 1 May 2017	59	2,842	3,149	6,050
Depreciation charge for the year	23	596	351	970
Balance at 30 April 2018	**82**	**3,438**	**3,500**	**7,020**
Net book value				
At 30 April 2017	167	956	1,037	2,160
At 30 April 2018	**144**	**994**	**797**	**1,935**

Notes *(continued)*

11 Investment property

	£'000
Fair value	
Balance at 1 May 2016 and 30 April 2017	164
Balance at 1 May 2017 and 30 April 2018	**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 2018 at £164,000 (2017: £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	Customer lists	Total
	£'000	£'000	£'000
Deemed cost			
At 1 May 2016	1,515	1,000	**2,515**
Acquisitions through business combinations	1,161	638	**1,799**
At 30 April 2017 and at 30 April 2018	**2,676**	**1,638**	**4,314**
Amortisation			
At 1 May 2016	-	-	**-**
Charge for the year	-	472	**472**
At 30 April 2017	-	472	**472**
Charge for the year	-	547	**547**
At 30 April 2018	**-**	**1,019**	**1,019**
Carrying amounts			
At 30 April 2017	2,676	1,166	**3,842**
At 30 April 2018	**2,676**	**619**	**3,295**

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
  - Cash flows 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 intangible assets

	Computer software £'000
Cost	
Balance at 1 May 2016 and 30 April 2017	-
Additions	46
At 30 April 2018	46
Amortisation	
Balance at 1 May 2016 and 30 April 2017	-
Charge for the year	7
At 30 April 2018	7
Net book amount at 30 April 2017	-
Net book amount at 30 April 2018	**39**

Notes *(continued)*

14 Other investments

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

	£'000
Fair value	
Balance at 1 May 2016	85
Additions	-
Balance at 30 April 2017	85
Additions	-
Balance at 30 April 2018	**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 Manchester Biotech Limited (formerly 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.

Investments in subsidiaries

The Group has effective control of the following:

	Country of incorporation	Ordinary share proportion held	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	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	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

Notes *(continued)*

15 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**28,512**	26,132
Unbilled revenue	**10,672**	10,487
Prepayments	**2,233**	2,467
	41,417	39,086

All trade receivables are repayable within one year.

Movement in the allowance for doubtful receivables

	2018 £'000	2017 £'000
Brought forward provision	**(2,011)**	(1,792)
Provision utilised	**264**	302
Charged to income	**(1,296)**	(815)
Provisions released	**831**	294
	(2,212)	(2,011)

Receivables not impaired, past due

	2018 £'000	2017 £'000
Not past due	**18,220**	18,464
Past due 0-30 days	**3,246**	1,864
Past due 31-120 days	**4,363**	3,212
Past due greater than 120 days	**4,895**	4,603
	30,724	28,143

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)*

16 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 20.

	2018 Fair value £'000	**Carrying amount £'000**	2017 Fair value £'000	Carrying amount £'000
Non-Current liabilities				
Unsecured bank loan	**2,982**	**2,982**	4,958	4,958
Current liabilities				
Unsecured bank loan	**1,977**	**1,977**	1,980	1,980
Loans from former members	**-**	**-**	551	551
	1,977	**1,977**	2,531	2,531

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 was chargeable at 0.5% over Bank of England base rate.

17 Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade payables	**5,204**	5,204
Other taxation and social security payable	**6,355**	4,671
Other payables	**658**	1,385
Accruals	**8,761**	9,359
	20,978	20,619
Non-current		
Other payables	**121**	-

Current other payables include £0.47m (2017: £1.012m) in respect of contingent consideration due to vendors of Gateley Capitus Limited and Gateley Hamer Limited. During the year £0.055m was paid to Gateley Capitus Limited and £0.125m to Gateley Hamer Limited in accordance with the terms of those acquisitions. A further £362k of contingent consideration was released as no longer due and payable to Gateley Hamer Limited.

Post year end £0.47m of contingent consideration that was paid on 18 June 2018 in respect of the acquisition of Gateley Hamer Limited. £0.235m of the £0.47m was settled by way of 10p ordinary shares with the balance payable in cash. Contingent consideration is calculated in line with the Business and Asset purchase agreement based on the value of revenue earned by Gateley Hamer Limited over the two year period to 31 March 2018.

Notes *(continued)*

18 Deferred tax liability

	Customer lists	**Total**
	£'000	**£'000**
At 1 May 2016	200	**200**
Acquisitions through business combinations – Gateley Hamer Limited	134	**134**
Credited during the year in the Consolidated income statement	(95)	**(95)**
At 30 April 2017	239	**239**
Credited during the year in the Consolidated income statement	(111)	**(111)**
At 30 April 2018	**128**	**128**

19 Provisions

Professional indemnity

	2018	2017
	£'000	£'000
Brought forward	**591**	596
Provisions made during the year	**210**	270
Provisions used during the year	**4**	(91)
Provisions reversed during the year	**(200)**	(184)
At end of year	**605**	591
Non-current	**405**	381
Current	**200**	210
	605	591

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.

20 Net debt

	2018	2017
	£'000	£'000
Current assets		
Cash and cash equivalents	**4,301**	2,696
Current liabilities		
Unsecured bank loan	**(1,977)**	(1,980)
Loans from former members	**-**	(551)
Non-current liabilities		
Unsecured bank loan	**(2,982)**	(4,958)
Net borrowings	**(4,959)**	(7,489)
Net debt	**(658)**	(4,793)

Notes *(continued)*

21 Share capital

Authorised, issued and fully paid

	2018 Number	**2018 £**	2017 Number	2017 £
Ordinary shares of 10p each				
Brought forward	**106,881,953**	**10,688,195**	106,396,912	10,639,691
Issued on acquisition of Gateley Hamer Limited	**-**	**-**	388,029	38,803
Issued as part of deferred consideration of Gateley Hamer Limited	**-**	**-**	97,012	9,701
At 30 April 2018	**106,881,953**	**10,688,195**	106,881,953	10,688,195

On 15 September 2016 the Group acquired the entire issued share capital of Gateley Hamer 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.

22 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.

Notes *(continued)*

22 Financial instruments and related disclosures *(continued)*

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.

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):

	2018	2017
	£'000	£'000
Cash and cash equivalents	**4,301**	2,696
Trade receivables	**39,184**	36,619
Total financial assets	**43,485**	39,315
Trade and other payables	**(14,623)**	(15,948)
Short-term borrowings	**(1,977)**	(2,531)
Current financial liabilities	**(16,600)**	(18,479)
Long-term borrowings	**(2,982)**	(4,958)
Other payables due after more than one year	**(121)**	-
Total financial liabilities	**(19,703)**	(23,437)

Financial assets contain trade receivables and unbilled revenue whereas financial liabilities contain trade payables, other payables and accruals.

Notes *(continued)*

22 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:

	2018 Increase/ (decrease) in equity £’000	2017 Increase/ (decrease) in equity £’000
+1 % movement in interest rates	**44**	59
-1 % movement in interest rates	***(44)***	*(59)*

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:

	2018 £’000	2017 £’000
Net currency	**128**	182

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

23 Operating leases

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

	Land and buildings 2018 £’000	**Other 2018 £’000**	Land and buildings 2017 £’000	Other 2017 £’000
Less than one year	**3,290**	**127**	2,967	132
Between one and five years	**11,541**	**329**	10,954	456
More than five years	**13,637**	**-**	13,950	-
	28,468	**456**	27,871	588

Notes *(continued)*

24 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 (2017: £95,000) and the amounts outstanding at the year-end are £Nil (2017: £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 £28,432 (2017: £6,400) in respect of employee benefits services provided by Mattiolli Woods Plc. In addition, the Group received revenues of £197,443 (2017: £95,061) in respect of legal services provided to Mattiolli Woods Plc and its subsidiaries.

Compensation paid to key management personnel

At the year end, Directors of Gateley (Holdings) Plc control 5.52% (2017: 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 2018: £2.211m (2017: £1.695m).

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

	2018 £'000	2017 £'000
Wages and salaries	**1,920**	1,486
Social security	**268**	205
Pension costs	**-**	-
Share based payment charges	**23**	4
	2,211	1,695

Dividends paid to directors during the year are shown on page 29.

Notes *(continued)*

25 Share based payments

Group

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

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.

Save As You Earn scheme ('SAYE')

The Group operates a 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.

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.

The annual awards granted under the scheme are summarised below:

	Weighted average remaining contractual life	Weighted average exercise price	Originally granted	Lapsed at 30 April 2017	At 1 May 2017	Granted during the year	Lapsed during year	At 30 April 2018
			Number	Number	Number	Number		Number
SARS								
SARS 15/16 - 8 June 2015	0.6 years	£1.10	7,200,000	(250,000)	6,950,000	-	(250,000)	6,700,000
SARS 16/17 - 7 October 2016	1.9 years	£1.39	10,850,000	-	10,850,000	-	(425,000)	10,425,000
SARS 17/18 - 3 October 2017	2.9 years	£1.83	-	-	-	7,050,000	(175,000)	6,875,000
			18,050,000	(250,000)	17,800,000	7,050,000	(850,000)	24,000,000
SAYE								
SAYE 16/17- 1 September 2016	1.9 years	£0.95	1,166,779	(45,848)	1,120,931	-	(171,099)	949,832
SAYE 17/18- 15 September 2017	2.9 years	£1.33	-	-	-	556,296	(24,361)	531,935
			1,166,779	(45,848)	1,120,931	556,296	(195,460)	1,481,767
CSOPS								
CSOPS 16/17 – 20 December 2016	1.5 years	£1.31	940,685	(13,411)	927,274	-	(138,326)	788,948
CSOPS 17/18 – 3 October 2017	2.9 years	£1.65	-	-	-	581,162	(39,390)	541,772
			940,685	(13,411)	927,274	581,162	(177,716)	1,330,720

Notes *(continued)*

25 Share based payments (*continued*)

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. This model has been used as an approximation of the binomial model for valuing the SARS granted, the directors consider the difference to be immaterial. The inputs to this model for awards granted during the financial year are detailed below:

	CSOP	CSOP	SAYE	SAYE	SARS	SARS	SARS
Grant date	15/9/17	20/12/16	3/10/17	1/9/16	3/10/17	7/10/16	8/6/15
Share price at date of grant	£1.65p	£1.305p	£1.66p	£0.95p	£1.58p	£1.20p	£0.95p
Exercise price	£1.65p	£1.305p	£1.33p	£0.95p	£1.83p	£1.39p	£1.10p
Volatility	24%	24%	24%	24%	24%	24%	24%
Expected life (years)	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Risk free rate	1%	1%	1%	1%	1%	1%	1%
Dividend yield	4%	4%	4%	4%	4%	4%	6%
Fair value per share							
Market based performance condition	£0.19p	£0.15p	£0.33p	£0.25p	£0.12p	£0.06p	£0.05p
Non-market based performance condition/no performance condition	-	-	-	-	-	-	-

As the Group had only limited share price history at the date of grant, expected volatility was based on a proxy volatility determined from the median volatility of a group of appropriate comparator companies. For the same reason, a similar approach was followed to derive the dividend yield. Expected life has been taken to be between the minimum and maximum exercise period of 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 £719,000 (2017: £325,000).

26 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 of goodwill (note 12)

The value of goodwill is calculated on the acquisition of any new businesses. The value of goodwill is assessed at each year end to ensure that the carrying value is still reflective of the underlying values calculated on day one.

Notes *(continued)*

26 Accounting estimates and judgements (*continued*)

Impairment assessment of trade receivables (note 15)

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 (note 15)

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 (note 19)

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 (note 12)

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.

Share based payment (note 25)

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.

Notes *(continued)*

27 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 £793,869 (2017: £699,512) and the outstanding balance at the yearend was £20,284 (2017: £126,180).

28 Subsequent events

Since the year end the Group has acquired two complementary businesses:

On 23 May 2018, Gateley Plc completed the acquisition of the business and assets of GCL Solicitors LLP for a total consideration of £4,150,000. The total consideration was split £2,282,500 paid in cash and £1,867,500 through the issuance of 1,164,276 new ordinary shares of 10 pence each in Gateley ('Ordinary Shares') at an average price over the past 5 days of £1.604. The cash consideration is being funded by the extension of existing Group bank facilities repayable over the three years from completion. In addition, £1,320,000 of liabilities owed to the former members of GCL will be converted into loans of the same amount, repayable by Gateley over the next two years following completion. GCL specialises in legal advice for land and property clients.

On 6 July 2018, Gateley (Holdings) Plc acquired the business and assets of Kiddy & Partners LLP into a new 100% owned subsidiary of the Company, Kiddy & Partners Limited (formerly Ensco 1289 Limited). The initial consideration payable on completion was £851,844 settled 50% in cash and 50% by the issuance of 251,207 Ordinary Shares of 10 pence each in Gateley (‘Ordinary Shares’). Contingent consideration of up to approximately £2.15m may be payable in annual instalments over the post-completion period up to and including 30 April 2021. Contingent consideration will also be settled 50% in cash and 50% in Ordinary Shares. The maximum consideration payable cannot exceed £3m. The acquisition was made on a net working capital neutral basis.

Parent company statement of financial position
at 30 April 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	5	**16,180**	15,437
Total non-current assets		**16,180**	15,437
Current assets			
Trade and other receivables	6	**7,856**	7,725
Cash and cash equivalents		**1**	2
Total current assets		**7,857**	7,727
Total assets		**24,037**	23,164
Current liabilities			
Other payables		**(470)**	**(1,013)**
Total current liabilities	7	**(470)**	(1,013)
Total liabilities		**(470)**	(1,013)
Net assets		**23,567**	22,151
Equity			
Share capital		**10,688**	10,688
Share premium		**4,332**	4,332
Other reserves		**1,548**	1,548
Shares to be issued		**1,169**	450
Retained earnings		**5,830**	5,133
Total equity		**23,567**	22,151

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 2018 was £7,739,000 (2017: £11,476,000).

These financial statements were approved by the directors on 16 July 2018 and were signed and authorised on their behalf by:

Michael J. Ward

Michael J Ward
Chief Executive Officer

Neil Smith
Finance Director

Company registered number: 09310078
The accompanying notes on pages 77 to 84 for an integral part of these financial statements.

Parent company statement of changes in equity

	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 transactions	-	-	-	-	450	450
Total comprehensive income	-	-	-	11,476	450	11,926
Transactions with owners recognised directly in equity						
Issue of shares – Acquisition of Gateley Hamer Limited	38	-	420	-	-	458
Issue of deferred income shares Acquisition of Gateley Hamer 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**
At May 2017	10,688	4,332	1,548	5,133	450	22,151
Comprehensive income:						
Profit for the year	-	-	-	7,739	-	7,739
Share based payment transactions	-	-	-	-	719	719
Total comprehensive income	-	-	-	7,739	719	8,458
Transactions with owners recognised directly in equity						
Dividend paid	-	-	-	(7,042)	-	(7,042)
Total equity at 30 April 2018	**10,688**	**4,332**	**1,548**	**5,830**	**1,169**	**23,567**

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 spread across the vesting period based on the fair value at the grant date.

The accompanying notes on pages 77 to 84 for an integral part of these financial statements.

Parent company cash flow statement
for year ended 30 April 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**7,739**	11,475
Decrease in current liabilities	**(364)**	-
Increase in trade and other receivables	**(131)**	(4,459)
Net cash flows from operating activities	**7,244**	7,016
Investing activities		
Consideration paid on acquisition of subsidiary	**(203)**	(672)
Net cash used in investing activities	**(203)**	(672)
Financing activities		
Dividends paid	**(7,042)**	(6,342)
Net cash from financing activities	**(7,042)**	(6,342)
Net (decrease)/increase in cash and cash equivalents	**(1)**	2
Cash and cash equivalents at beginning of the year	**2**	-
Cash and cash equivalents at end of year	**1**	2

The accompanying notes on pages 77 to 84 for an integral part of these financial statements.

Parent company notes to the financial statements

For the period ended 30 April 2018

(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.

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 12 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 £8m (2017: £5m). All of the Group's overdraft facilities are 12 months in duration. 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:

(a) 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

(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 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 any effect on the individual financial statements of Gateley (Holdings) Plc:

Endorsed:

- IFRS 9 - Financial instruments
- Amendments to IFRS2 – Classification and measurement of share-based payment transactions
- 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.

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 (2017: £10,000) have been borne by Gateley Plc. The company does not have any employees (2017: Nil)

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

3 Investment income

On 13 March 2018, Gateley Plc, declared an intercompany dividend of £2,351,403 to its parent company Gateley (Holdings) Plc.

On 30 April 2018, Gateley Plc, declared 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
At 1 May 2016	12,937
Share based payment charge	450
Acquisition of Gateley Hamer Limited	2,050
Balance at 30 April 2017	15,437
At 1 May 2017	15,437
Share based payment charge	719
Other costs	24
Balance at 30 April 2018	**16,180**

Investments in subsidiaries

The Company has effective control of the following:

	Country of incorporation	**Ordinary share proportion held**	**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	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	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	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 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

6 Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed from Gateley Plc	**7,856**	7,725

All trade receivables are anticipated to be due within one year and repayable on demand. £5m is due in September 2018 with the balance expected to be settled by 30 April 2019.

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.

7 Other payables

	2018 £'000	2017 £'000
Contingent consideration	**470**	1,013

Other payables released during the year related to a final payment of £0.055m to Gateley Capitus Limited together with £0.125m of contingent consideration to Gateley Hamer Limited in accordance with the terms of those acquisitions. A further £362k of contingent consideration was released as no longer due and payable to Gateley Hamer Limited.

Contingent consideration of £0.47m was also paid post year end on 18 June 2018 in respect of the acquisition of Gateley Hamer Limited. £0.235m of this consideration was settled by way of 10p ordinary shares with the balance payable in cash. Contingent consideration is calculated in line with the Business and Asset purchase agreement based on the value of revenue earned by Gateley Hamer Limited over the two years period to 31 March 2018.

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

8 Capital and reserves

Share capital

	2018 Number	**2018 £**	2017 Number	2017 £
Ordinary shares of 10p each				
Brought forward as at 1 May 2017	**106,881,953**	**10,688,195**	106,396,912	10,639,691
Issued on acquisition of Gateley Hamer Limited	**-**	**-**	388,029	38,803
Issued as per of deferred consideration of Gateley Hamer Limited	**-**	**-**	97,012	9,701
At 30 April 2018	**106,881,953**	**10,688,195**	106,881,953	10,688,195

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):

	2018	2017
	£'000	£'000
Cash and cash equivalents	**1**	2
Group receivables	**7,856**	7,725
Total financial assets	**7,857**	7,727
Contingent consideration	**(470)**	(1,013)
Current and total financial liabilities	**(470)**	(1,013)

The company itself does not have any exposure to interest or foreign exchange rates. The Group's exposure is detailed in note 22.

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

10 Share based payments

Details of the Group's share based payment schemes in operation are shown in note 25 of the group financial statements.

11 Related parties

None of the executive directors received any remuneration from the Company during the year, other than dividend income. They are however remunerated by Gateley Plc, further details can be found in note 24.

12 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.

Contingent liability

A cross guarantee between the company and Gateley Plc exists in respect of all terms loans and overdrafts.

13 Contingent liability

A cross guarantee between the company and Gateley Plc exists in respect of all terms loans and overdrafts. The value of the contingent liability at 30 April 2018 is £nil (2017: £nil)

14 Subsequent events

Subsequent events to disclose in these financial statements relate to:

Payment of £0.47m of contingent consideration to the sellers of Gateley Hamer Limited included in note 7 above.

On 6 July 2018, Gateley (Holdings) Plc acquired the business and assets of Kiddy & Partners LLP into a new 100% owned subsidiary of the Company, Kiddy & Partners Limited (formerly Ensco 1289 Limited). The initial consideration payable on completion was £851,844 settled 50% in cash and 50% by the issuance of 251,207 Ordinary Shares of 10 pence each in Gateley (‘Ordinary Shares’). Deferred consideration of up to approximately £2.15m may be payable in annual instalments over the post-completion period up to and including 30 April 2021. Contingent consideration will also be settled 50% in cash and 50% in Ordinary Shares. The maximum consideration payable cannot exceed £3m. The acquisition was made on a net working capital neutral basis.

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 26 September 2018 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 to 11 (inclusive) will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive the Company's annual accounts for the financial year ended 30 April 2018 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 2018, which is set out in the Company's annual report for the financial year ended 30 April 2018.

3. To declare a final dividend for the year ended 30 April 2018 of 4.8p per share payable on 5 October 2018 to shareholders on the register of members at the close of business on 14 September 2018.

4. To reappoint Peter Gareth Davies (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 reappoint Nigel Terence Payne (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.

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 £3,695,359 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 24 December 2019) 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 RESOLUTIONS

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 £554,303 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 24 December 2019) 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 £554,303 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 24 December 2019) 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.

11. **THAT**, for the purposes of section 701 of the Act, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of £0.10 each in the capital of the Company (**Ordinary Shares**) provided that:

11.1 the maximum number of Ordinary Shares which may be purchased is 11,086,078 (representing 10% of the Company's issued share capital);

11.2 the minimum price which may be paid for each Ordinary Share is £0.10;

11.3 the maximum price which may be paid for each Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of The London Stock Exchange plc for the 5 business days immediately preceding the day on which the Ordinary Share in question is purchased;

11.4 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 24 December 2019); and

11.5 the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which contract or contracts will or maybe executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

BY ORDER OF THE BOARD

Neil Andrew Smith
Secretary

Date: 23 August 2018

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, Link Asset Services in writing at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12.30pm on 24 September 2018.
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, Link Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12:30pm on 24 September 2018. 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, Link Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12.30pm on 24 September 2018.
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 24 September 2018 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, Link 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. Link 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 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 £3,695,359, 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 £554,303, 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 £554,303, 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).

Resolution 11 – Company's authority to purchase Ordinary Shares
In certain circumstances it may be advantageous for the Company to purchase its own shares and this resolution seeks the authority from shareholders to do so. This is the first time that the Company has sought authority to make market purchases up to an aggregate of 11,086,078 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital as at 23 August 2018, being the latest practicable date prior to the publication of this notice.

Granting authority for the Company to purchase Ordinary Shares in the market is intended to allow your board to take advantage of opportunities that may arise to increase shareholder value. The directors will exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. The price paid for shares will not be less than the nominal value of £0.10 per share nor more than 5% above the average of the middle market quotation of the Company's Ordinary Shares as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the shares are purchased.

The Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to reissue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The Directors have no present intention of purchasing Ordinary Shares in the market. The authority given under this resolution will lapse, unless renewed, at 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).

Gateley (Holdings) Plc

@GateleyPlc
/company/gateley-plc
gateleyplc.com