Gateley (Holdings) Plc

Annual Report

for the year ended 30 April 2019

Gateley

Gateley (Holdings) Plc

Annual report and financial statements

Registered number 09310078

For the year ended 30 April 2019

Contents

Company information

Registration number	09310078	
Registered office	One Eleven Edmund Street Birmingham B3 2HJ	
Directors	MJ Ward	Chief Executive Officer
	PG Davies	Chief Operating Officer
	NA Smith	Finance Director and Company Secretary
	NT Payne	Non-Executive Chairman
	JC Lake	Non-Executive Director
	SFA Thompson	Non-Executive Director
Auditor	Grant Thornton UK LLP The Colmore Building 20 Colmore Circus Birmingham B4 6AT	
Nominated advisor and broker	finnCap 60 New Broad Street London EC2M 1JJ	
	N+1 Singer 1 Bartholomew Lane London EC2N 2AX	
Principal bankers	HSBC Bank plc 6th Floor 120 Edmund Street Birmingham B3 2QZ	
	Lloyds Bank plc 125 Colmore Row Birmingham B3 3SF	
Registrars	Link Asset Services 6th Floor 65 Gresham Street London EC2V 7NQ	
Financial PR adviser	Belvedere Communications 25 Finsbury Circus London EC2M 7EE	
Website	www.gateleyplc.com	

Chairman's Statement

We are delighted with the performance of the business in the 12 months to 30 April 2019. Revenues have increased by 20.2% to £103.5m and earnings per share rose by 7.3% from 11.03p to 11.83p. We are particularly proud of delivering this strong growth whilst at the same time enhancing our client offering and investing significantly in the business for the future. The scale, breadth and depth of our business continue to expand and our focus on leveraging our service offering, for the benefit of our clients, has been and will continue to be at the forefront of our strategic thinking and operational focus.

Importantly, since we became an AIM quoted company in 2015, we have seen an increase in the interest that existing and new employees have in our plc structure, our listed status and equity participation. During the year, we have increased our average employee numbers by 19.8% from 757 to 907, with 966 total employees at the year end. Employees from across the Group continue to benefit as shareholders, with the majority now having some form of equity stake in the business.

We added three strategic acquisitions to the Group during the year: GCL Solicitors ("GCL"), Kiddy & Partners ("Kiddy") and International Investment Services Limited ("IIS"). These complementary but very different businesses have excellent reputations of long-term client retention and 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 Gateley would have appealed to these businesses in the same way. I am pleased to report that these have been successfully integrated into the Group and are performing as planned. Our target pipeline remains strong for potential future acquisitions.

The opportunity that Gateley pioneered by being the first UK commercial law firm to float four years ago has ignited increased interest across our sector and several more law businesses have followed us onto the public markets. As a Board, we very much welcome the creation of a broader, larger listed company peer group for investors to consider. As an established investment choice, I continue to remain confident that Gateley has the right strategy for the sustainable and profitable growth of the Group and to deliver enhanced value for all our stakeholders. Our management team remains steadfast in its vision to succeed with its 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 enhance our customer offering further. 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 19 September 2019, of 5.4 pence per share, making a total dividend of 8.0 pence per share for the year, and representing a 14.3% increase on the prior year.

As announced on 10 July 2019, we are delighted that Rod Waldie has agreed to lead the business when Michael Ward stands down as CEO in April next year. We are also delighted that Michael's commitment to the Group will continue both as an Executive Director and as a significant shareholder.

Our choice of an internal appointment to succeed Michael and our early addressing of succession allow for a smooth transition to a highly successful and respected colleague, who already knows the business, understands our collaborative culture, has excellent client relationships and is committed to the Group's growth strategy.

Finally, and certainly not least, I would like to pass on my thanks to Michael, 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
Chairman
15 July 2019

Chief Executive Officer's Review

I am delighted that our legal and professional services group has broken the £100m turnover barrier for the first time and delivered another excellent financial performance, whilst continuing to take advantage of further opportunities to diversify our revenue streams. Last year was our most active year to date for acquisitions.

Our teamwork has once again delivered another year of strong momentum and investment as we approach 1,000 employees and continue to successfully integrate all our strategic acquisitions. GCL Solicitors (GCL), Kiddy and Partners (Kiddy) and International Investment Services (IIS) have joined our growing Gateley Group in the year under review. Our national reach, built on our already well-balanced business, creates further exciting opportunities for future expansion.

In the four years since the Group's IPO at 95 pence per share, we have delivered revenue growth of 70%, adjusted EBITDA growth of 46% and, including the proposed final dividend announced today, provided shareholders with dividend income of 27.3 pence per share. The Group has continued to achieve or exceed market forecasts, which were raised for 2018/19 following our November 2018 trading update, after a positive first half of the year performance and the acquisitions made during the year.

We pride ourselves on being a forward-thinking business, which provides straight talking advice to a wide range of clients and delivers profitable growth to shareholders.

Financial Results

Our financial performance continues to demonstrate growth in revenue, profit and cash generation. Our diverse revenue streams have grown by 20.2% in the year, whilst profit after tax has grown by 10.6%. Continued strategic investment in areas such as recruitment, information technology and branding are enabling us to meet growing client demand and provide a strong foundation upon which to expand the business. This investment also ensures that we are able to deliver on our promises to the management teams of the businesses we acquire. We continue to strengthen and build our teams, network and service lines with a national and strategic focus to ensure we can meet client demand as we grow our market share.

The strength in depth of our core legal business creates 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 Restructuring and Business Services, such as dispute resolution work, has produced significant returns once again. The strength of our connections nationally, across board rooms and intermediaries, and our reputation for quality teams with a genuine focus on client service, result in continuing instructions across many sectors, including the private equity and housebuilding sectors.

The Board is committed to maintaining a progressive dividend policy and is pleased to propose a further increase, ahead of market expectations, of 12.5% in the level of the final dividend to 5.40 pence per ordinary share (2018: 4.80 pence). The dividend will be paid in mid-October 2019 to shareholders on the register at the close of business on 20 September 2019. The ex-dividend date will be 19 September 2019.

Operational Review

It has been another 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 am proud to lead them through these exciting times. As we grow, we continue to deliver on our promises to clients, employees and investors.

Four years on from our IPO, we remain focused on our vision to create an exciting professional services Group. We continue to diversify through our acquisition strategy and target non-legal revenues totalling 20% of Group revenue. A new Long Term Incentive Plan ("LTIP") has been introduced to replace our existing Stock Appreciation Rights Scheme ("SARs"), creating greater alignment to the profit performance of the Group and clarity over the impact of dilution going forward. Our initial SARs vested on 8 June 2018, resulting in over one million additional new shares being awarded to staff. Our wider staff share ownership participation will continue to realise rewards, as our first SAYE and CSOP schemes vest later this year.

The Group is currently working with employee shareholders towards a new five year orderly market agreement that will commence at the end of the current five year agreement, due to end on 8 June 2020. We remain focused on investing in the right people to join the Gateley team and our Plc status supports this by providing an attractive alternative to more traditional law firm models. We welcomed 16 new Partner hires during the year. Average total staff numbers grew by 19.8% from 757 to 907 in the period. We were pleased to

Chief Executive Officer's Review (continued)
Operational Review (continued)

welcome 18 trainees to the Group in the year under review and congratulate all those staff, both professional and support, who were promoted. We have also expanded our non-legal service lines such that our legal team now works alongside 44 other professionals, including chartered surveyors, tax consultants, business psychologists and chartered accountants.

With the acquisition of GCL on 23 May 2018, which created our new Guildford office, we now have a trio of southern offices to capitalise on the significant and sector diverse opportunities in this region. 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 service lines, creates opportunities for synergies, such as with Kiddy, and remains a gateway for our national and international connections that we are targeting through existing connections and our newly acquired International Investment Services offering.

Acquisitions

Our acquisition strategy focuses on niche businesses which can supplement our core legal services offering. Our Plc status and established reputation attract first class professionals to enhance our core legal services. As our wide and diverse client base continues to benefit 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, the house building sector, which resulted in the acquisition of GCL.

I am delighted to welcome GCL to the Group. The acquisition further strengthened our leading position in the house building sector nationally and provides us with an expanded presence in the Southern market, which we see as critical in developing a full service offering for our clients. There is an under supply of new housing in the UK and we expect this market to 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 wider geographical reach to our clients in the residential development market. We can now match our national office network to our residential development clients' regions, 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, which broadens and strengthens our people services offering within our Employment, Pensions and Benefits group. As a result, 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 has made an excellent start and demonstrated growth of almost 37% ahead of original expectations, generating £3m of fees since acquisition. Kiddy represents our first acquisition in the exciting human capital sector, which when placed alongside Global Mobility and our Entrust pension trustee operation, moves our business further forward, offering employers a range of high class legal and consultancy services. This acquisition is in line with our stated plan and follows on from similar progress made in our Property group where high-value, niche, chartered surveying services now sit alongside and complement our core legal offering.

On 30 November 2018, we acquired IIS for a small initial consideration, again using an earn-out mechanism in line with the growth potential and cross selling opportunities such a business can achieve. IIS advises overseas companies on the attractiveness of the UK as a place in which to set up and do business.

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

Succession and Board changes

As announced on 10 July 2019, I plan to step down from the role of Chief Executive Officer ("CEO") on 30 April 2020. Rod Waldie, who is currently the Senior Office Partner of the Manchester office, as well as a key member of the Group's management board and head of the national property team, will succeed me as the Group's new CEO. I have full confidence in Rod who will lead a strong management team to deliver our growth aspirations going forward. I plan to remain on the main Plc Board.

Other changes to the management team this year included Paul Hayward, who stepped down from the Strategic Board, Richard Healey, a restructuring litigation partner, and Thomas Durrant, a corporate partner and head of UK corporate group, who were both appointed to the existing Strategic Board on 1 May 2019.

Chief Executive Officer's Review (continued)

Current trading and outlook

Following our fourth year, post float, of strong trading momentum and delivery to all stakeholders in accordance with our originally stated aims and objectives, the Board is confident that the Group is well positioned to make even greater progress in the current financial year. The Board strongly believes that the opportunity remains to broaden our offering for our clients and investors. We therefore continue to strive to enhance our offering further for the benefit of all stakeholders and build upon a proven reputation and track record for the delivery of a quality service, strong revenue and profit growth and high levels of cash generation.

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 even better placed to capitalise on the growing market opportunities that exist from a changing law sector.

Michael J. Ward

Michael Ward
Chief Executive Officer
15 July 2019

Finance Director's Review

Financial Highlights

The Group delivered another record performance in FY19, as total reported revenues for the year increased by 20.2% to £103.5m (2018: £86.1m). Revenue from core legal services grew organically by 9.5% and through acquisitions by 10.7%. Revenues from acquisitions made since IPO totalled £12.8m or 12.4% of total revenue (2018: £3.3m or 3.9%). Complementary non-legal businesses represented £7.0m or 6.7% of total revenue. The Group continues to demonstrate annual revenue and profit growth, whilst actively seeking opportunities for greater strategic expansion. Headcount once again increased to meet client demand and we continue to attract senior (revenue generating) hires. The strength of our client relationships and the consistent delivery of the highest levels of commercial professional advice serve the Group well sitting at the heart of our organic growth. EBITDA margins reduced in the short term due to continued investment in areas such as information technology and branding. I expect margins to increase in future financial years.

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 Property was complemented by exceptional growth in our previously less established service lines. With a focus on cross selling, all our business lines have again generated growth this year. Specialist litigation service lines continue to provide balance and resilience against our opportunity rich transactional service lines. Our Property group grew revenue this year by 28.9% (the GCL acquisition represented 17.5% of this growth). The UK's construction, property development and housing markets continue to need the long-term specialist legal support which Gateley offers 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 to maintain long standing client relationships and trust. Our acquisition of the business and assets of GCL, which specialises in legal advice for residential development clients, has further enhanced our presence across Southern England from its Guildford location. The Guildford office provides a good strategic fit with our established London and Reading offices. Our house building legal team grew revenue from £8.3m in 2018 to £15.3m in 2019.

Revenue and profits continue to grow across our complementary non-legal professional service lines that have increased via the acquisition of Kiddy, a leading firm of Human Capital Consultants and Business Psychologists, to work alongside Lawyers, Accountants and Chartered Surveyors, demonstrating the continued diversification of our skills and service offerings. Kiddy was acquired for an initial consideration of £0.9m rising to a maximum £3.0m based on performance over the next three financial years ending April 2020, 2021 and 2022. We acquired a further non-legal business, International Investment Services (IIS), in November 2018 for an initial consideration of £0.1m, rising to a maximum of £0.7m based on performance over the next two financial years. IIS advises overseas companies on the attractiveness of the UK as a place in which to set up and do business.

Operating expenses rose by 22.7% to £87.9m (2018: £71.6m). This growth in operating costs has been driven mainly by the continued expansion of staff levels organically and from acquisitions, to enable the Group to continue to meet growing client demand. Average numbers of legal and professional staff rose by 19.8% to 610 (2018: 509). Personnel costs, including increased share-based payment charges, rose as a result by 20.5% from £52.6m to £63.4m, thereby increasing this cost marginally to 61.3% of revenue from 61.1% in 2018. Excluding share base payment changes, staff costs increased to 60.7% of revenue from 60.3% in 2018.

Despite the continued expansion of new staff numbers, overall utilisation of staff performing chargeable work remained consistent at 85% (2018: 85%).

Other operating expenses increased by 25.7% to £22.0m (2018: £17.5m) and (before exceptional items) increased by 21.5% to £22.0m from £18.0m. This increase was predominately due to increased trading volumes arising from the introduction of a new office location in Guildford, the acquisition of Kiddy and greater expenditure on information technology.

Finance Director's Review (continued)
Financial Highlights (continued)

Extract of UK statement of comprehensive income	2019 £'000	2018 £'000
Revenue	**103,471**	86,090
Operating profit	**15,870**	14,825
Operating profit margin (%)	**15.34%**	17.22%
Reconciliation to alternative performance measure: Adjusted EBITDA		
Operating profit	**15,870**	14,825
Depreciation	**1,122**	970
Non-underlying items		
Share based payment charge	**655**	719
Amortisation	**1,406**	547
Exceptional items		
Acquisitions costs	**61**	-
Release of lease incentive	-	(182)
Release of contingent consideration	-	(362)
Adjusted EBITDA	**19,114**	16,517
Adjusted EBITDA margin (%)	**18.47%**	19.19%

Adjusted EBITDA of £19.1m is up by 15.7% from £16.5m reflecting an adjusted EBITDA margin of 18.5% (2018: 19.2%). Operating profit before tax was up 7.0% to £15.9m (2018: £14.8m).

Earnings Per Share

Basic earnings per share increased by 7.3% to 11.83p (2018: 11.03p). Basic earnings per share after non-underlying items increased by 15.6% to 13.39p (2018: 11.58p). Diluted earnings per share increased by 9.2% to 11.61p (2018: 10.63p). Diluted earnings per share after non-underlying and exceptional items increased by 17.8% to 13.15p (2018: 11.16p).

Taxation

The effective rate of taxation on profit on ordinary activities was 18.2% (2018: 19.5%), below the standard rate of tax, primarily due to the inclusion of deferred tax assets arising during the year from share based payment charges on unexercised share options. This also follows cuts in the UK corporation tax rate that continue to benefit limited companies trading in the UK. The deferred taxation liability carried forward at 30 April 2019 was £0.4m (2018: £0.1m), whilst the deferred tax asset on share based payment charges has been recognised for the first time this year and totals £0.4m (2018: £nil).

Finance Director's Review (continued)

Dividend

The Board has adopted a dividend policy which reflects the strong long-term cash generation 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 2.6p (2018: 2.2p) per share that was paid in March 2019, the Board proposes to approve a full year final dividend at the Company's Annual General Meeting on 19 September 2019 of 5.4p (2018: 4.8p) per share, which if approved, will be paid in mid-October 2019 to shareholders on the register at the close of business on 20 September 2019. The shares will go ex-dividend on 19 September 2019. This represents full year dividend growth in line with PAT growth of 14.3% (2018: 6.1%).

Balance sheet, cash flows & financing

The Group's net asset position has increased by 33% to £30.6m (2018: £23.0m), as a result of acquisitions being financed via a c. 50:50 split of cash (and accompanying debt) and shares.

Total net debt increased to £3.2m at the year end (FY18: £0.7m), as a result of the following movements:

- existing term loan facilities were restructured to accommodate the borrowing of a further £3m in October 2018 to fund acquisitions made during the period under review; £2.1m of repayments to total term loans were made during the year;
- loans from former partners of GCL totalling £1.3m were acquired on the acquisition of GCL Solicitors. £0.9m of loans were repaid during the year;
- £1.9m of working capital resources were used to support the purchase, by our Employee Benefit Trust, of shares resulting from certain vesting SARS options; and
- cash at bank reduced from £4.3m to £2.9m, partly as a result of funding given to the Employee Benefit Trust in order for it to purchase shares from vesting SARS options. The strong contribution generation from working capital net cash inflows across the Group helped to partly settle these cash outgoings.

Debt at the year end comprised £5.7m of remaining term bank debt and £0.5m of loans to former partners of GCL and directors of IIS.

Trade receivables totalled £33.9m compared to £28.5m at the end of FY18. The additional £5.4m in trade debtors was partially due to the expansion of legal services and the acquisitions of GCL and Kiddy, as debtor days remained consistent with the previous year. The collection of debts remains a continued focus of management across the Group given the current economic climate. Previously, the Group assessed debts on a case-by-case basis and impairment losses against particular debts were recognised to the extent that any risk of default was identified. The Group now measures its loss allowances against trade and other receivables at an amount equal to lifetime Expected Credit Losses ("ECL"), which has resulted in the creation of a £0.1m additional ECL adjustment to trade receivables and £0.3m additional ECL adjustment to unbilled revenue. The Group is adept at benefiting from greater operating cash generation in the second half of the year with inflows of working capital following utilisation of unbilled time built at the half year.

Cash generated during the year from operations was £12.1m (2018: £12.2m) which represents 92.7% (2018: 103.3 %) of profit after taxation. Capital expenditure increased to £1.3m (2018: £0.8m) due to acquisitions in the year, which resulted in greater office expansion and information technology outlays. The Group deliberately continues to operate with a low level of gearing and fixed term debt.

Finance Director's Review (continued)

Capital Commitments

During the year, the Group signed a contract with a leading service provider in the legal technology space in order to acquire services for the deployment of a new practice management system, LexisOne. LexisOne is an Enterprise Resource Planning (ERP) system that brings together all aspects of professional business operations. LexisOne combines both legal expertise and the power and stability of the Microsoft Dynamics 365 platform into one single, comprehensive interface and business wide platform more suited to Gateley's growing information technology needs that can be accessed from anywhere in the world. A dedicated internal team is working towards full installation of this new system during the calendar year of 2020. During the 2019 financial year, we have capitalised £0.2m of development costs and incurred a further £0.1m of operational expenses. In preparation for this change, Gateley has successfully implemented a market leading customer relationship system (CRM), Interaction, which is supplied by the same supplier and will integrate with LexisOne whilst delivering immediate benefits to the Group in facilitating cross selling and the winning of new work.

Neil Smith
Finance Director
15 July 2019

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), specialist property consultancy advice (via Gateley Hamer Limited) and specialist human capital management (via Kiddy & Partners) together with the newly seeded service lines of human capital and inward investment consultancy services (via the acquisition of IIS). The Group sells its services through 21 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 legal and 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
- 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.

Strategic Report (continued)

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

Gateley operates 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 uses a number of financial and Non-GAAP alternative performance measures to assess the performance of the Group

Financial Measures

- Revenue up 20.2% (2018: 11.0%) to £103.5m (2018: £86.1 m)
- Profit before tax up 8.9% (2018: 11.7%) to £15.9m (2018: £14.6m)
- Profit after tax up 10.6% (2018: 17.3%) to £13.0m (2018: £11.8m)
- Operating profit margin 15.3% (2018: 17.2%) – Operating profit as a percentage of revenue
- Basic Earnings per share (EPS) up 7.3% (2018: 15.1%) to 11.83p (2018: 11.03p)
- Total dividend declared of 8.0p up 14.3% (2018: 7.0p)

Alternative Performance Measures (APMs)

- Adjusted EBITDA up 15.7% (2018: 10.6%) to £19.1m (2018: £16.5m): Adjusted EBITDA excludes income or expenses that relate to depreciation, amortisation, share based payment charges and non-underlying items, see reconciliation on page 9. This measure is used as it removes the impact of non-cash items charged to the income statement, giving a more representative view of the Group's performance for the year.
- Adjusted EBITDA margin 18.47% (2018: 19.19%): This measure represents adjusted EBITDA as percentage of revenue. The margin is used to monitor the overall cash costs of the business.
- Revenue per pound of salary cost £1.63 (2018: £1.64): Employees are the driving force behind revenue earned and also the largest operating expense within the Group. Therefore this measure is important in monitoring the ratio between the two.
- Revenue days 93 (2018: 91): This measure expresses year end trade receivables (excluding unbilled disbursements and expenses) as the number of preceding days' gross revenue. The measure is used to monitor the cash generation and working capital cycles of the business with the view to minimise the average days taken to collect revenue once it is billed.
- Utilisation 85% (2018: 85%): Utilisation represents an average of the total hours recorded as a percentage of total budgeted hours for each fee earner. The measure is used by management to monitor people management and recruitment across the various segments as an early indication of Group activity levels.

Strategic Report (continued)
Overview for the year (continued)

- Gearing ratio 20.0% (2018: 21.6%): This ratio shows the proportion of total debt to total equity within the business. The business monitors this ratio to ensure that the liquidity and funding of the business continues to fall in line with its overall strategy to maintain a low level of gearing.
- Net debt £3.2m (2018: £0.7m): Net debt is calculated by subtracting the cash balance from the total amount of other interest-bearing loans and borrowings. The measure is used to monitor the level of debt within the Group and ensure that this remains in line with the adopted business strategy.

See Finance Director's Report on pages 8 to 11 for a summary of key financial highlights during the year.

Earnings per share (EPS)

Basic EPS was 11.83p (2018: 11.03p). Diluted EPS was 11.61p (2018: 10.63p). Adjusted, fully diluted EPS was 13.15p (2018: 11.16p).

Cash flows

Net cash generated from operating activities was £12.1m (2018: £12.2m). Investing cash outflows principally comprised fixed asset additions of £1.01m, £0.24m in respect of contingent consideration of the acquisition of Hamer, £2.02m in respect of the acquisition of GCL and £0.43m in respect of the acquisition of Kiddy & Partners Limited.

Financing cash outflows reflect the continued repayment of external bank loan funding and other loans in respect of acquired LLPs. During the year further term loans totalling £3.0m were received and £2.3m (2018: £2.0m) were repaid. Equity dividends totalling £8.1m (2018: £7.0m) were also paid during the year.

Financing

The Group's net debt position as at 30 April 2019 (including loans owed to former partners) was £3.2m (2018: £0.7m). The increase in net debt is due to the new term loan obtained during the year.

Going concern

The Group financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group remains cash generative, with a strong ongoing trading performance. The Group is funded through two unsecured term loans totalling of £5.7m and repayable quarterly until September 2023 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 facilities provide adequate headroom for its current and future anticipated cash requirements.

Strategic Report (continued)

Principal risks and uncertainties

The Board monitors both existing and emerging risks. The operational Risk Committee also meets regularly to assess the state of identified risks and ensure the risk register is complete and up to date. Many of the risks faced by the Group are similar to those risks faced by any business but those considered to be key risks for the Group are detailed below. Due to the nature of the business and the markets in which it operates, many of the risks it faces are ongoing, proving relevant to more than one single year.

Potential Risk	Details of Risk	Mitigating Factors
Economic impact of 'Brexit'	The impact of Brexit continues to be unclear. There is, however, continued speculation over the potential negative impact on the economy and a number of sectors providing business to the Group. Chance: Undetermined Impact: Medium Change in Risk: No change	The Group considers that it is well positioned to withstand an economic down-turn that may result from Brexit. This assessment is made by the virtue of the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse client-base. The balance between transactional services and litigation services effectively hedges the position of the business. Further to this the Group believes that regardless of the outcome of Brexit, English law will remain one of, if not the pre-eminent legal code, protecting demand for UK legal services even in economically challenging times.
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 Group's reputation could be significantly damaged.	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). These standards are also applied across the non-legal parts of the business where applicable.
	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 significant reputational and financial harm if such litigation is successful or if there is negative press coverage.	New clients and matters go through an internal acceptance process that includes a comprehensive risk assessment. This includes consideration of potential impact on the Group's integrity and reputation of each engagement.
	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. Chance: Medium Impact: High Change in risk: No change	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 operating, marketing and financial performance of the Group.

Strategic Report (continued)
Principal risks and uncertainties (continued)

Potential Risk	Details of Risk	Mitigating Factors
Operational & IT risk	The Group places significant reliance on its IT systems, any loss of these facilities or provisions would have a serious impact on the Group's operations. Due to the nature of this risk no assurances can be given that all such risks will be adequately covered by its existing systems. The Group is in the process of transitioning to a new practice management system ("PMS"). With any transition of this nature there is a risk to data retention and integrity as well as business continuity. Chance: Medium Impact: High Change in risk: No change	The Group monitors the resilience of its information systems and other facilities on an ongoing basis, working with external partners to support the delivery of its internal and client facing IT provision. The Group has in place a business continuity plan that is reviewed as appropriate. The Group, and external partners assisting in the development and implementation of the new system have performed risk assessment procedures and believe that adequate safeguards are in place to minimise the risk of loss or disruption to the business.
Cyber Risk	Due to the nature of the Group's business and its reliance on IT platforms, the Group is susceptible to cyber risks. This risk continues to increase within the legal and other professional services sectors. The risk relates primarily to the malicious hacking of the Groups and client data or ransom attacks. Chance: Medium Impact: High Change in risk: This risk continues to increase as demonstrated by the regular reporting of attacks experienced by other businesses.	The Group and the Risk Committee are aware of the increasing cyber risk and have an ongoing programme to implement controls and procedures to mitigate this risk. The Group regularly reviews its security arrangements, including regular third-party penetration tests, in order to identify and subsequently address weaknesses within the current systems.

Strategic Report (continued)
Principal risks and uncertainties (continued)

Potential Risk	Details of Risk	Mitigating Factors
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. The professional indemnity insurance held by the Group 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 materially adverse effect on the Group's business and financial condition. Chance: Low Impact: Medium Change in risk: No change	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 by senior members of the business at all stages and external advice is sought where appropriate. The Group works hard to ensure its employees provide excellent advice and services 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 Compliance	The Group, like all businesses, is subject to a range of regulations, for example; AIM Rules and the Solicitors Regulation Authority's ("SRA") Code of Conduct. Failure to comply with these could have significant implications for the business ranging from reputational damage to criminal prosecution and sentencing. The Group operates in a regulated market which imposes additional regulation, including restrictions on holdings of 10% or more under the Legal Services Act 2007. This Act dictates that should any non-deemed approved lawyer acquire restricted interest (a shareholding of 10% or more) in Gateley, (which is an SRA Licenced Body) without having SRA prior consent, this would be treated as a criminal offence. The SRA also has the power to force the divestment of any shareholding that breaches the rule or revoke the Licenced Body status of Gateley which would have a serious effect on the Group.	The Directors are in a dialogue with the SRA to minimise such risk and as far as they are able, ensure that this particular regulation is made known to shareholders.

Strategic Report (continued)
Principal risks and uncertainties (continued)

Potential Risk	Details of Risk	Mitigating Factors
Regulatory Compliance (continued)	The SRA also regulates the use of 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. Chance: Low Impact: Medium Change in risk: No change	Staff are trained and reminded of these duties and file management processes are in place to mitigate this risk but it cannot be removed in full.
Employees	Well trained and experienced employees are essential for the delivery of excellent professional services. The market for such employee's 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. Chance: Medium Impact: High Change in risk: No change	The Group has a vision statement which sets out the core values and behaviours expected of staff. Recruitment is led by senior members of the business with all professional staff being interviewed by partners and senior managers. 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. 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. A comprehensive training programme is in place for all staff providing management, leadership, technical and skills training.

Strategic Report (continued)
Principal risks and uncertainties (continued)

Potential Risk	Details of Risk	Mitigating Factors
Acquisition risk	The Group's strategy is for growth, both organically and by acquisition. Acquisitions may not always realise the benefits expected at the time of completion. A failure to successfully integrate acquisitions may impact on Group profitability. The availability of viable acquisition opportunities may decrease. Chance: Low Impact: Medium Change in risk: No change	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. Integration plans are formulated as part of the acquisition process and executed in anticipation of and following acquisition as appropriate. The Board considers that the recent consolidation within the professional services market will continue and that as a result there will be continuing availability of businesses for acquisition.

Management have considered the principle risks and uncertainties faced by the Group and have elected to remove a number of risks reported in the previous financial statements. Such risks include: an increase in competition, ineffective strategic decisions being made and the risk that incorrect financial information may be reported and lead to incorrect decisions being made. Following review, it was determined that these risks are not specific to the Group posing no greater risk than they do to any other business.

On behalf of the Board

Neil Smith
Finance Director
15 July 2019

Report on remuneration: voluntary disclosure

The Board submits its Directors' remuneration report for the year ended 30 April 2019. Although not subject to the reporting regulations of fully listed companies in the UK, the Remuneration 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 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 Committee considers that the balance of all forms of remuneration received by Executive Directors through a combination of basic salary, bonuses, dividend income and share growth, is sufficiently motivating for each executive.

The Committee recognises the need for a remuneration structure that attracts, motivates and retains Executive Directors and senior employees of the calibre necessary to maintain the Company's position as a market leader as well as reward them for enhancing shareholder value and return. With this in mind the Committee, with the assistance of external consultants, intends to replace the current Stock Appreciation Rights Scheme (SARs) with a new long term incentive plan (LTIP) during the financial year ended 30 April 2020. The Committee considers that the proposed LTIP structure:

- better aligns participant behaviour with delivering long term financial performance;
- is a simpler arrangement to communicate to participants and shareholders; and
- enables the Committee to manage share plan dilution levels more effectively.

The table below summarises the key elements of the Executive Directors' remuneration package.

Element, purpose and operation	**Opportunity and performance measures**
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 participants' interests with shareholders and to incentivise participants 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)
Remuneration policy (continued)

Element, purpose and operation	Opportunity and performance measures
Stock Appreciation Rights Scheme (SARs) On admission, the Company introduced the SARs to assist in the recruitment, incentivisation and retention of Executive Directors and senior employees. Under the rules of the SARs, 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 SARs. No further SARs will be granted due to the introduction of the new LTIP as detailed below:	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.
Proposed Long Term Incentive Plan (LTIP) Designed to incentivise participants to perform at the highest levels, and to deliver genuine performance related pay, with performance conditions creating direct alignment with shareholder interests. Executive Directors and selected senior employees will participate in the LTIP as determined by the Strategic Board and approved by the Committee. Awards will be granted in the form of nil-cost or nominal-cost share options. Vesting of awards is dependent on the achievement of performance measures set by the Committee, normally over a three year performance period. Awards will vest following the end of the performance period once the Committee has ratified the outcome of the performance measures and will normally be exercisable for six months following the vesting date.	Awards will normally be granted annually to participants. Each year, the Committee will agree the number of shares under option for each participant. Performance measures are selected that reflect underlying business performance. Awards granted in 2019 will be subject to an adjusted fully diluted earnings per share performance measure
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 other than private health scheme benefits.

Report on remuneration: voluntary disclosure (continued)
Remuneration policy (continued)

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.

Shareholding guideline

There is currently no minimum shareholding guideline save for those detailed in the Company's admission document entered into upon IPO. The Group is currently working with all key internal shareholders and individuals in the business towards a new five year orderly market agreement (OMA) that will commence at the end of the current five year agreement due to end on 1 June 2020.

As disclosed on page 25, 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 apply to employees more generally. In particular, senior employees may participate in the merit bonus pool, performance bonus pool and new LTIP, depending on their role and responsibilities and contribution to the business.

The Company also supports and encourages share ownership for all employees through 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. 53.0% (2018: 58.7%) of the Company's issued share capital was held by employees as at 30 April 2019.

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.

Executive Directors' service agreements and Non-Executive Directors' letters of appointment

The Executive Directors signed 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. Nigel Payne and Joanne Lake were originally appointed for an initial three year term on 8 June 2015 and both have signed new letters of appointment for a second three year term which commenced on 26 September 2018. Suzanne Thompson was appointed on 27 September 2017 for an initial three year term. The notice period required in the letters of appointment for either party to terminate the appointment is at least three months' written notice. Each agreement also 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.

Report on remuneration: voluntary disclosure (continued)

Summary of Directors' remuneration for the year

The following table represents the Directors' remuneration for the years ended 30 April 2019 and 30 April 2018:

	Salaries and fees	**Bonus**	**Share options** [1]	**Total 2019**	Salaries and fees	Bonus	Share options	Total 2018
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Nigel Terrence Payne	**40**	**-**	**-**	**40**	40	-	-	40
Joanne Carolyn Lake	**36**	**-**	**-**	**36**	36	-	-	36
Suzanne Francis Alison Thompson (appointed 27 September 2017)	**36**	**-**	**-**	**36**	18	-	-	18
Michael Richard Seabrook (resigned 27 September 2017)	**-**	**-**	**-**	**-**	2	-	-	2
Michael James Ward	**220**	**110**	**-**	**330**	174	87	-	261
Peter Gareth Davies	**183**	**100**	**-**	**283**	163	81	-	244
Neil Andrew Smith	**175**	**90**	**99**	**364**	155	74	9	238
	690	**300**	**99**	**1,089**	588	242	9	839

[1] Includes SARs awards exercised during the year and £6,000 that represents the charge of share options granted in the years to 30 April 2017 and 30 April 2018.

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 2019.

	Merit Pool [1] £'000	Performance Pool [2] £'000	Total £'000	% salary
Michael James Ward	110	-	110	50%
Peter Gareth Davies	100	-	100	55%
Neil Andrew Smith	72	18	90	51%

1. The merit pool for year ended 30 April 2019 was set at a sum equivalent to 20% of pre-tax profits.
2. The total performance pool bonus for the year ended 30 June 2019 was £0.6m, from which NA Smith was awarded a bonus of £17,575 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.

Long term incentives granted during the year

No awards were granted under the SARs during the year ended 30 April 2019.

Long term incentives vesting in respect of the year

Awards granted under the SARs on 8 June 2015 vested and became capable of exercise on 8 June 2018. NA Smith was issued 54,700 shares from the exercise of his 2015 SARs award, with a total value at exercise equal to £93,000.

Number of reference shares under the 2015 SARs awards	Exercise price[1]	Share price used to calculate gain on reference shares and number of shares to be issued	Number of shares issued	Total value of shares[1]
150,000	£1.10	£1.731	54,700	£92,717

1. Being the share price on the date of grant of £0.95 multiplied by the hurdle rate of 115.765%.
2. Based on the share price at the date on which beneficial ownership of the shares were transferred to NA Smith following exercise of the SARs award.

Proposed long term incentives to be granted during the year ended 30 April 2020

The Committee intends to grant awards under a new LTIP to Executive Directors and selected senior employees in 2019. The awards will be subject to an adjusted fully diluted earnings per share performance measure as described in the table below.

Adjusted, fully diluted earnings per share Compound Annual Growth Rate (CAGR) over the three year period ending 30 April 2022	Amount vesting %
Below 5%	0%
5%	25%
Between 5% and 10%	Straight line vesting
Above 10%	100%

Report on remuneration: voluntary disclosure (continued)
Proposed long term incentives to be granted during the year end 30 April 2020 (continued)

Adjusted fully diluted earnings per share is calculated based on profit of the Company for the relevant financial year before interest and tax adjusted to exclude the effect of:

- cost of amortisation and any impairment review of intangible assets and goodwill;
- cost of FRS 2 share-based payment charges relating to all share option schemes; and
- cost and/or income from exceptional items.

Award quantum is currently under review and will be disclosed for the Executive Directors in next year's Directors' Remuneration Report but will exclude M J Ward and P G Davies as they are deemed to be sufficiently incentivised by their existing shareholdings.

Directors' Interests

Directors' shareholdings at 30 April 2019 were as follows:

	10p ordinary shares		10p ordinary shares	
	Number of shares	**Percentage holding**	Number of shares	Percentage holding
	At 30 April 2019		At 30 April 2018	
Nigel Terrence Payne	**55,926**	**0.05%**	39,107	0.04%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Suzanne Francis Alison Thompson	**10,000**	**0.01%**	10,000	0.01%
Michael James Ward	**2,466,754**	**2.23%**	2,631,204	2.46%
Peter Gareth Davies	**2,481,204**	**2.24%**	2,660,104	2.49%
Neil Andrew Smith	**480,846**	**0.43%**	520,000	0.49%

Under the SARs, participants are entitled to shares equivalent to the growth in value above the exercise price. The following Directors held share options under the SARs as at 30 April 2019:

	Number of reference shares at 30 April 2019	Date of grant	Exercise price	Earliest exercise date
Neil Andrew Smith	150,000	7 October 2016	£1.38[1]	7 October 2019
Neil Andrew Smith	100,000	3 October 2017	£1.83[2]	3 October 2020

1. Being the share price on the date of grant of £1.20 multiplied by the hurdle rate of 115.765%.
2. Being the share price on the date of grant of £1.58 multiplied by the hurdle rate of 115.765%

Remuneration Committee

The Committee is appointed by the Board and is formed entirely of Non-Executive Directors. The Committee is chaired by Suzanne Thompson; other members of the committee are Nigel Payne and Joanne Lake.

Report on remuneration: voluntary disclosure (continued)
Remuneration Committee (continued)

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 those 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 SARs and proposed LTIP. 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 continues to act as advisors to the Committee. 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 statement

The Group has chosen to apply the Quoted Companies Alliance (QCA) corporate governance code following the recent changes to the AIM rules which require all AIM companies to comply with a recognised corporate governance code. Details of the Group's compliance with the code are set out below.

Principle 1
Establish a strategy and business model which promote long-term value for shareholders

Business Description

The Gateley Group provides 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), specialist property consultancy advice (via Gateley Hamer Limited) and human capital consultancy services (via Kiddy & Partners Limited and Global Mobility service lines).

The Group sells its services through 21 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 locations.

The Group's services are tailored to those required by local, regional and national clients and are provided from nine offices across the UK and one 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.

Strategy

Gateley became an Alternative Business Structure ("ABS") with effect from 1 January 2014 and joined the AIM market in June 2015. As Gateley enters its fifth year post admission to AIM, the Board has re-considered the growth strategy adopted at admission and has concluded that the market for its services continues to support this strategy.

Non-lawyers are permitted to own and invest in ABS law firms. The Board believes a combination of the 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 continues to pursue a strategy of:

- pursuing opportunities to grow Gateley organically
- making selective acquisitions, including (i) other legal firms which offer geographical expansion or additional specialist services and (ii) professional service businesses offering complementary services
- aligning the interests of shareholders (including employee shareholders) with those of the business through share participation to support retention of staff and enhance our recruitment appeal.

Corporate governance statement (continued)
Principle 1 (continued)

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 part of a pioneering legal and professional services group
- Collaborative group-wide and cross service working
- Continued strengthening of our national network, offering a quality, value-for-money legal service to mid-market clients in the markets in which they trade
- Continuing 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
- 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
- Extension of the expertise in Guildford relating to the sale of UK developments to international clients to other offices
- Development of our expertise and reputation for the provision surety and bond advice
- Establishing a market leading human capital service offering to advise clients moving employees across international borders.

Over the last 12 months the total number of staff has increased to approximately 966 at the date of this report. Recruitment is active at all levels from apprentices (with 18 trainees and 11 apprentices joining the business during the year) to senior professionals (including 16 partners predominantly within the legal business across offices and disciplines).

Acquisitive growth

Gateley believes that it can strengthen its business by broadening its offering through the acquisition of complementary legal and non-legal, professional services businesses. A broader set of services creates additional channels to market, increases sales potential, facilitates a more flexible sales model and enhances client retention.

We provide an attractive platform for target businesses to support their continued growth by drawing upon our established national office network and existing "sales force" of partners and other lawyers, and by providing back-office infrastructure and access.

Since our Admission to AIM in 2015 we have acquired a number of non-legal businesses, Gateley Capitus and Gateley Hamer (both specialist surveyor practices) and in the last 12 months, Kiddy & Partners (human capital consultants specialising in assessment, talent management and leadership development) and in the legal sector, GCL Solicitors. We have also strengthened our expertise in global mobility services.

The Board will continue to seek to grow the Group 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

Gateley has introduced a range of employee share schemes that ensure all staff have the opportunity to 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.

Corporate governance statement (continued)

Principle 2
Seek to understand and meet shareholder needs and expectations

The Board welcomes discussions with shareholders both formally and informally. Formal opportunities include the Annual General Meeting and twice yearly investor presentations. Following the Annual General Meeting and at other times during the year, the Directors are also available for informal discussions should a shareholder wish.

Many shareholders are employees of the Group and this allows regular dialogue regarding the expectations of those shareholders. Throughout the year, the Chairman is in regular contact with institutional shareholders and the Company has appointed an investor relations officer who seeks feedback on a regular basis from shareholders and potential shareholders. Michael Ward (CEO), Neil Smith (FD) and Nick Smith (Partner) present to city analysts and institutional investors following the interim and annual results announcements as well as on an ad hoc basis (where requested by fund managers). The Company also encourages its brokers to interact with shareholders and provide feedback from those discussions so that the Company can respond accordingly. Shareholder communication is answered, where possible or appropriate, by Directors, the Company's Financial PR advisors or the Company's brokers.

The Company supports the availability of independent third party research to ensure information is disseminated effectively. The Group also pays for research to educate its shareholders to help keep all its shareholders and potential shareholders informed on the Company's positioning and prospects, which is available on the Company's website.

The Company also endeavours to maintain a dialogue and keep shareholders informed through its public announcements and Company website. Gateley's website provides not only information specifically relevant to investors (such as the Group's annual report and accounts and investor presentations) but also regarding the nature of the business itself with considerable detail regarding the services it provides and the manner in which it carries on its business.

The Annual General Meeting of the Company, normally attended by all Directors, provides the Directors with the opportunity to report to shareholders on current and proposed operations and developments, and also enables shareholders to express their views of the Group's business activities. Shareholders are encouraged to attend and are invited to ask questions during the meeting and to meet with the Directors after the formal proceedings have ended.

The Company has not historically announced the detailed results of shareholder voting to the market, all resolutions having been passed on a show of hands at the meeting. Details of proxy votes lodged in advance of the meeting are provided to shareholders by the Chairman at the meeting. The Board proposes to announce the results going forward in accordance with recommended practice.

Principle 3
Take into account wider stakeholder and social responsibilities and their implications for long term success

Stakeholder Relations

The Board recognises that the Company's continued growth and long-term success is largely reliant on its relations with its stakeholders, both internal (employees and shareholders) and external (clients, regulators, shareholders, suppliers, business partners and advisors).

Internal stakeholders

As a professional service-led business, our employees are a key factor in delivering successful growth and as such we support open and friendly dialogue throughout our workforce. We undertake employee reviews and assessments to identify and assist employees with training and career progression. We aim to keep our workforce informed on our progress for example holding regular discussions in each office that are open to all levels of staff to attend. The Board meets senior executives and heads of departments on a regular basis and through its reporting structures receives information on key clients and supplier relationships at least monthly on an informal basis and more formally quarterly. The Company's internal intranet system was the subject of significant development earlier this calendar year and provides a responsive and interactive source of information relating to the business helping to keep employees informed on key issues. Employees also participate in the Company's Share Option Scheme giving them a stake in the Company's long-term success. We conduct regular employee engagement surveys and use these to inform many of our decisions, particularly in relation to retention and recruitment.

Corporate governance statement (continued)
Principle 3 (continued)

We hold an annual Gateley Leadership Overview in every office to share with all staff details of the prior year, future activities and events of strategic significance. We publish a regular management cascade information briefing which is communicated from the senior management team to all team leaders across the business in order to share business activities and news.

The Chief Executive Officer (CEO) and Chief Operations Officer (COO) report to the Board on all regulatory matters and our Nominated Advisor is in regular dialogue with our Finance Director (FD) on stock exchange regulatory matters to ensure that any market related regulatory concerns are raised with the Board.

External stakeholders

The Group maintains a regular dialogue with its external stakeholders to drive business development.

Our clients and prospective clients are of course crucial to the growth and long-term success of the Group and we believe in being a service-led business placing client care and interaction at the heart of our business. We conduct regular client surveys and have introduced a client engagement programme STELLAR, to better understand our clients' experience of the service we provide. A number of clients benefit from this extra level of attention and support which is overseen by a dedicated team of non-lawyers that are committed to enhancing the client experience and ensuring our lawyers are delivering a STELLAR experience that meets – if not exceeds – our clients' expectations.

We will deploy a number of client management tools and processes that we have developed from best practice with other clients and within our industry including regular client listening in order to check satisfaction throughout the client relationship.
We seek to build strong long term relationships with our suppliers working alongside them as business partners for the benefit of all.

The Company works closely with its advisors to ensure it operates in accordance with the market regulations.

The CEO and FD have regular meetings with the Company's Relationship Manager at the Solicitors Regulatory Authority (SRA), the organisation that oversees the regulation of the legal services sector.

Environment, Social and Governance (ESG) matters and Corporate Social Responsibility (CSR)

As a provider of legal and other professional services, the maintenance of the highest ethical standards is core to our business and the services we provide to our clients. But the provision of client focussed services does not come at the expense of the needs of the wider society and our environment. The Board takes collective responsibility for ESG and CSR matters. Our policy is to support communities and charities local to our offices but our activities also provide support to national and international communities and charities. We constantly review our practices to better protect the environment and have implemented processes, for example to reduce, reuse and recycle materials wherever possible.

Many of these principles have been formalised and documented in both the staff handbook and our compliance manual.

Where regulations have been introduced we have taken appropriate steps having for example, policies relating to Modern Slavery, Tax Avoidance and Bribery all supported by a Whistleblowing Policy. Our annual Modern Slavery Act Statement is published on our website.

Principle 4
Embed effective risk management, considering both opportunities and threats, throughout the organisation

By its very nature the Group is well placed to identify and manage risk. Its employees are predominantly lawyers who have been professionally trained to be aware of risk and to respond accordingly. In addition the business has adopted layers of formal risk management processes.

The Board understands the importance of managing its risks and the necessity to fulfil its compliance obligations. This commitment is reflected in the seniority of people who are the members of our risk related committees and who are appointed to the risk management roles within the business. These are not simply nominated positions administered by others less senior; these functions are carried out in person.

Corporate governance statement (continued)
Principle 4 (continued)

Whilst the Strategic Board considers the strategy and direction of the Group in conjunction with the PLC Board, executives underneath our two main Boards also sit on an Operations Board and our Risk Committee. The Risk Committee includes three members of the Strategic Board, Michael Ward CEO/Compliance Officer Legal Practice ("COLP"), Neil Smith FD/Compliance Officer Finance and Administration ("COFA") and Rod Waldie along with senior members of the business in key risk related roles. The Risk Committee meets quarterly to consider the key risks of the business. The risks are identified and assessed in accordance with the Group's Risk Policy which includes guidance on categorising risks. All employees of the business are encouraged to raise any risk related items with the Risk Committee for consideration. Risks are recorded in a risk register and reviewed at each meeting of the Risk Committee if there has been no intervening event to require earlier review. The Risk Committee considers each risk and determines whether it must be avoided, can be mitigated or will be tolerated.

Key risks currently identified by the business include compliance with applicable regulatory standards, reputational risk, security of operational IT systems, the effective integration of acquired businesses and the recruitment and retention of highly skilled staff. Each member of the Risk Committee works with other specialist managers in the business (e.g. MLRO, Lexcel Officer, HR Director, IT Director, Head of Learning & Development and Head of Facilities and IT) in relation to these risks and actions taken to monitor and manage these. These managers report monthly to our Operations Board where decisions can be made and implemented as appropriate to manage our risks. After each of its meetings, the Risk Committee reports to the Audit and Risk Committee who review and interrogate the risk register. Risk items are included in the agenda for meetings of both the Audit and Risk Committee and the Board.

The Audit and Risk Committee (see principle 5 for members and number of meetings) has introduced an internal audit function within the organisation. Audits are being undertaken in relation to each area of risk identified in the business and as the reports become available, consideration is given to the recommendations of the auditors and actions agreed and implemented. This process has proved to be a good example of the organisation's appetite for continuous self-assessment and improvement.

The Audit and Risk Committee Report describes the internal control functions and the Committee has reviewed and monitored the effectiveness of the internal controls for the year ended 30 April 2019 concluding that there was a satisfactory process in place to identify and manage such risks. It should be noted that the Group's system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives. It is recognised that such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors in the course of their roles and in respect of material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

Principle 5
Maintain the Board as a well-functioning, balanced team led by the chair

The Company operates in complex and challenging areas and as such has put in place a senior management structure that can best provide the strategic advice and leadership required. The senior management structure consists of a PLC Board, a Strategic Board and an Operations Board.

The PLC Board contains a balance of Executive and Non-Executive Directors, including a Non-Executive Chairman who is responsible for dealing with the strategic direction and long-term success of the Company. The Board meets at regular intervals throughout the year and at any other time deemed necessary for the good management of the business. Meetings are held in the Group's offices on a rotating basis.

Gateley has a diverse Board with the Directors bringing varied experience gained from working within a range of sectors.
There are six Directors on the PLC Board, three independent Non-Executive Directors and three Executive Directors. The Non-Executive Chairman of the Board is Nigel Payne with Joanne Lake being the Senior Independent Director.

Corporate governance statement (continued)
Principle 5 (continued)

There are three committees of the Board whose members comprise the Non-Executive Directors:

- the Audit and Risk Committee, chaired by Joanne Lake;
- the Remuneration Committee chaired by Suzanne Thompson; and
- the Nominations Committee chaired by Nigel Payne.

The members of the Board invite the Executive Directors to attend Committee meetings when appropriate. Where relevant to the subject matter of the meetings of the Board and the Committees, experts from within the business are invited to attend a meeting to present to or advise the Non-Executive Directors – for example the IT Director, Information Security Officer, Group HR Director and Director of Client and Market Development have been invited to attend meetings to report on matters such as information security, remuneration arrangements and brand development. Members of the Board have also attended meetings of Gateley Plc to jointly discuss and consider critical projects for the business. External advice is also sought when required for example from the Company's auditors Grant Thornton and from Deloitte in relation to remuneration policies.

Notwithstanding any other roles they may have either within the business or externally, the members of the Board believe that they have sufficient time available to fulfil their roles as Directors of Gateley.

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 (following discussion with Nigel) that his other company duties leave him ample time to fully carry out his duties as Chairman of the Group.

The Board has also 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 leave her sufficient capacity for her to carry out her duties as a Non-Executive Director of the Group. Suzanne is the Chair of Oystercatchers and an Executive Director of Xeim (these roles taking up approximately half of her time) and is the founder and CEO of Let's Reset. Suzanne has been given permission by the board of Centaur Media Plc to be a Non-Executive Director of Gateley and as such the Board considers she has sufficient capacity to carry out her duties as a Non-Executive Director of the Group.

All of the Executive Directors have full time roles within the Group.

In accordance with the Articles of Association, all new Directors appointed by the Board are required to seek election by shareholders at the next general meeting of the Company following their appointment and all Directors are required to retire by rotation in line with the provisions of the Articles of Association.

The Board meets throughout the year and in the financial year ending on 30 April 2019 it met 7 times as a Board. Details of the attendance of Directors at Board meetings during the period is noted below. Papers relevant to the business of the meeting are provided in advance and include financial, staff, risk, regulatory and development information.

The following table sets out the Board and Committee meetings scheduled and attendance during the financial year 2018/2019:

1 May 2018 to 30 April 2019	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM 2018
Number of meetings	7	2	2	3	1
Nigel Payne	6	2	2	3	1
Joanna Lake	7	2	2	3	1
Suzanne Thompson	6	2	2	3	1
Michael Ward	7	2*	1*	1*	1
Peter Davies	7	-	1*	-	1
Neil Smith	7	2*	2*	-	1

Corporate governance statement (continued)
Principle 5 (continued)

Several informal Board Committee meetings were held during the year to prepare for or finalise and approve substantive work carried out in a formal Board meeting. These are not listed above.

Notes to table
Where an asterisk is shown, that Director was invited to attend a Committee meeting although not a member of the Committee to make proposals in relation to, or to advise on, agenda items.

For the financial year ending 30 April 2019 the Strategic Board comprised eight individuals including the CEO, COO, Group FD, Group HR Director and four executives of Gateley Plc from a cross section of the Group's professional service lines. One member of the Strategic Board retired from the Board with effect from 1 May 2019 and two new members joined with effect from 1 May 2019.

The Operations Board comprises nine individuals including the COO, Group FD, Group HR Director and other individuals from across both the professional and support function departments of the Group as deemed appropriate and is responsible for the day to day running of the business. The Operations Board meets monthly and reports to the Strategic Board. Two members of the Operations Board stepped down from the Board at the end of the last financial year with two new members joining in their place. The Operations Board provides an opportunity for senior members of the business to gain greater exposure to the management of the business and to develop their management skills.

Succession

Succession planning is an important part of Gateley's corporate governance and is key to ensuring that the prosperity and collaborative culture of the business are maintained in the long term. The Nomination Committee regularly considers the Group's succession plans, most recently in relation to the role of CEO in view of Michael Ward's decision to step down as CEO in 2020. This has been undertaken to enable a managed and orderly handover to take place. As part of its deliberations, the Board conducted a thorough review of the attributes required of a new CEO and agreed that an internal appointment was the best way to ensure the continuation of the Group's sustainable growth strategy, as well as preserving its culture.

Board independence

In assessing the independence of Non-Executive Directors at the date of this report, the Board took account of their experience, character and judgement, and their dependence on, or relationships with the Group. In all cases the Board felt the Directors were independent in character and judgement. Account was taken of market guidance regarding factors that impact upon independence for example the holding of a previous executive position within the Group or a material business relationship with the Group including a shareholding, as these are considered to impair the perceived independence of the Non-Executive Director.

Conflicts of interest

The Companies Act 2006 (the Act) imposes a duty on Directors to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company. Directors are aware of their duty to promote the Company's success and are required to disclose all actual and potential conflicts of interests to the Board as they arise for consideration and approval. "Declarations of Interest" is an agenda item at every meeting of the Board. If an interest is declared the Board may impose restrictions or refuse to authorise such conflict if it considers that it conflicts with the interests of the Company. Only Directors not involved in the conflict or potential conflict participate in the decision process. A register of such interests is maintained.

All Directors of both Gateley (Holdings) Plc and Gateley Plc are reminded annually of their obligations to notify any changes in their statement of interests and also to declare any benefits received from third parties in their capacity as a Director of the Company.
Each new Director on appointment is required to declare any potential conflict situations.

The register of conflicts is formally reviewed annually and the Board has concluded that the process has operated effectively during the period. No Director has declared receipt of any benefits during the year in his capacity as a Director of the Company.

Corporate governance statement (continued)

Principle 6
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Company operates in a complex and challenging professional environment and the Board is mindful that in order to deal effectively with the challenges of the business and to maximise its growth opportunities it has to incorporate a broad range of skills and diversity.

The members of the Board have considered the skills and experience that the Board requires to enable it to manage the business effectively.

These are set out below:

Board Skills Matrix

General experience	
Leadership	Successful leadership at a senior executive level in a large business
Strategy and growth	Senior executive experience in developing and delivering successful strategies and meaningful business growth outcomes in a large business
Financial Acumen	Senior executive experience and understanding of accounting, financial reporting, corporate finance and financial controls in a large business
Governance and Risk Management	Senior executive experience in a large business that is subject to rigorous governance, relevant regulatory risk and general business risk management standards

Specialist experience	
Industry Experience	Senior executive experience in a professional services “people” business
Client service, marketing and Innovation	Senior executive experience in client relationship management and delivering growth through commercialising innovative services and solutions
Stakeholder management	Senior executive experience in stakeholder management within a large business
Mergers and Acquisitions	Successful track record of delivering strategically sound and value adding mergers and acquisitions as an enabler of corporate strategy
International Experience	Senior executive experience of a range of geographic, political, cultural, regulatory and business environments
Experienced CEO	Successful track record as a CEO of a listed entity or an equivalent large business enterprise
Remuneration	Board Remuneration Committee membership or senior executive remuneration experience in a large business enterprise

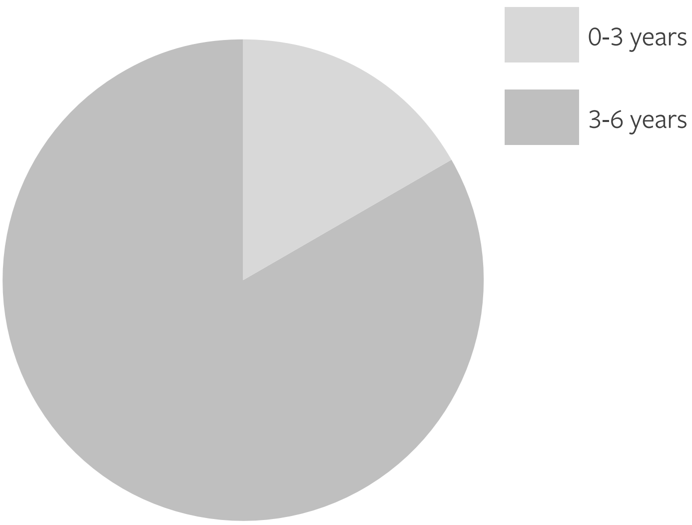
Corporate governance statement (continued)
Principle 6 (continued)

Members of the Board are believed to possess these skills and to have the necessary experience. Details of the Directors including brief biographies are set out at gateleyplc.com/investors/investor-overview/board-directors/.

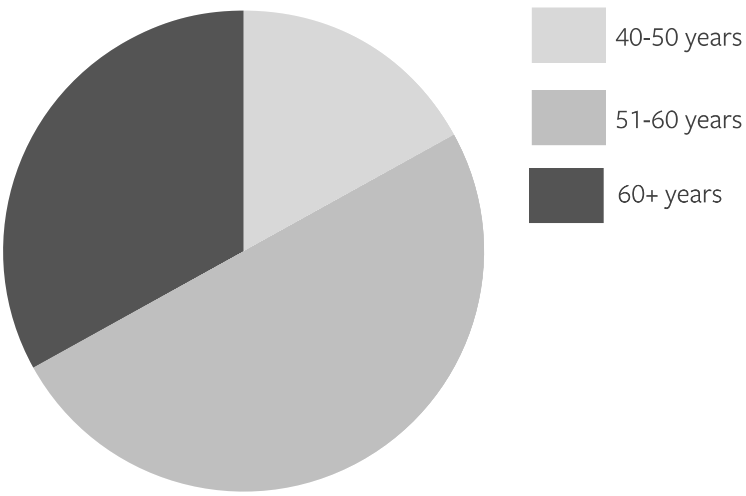
The Executive Directors participate in all of the regulatory training programmes of the Group and the Non-Executive Directors are invited to participate as appropriate.

The Board maintains a skills, diversity and experience matrix which is detailed below, and which will be periodically reviewed at Board meetings to evaluate current and future requirements. The Board and its committees will also seek external expertise and advice where required.

Tenure (years)

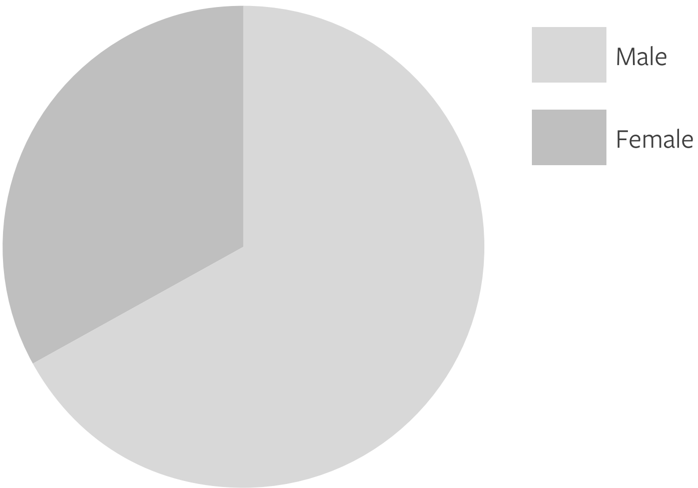


Age



Corporate governance statement (continued)
Principle 6 (continued)

Gender (%)



Principle 7
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board considers evaluation of its performance and that of its Committees and individual Directors to be an integral part of corporate governance to ensure it has the necessary skills, experience and abilities to fulfil its responsibilities. The objective of the evaluation process is to identify and address opportunities for improving the performance of the Board and to solicit honest, genuine and constructive feedback.

The Board considers the evaluation process is best carried out internally at this stage of the Company's development. However the Board will keep this under review and may consider independent external evaluation reviews in due course as the Company grows.

The internal evaluation process includes:

Board evaluation	
Review	Period
Board composition in terms of skills, experience and balance	Annually or as required
Board cohesion	Annually or as required
Board operational effectiveness and decision making	Annually
Board meetings conduct and content and quality of information	Annually or as required
The Board's engagement with shareholders and other stakeholders	Annually
The corporate vision and business plan	Annually

Corporate governance statement (continued)
Principle 7 (continued)

Committee evaluation	
Review	Period
Composition in terms of skills, experience and balance	Annually or as required
Terms of Reference	Annually
Effectiveness	Annually

Individual Director Evaluation	
Review	Period
Executive Director performance in executive role	Annually
Executive Director contribution to the Board	Annually
Non-Executive Director performance and contribution to the Board	Annually
Non-Executive Director's independence and time served	Annually
All Directors' attendance at Board and Committee meetings	Annually

The Board will, as a whole or in part as appropriate, undertake the evaluation process aided by the Chairman, CEO and other Non-Executive Directors or external advisors as necessary. The Chairman is responsible for ensuring the evaluation process is 'fit for purpose', as well as dealing with matters raised during the process. The Chairman will keep under review the frequency, scope and mechanisms for the evaluation process and amend the process as required.

Where areas for development are identified these will be addressed in a constructive manner. Where necessary individual Directors will be offered mentoring and training. If areas for development are identified within the Board as a whole, then changes or additions to the Board will be considered in conjunction with the Nominations Committee.

The evaluation process will focus on the improvement of Board performance, through open and constructive dialogue and the development and implementation of action plans. The Board will report on its evaluation and actions in its Annual Report.

The Chairman carries out an annual appraisal of the Board, the Committees and the individual Directors including a review of the fees paid to Non-Executive Directors. The Board (excluding the Chairman) meets annually to consider the fees of the Chairman. The formal evaluation process is supported by regular contact between the Chairman and the other Directors to allow any matters to be addressed in a timely way. The appraisal of the Chairman was led by Michael Ward (CEO) who sought the views of the other Directors. The findings of the evaluation process (including the review of the fees paid to the Non-Executive Directors) were reported to the Board in September 2018. It was agreed that the Chairman should oversee succession plans for the Board over the next five years. Succession planning is a vital task for boards and the management of succession planning represents a key measure of the effectiveness of the Board and a key responsibility of both the Nominations Committee and wider Board.

Corporate governance statement (continued)

Principle 8
Promote a corporate culture that is based on ethical values and behaviours

The business operates in a highly regulated sector with demanding professional standards. The legal profession requires all of its members to maintain high ethical standards and to comply with its code of conduct. In addition the business has been accredited with the Law Society's quality standard, Lexcel, with which all legal parts of the business are required to comply. These standards are also applied across the non-legal parts of the business where applicable. Following the acquisition of GCL Solicitors, Gateley Plc has also sought and received CQS and LMS accreditations.

The Group has established formal risk management processes and is embedding an internal audit function to report upon risk management.

The Group maintains a register of the interests of staff outside the business which includes those of the Directors to help it manage potential conflicts of interest. The Directors do not hold any external positions which conflict with the duties owed to the Company. Disclosure of any potential conflicts of interests is invited at each meeting of the Board.

The Group's success is largely dependent on recruiting, retaining, and developing the best professionals. To achieve this the Group seeks to ensure that working conditions are of a high standard and has in place good and effective management and staff communications, with the ability for staff to engage in decisions. The Group also encourages participation in the success of the business through share options and has a range of benefits to support staff, including ill health protection and life cover. The Group is committed to equal opportunities for promotion, with appropriate consideration being given to applications for employment from disabled persons.

The Group aims to remunerate staff in line with market practice, to provide development opportunities and to encourage staff motivation and retention.

The Board's policy on diversity continues to be to seek to appoint the best qualified person to a particular role regardless of gender or other diversity criteria and therefore it has not adopted any measurable objectives in relation thereto.

The business as a whole is committed to creating an inclusive environment where staff can develop and contribute fully without discrimination on the basis of gender, sexual orientation, age, race, nationality, disability or political or religious beliefs.

Principle 9
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board sets the Company's strategic aims and ensures that necessary resources are in place in order for the Company to meet its objectives. All members of the Board take collective responsibility for the performance of the Company and all decisions are taken in the interests of the Company. Whilst the Board has delegated the day to day operational management of the Group via the Strategic and Operations Boards to the Executive Directors and other senior managers, it has formal terms of reference identifying those specific matters which remain subject to decision by the Board. These include the appointment and removal of Directors, terms of reference for Board Committees and membership thereof, approval of strategy including acquisitions and disposals, annual financial budgets, investments and capital projects, projects of a capital nature and all significant contracts. The Non-Executive Directors have a particular responsibility to constructively challenge the strategy proposed by the Executive Directors, to scrutinise and challenge performance, and to ensure appropriate remuneration and succession planning arrangements are in place in relation to Executive Directors and other senior members of the management team.

The Chairman is responsible for leadership by the Board and ensuring its effectiveness in all aspects of its role. The Chairman with the assistance of the CEO sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues.

The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. The Executives enjoy open access to the Non-Executive Directors. The Chairman is also responsible for ensuring that the Directors receive accurate, timely and clear information. The positions of Chairman and CEO are held by different individuals.

Corporate governance statement (continued)
Principle 9 (continued)

The CEO is responsible for running the business and implementing the decisions and policies of the Board. The CEO is also responsible for ensuring the Company's communication with shareholders is timely, informative and accurate with due regard to commercial sensitivity and regulatory requirements.

The FD is responsible for the Group's finances and the COO is responsible for the operations and technical requirements of the Group. The role of Company Secretary is undertaken by the FD.

The Non-Executive Directors are appointed to provide independent oversight and constructive challenge to the Executive Directors but have been specifically chosen as a result of their ability to provide strategic advice and guidance.

All Directors are able to allocate sufficient time to the Company to discharge their duties. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Plc Board. The search for Plc Board candidates is conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

The Board is responsible for ensuring that a sound system of internal control exists to safeguard shareholders' interests and the Group's assets. It is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are designed to manage rather than eliminate risk and therefore even the most effective system cannot provide assurance that each and every risk, present and future, has been addressed. The key features of the system that operated during the year are described below.

The Board has a formal agenda of items for consideration at each scheduled meeting but will also meet at additional times when required. It receives detailed papers in advance of meetings and verbal reports at each meeting from the executive management covering the financial performance of the Group, updates on share performance, people matters, business development, matters affecting the general trading conditions and operational issues, including risk and compliance. The Board also receives verbal reports from the Chair of each Committee on matters which relate to the Committee's responsibilities.

The Board has established the following Committees to assist with oversight and governance carrying out the necessary work required for the business to operate effectively and efficiently, and to comply with all the regulatory requirements. The Board has delegated certain specific areas of responsibility to each of the Committees. The Board sees minutes of all Committee meetings and the Chairman of the Committee reports to the Board on any significant matters.

Audit & Risk Committee	**Nominations Committee**	**Remuneration Committee**
Joanne Lake (Chairman)	Nigel Payne (Chairman)	Suzanne Thompson (Chairman)
Nigel Payne	Joanne Lake	Nigel Payne
Suzanne Thompson	Suzanne Thompson	Joanne Lake

Audit & Risk Committee

The Audit & Risk Committee is chaired by Joanne Lake, and also comprises Nigel Payne and Suzanne Thompson. The Audit & Risk Committee has agreed terms of reference and assists the Board in discharging its responsibilities for corporate governance, risk management, financial control and internal controls by reviewing and monitoring risk and internal controls throughout the business.

It oversees and reviews the Company's financial reporting and internal control processes, its relationship with external auditors and the conduct of the audit process together with its process for ensuring compliance with laws, regulations and corporate governance. It is composed entirely of Non-Executive Directors but other individuals such as the Company's FD and CEO and representatives of the finance team are invited to attend all or any part of any meeting when deemed appropriate. The Company's external auditors are invited to attend meetings of the Committee on a regular basis.

Remuneration Committee

The Remuneration Committee has general oversite of all remuneration arrangements for Executive Directors and it considers all material elements of remuneration policy, remuneration and incentives with reference to independent remuneration research and

Corporate governance statement (continued)
Principle 9 (continued)

professional advice. Recommendations are made to the Board on the framework for executive remuneration including the design and implementation of equity based incentive schemes.

Nominations Committee

The Nominations Committee is responsible for all aspects of the appointment of Directors, succession planning and appointments to the Board, considering and recommending the reappointment of retiring Directors of the Company together with evaluation of Directors' performance and effectiveness.

In addition to the above sub Committees, the Group has an operational Risk Committee. Members include the CEO, the FD, MLRO, Lexcel Officer and individuals responsible for the oversight of key risk areas. The purpose of the Risk Committee is to perform centralised oversight of risks affecting the Group and risk management activities and to provide communication to all Group Boards regarding important risks and related risk management activities.

As complementary non-legal businesses join the Group, separate "new" company Boards are formed, with suitably experienced individuals from Gateley and the newly acquired business being appointed as Directors. The primary role of these Boards is to oversee the transition into the Group for the benefit of all stakeholders. The minutes of each Group company's monthly Board meeting are shared with the Operations, Strategic and PLC Boards.

The Group has established management committees to address specific areas of the Group's business activities.

Principle 10
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining good communication and having constructive dialogue with all of its stakeholders, including shareholders, providing them with access to information to enable them to make informed decisions about the Company. The Investor Relations section of the Company's website provides all required regulatory information as well as additional information shareholders may find helpful including: information on Board members, advisors and significant shareholdings, a historical list of the Company's announcements, its financial calendar, corporate governance information, the Company's publications including historic Annual Reports and Notices of Annual General Meetings, together with share price information and interactive charting facilities to assist shareholders analyse performance.

Results of shareholder meetings and details of votes cast are publicly announced through the regulatory system and displayed on the Company's website and suitable explanations of any actions undertaken as a result of any significant votes against resolutions will be included when relevant.

Information on the work of the various Board Committees and other relevant information are included in the Company's Annual Report.

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 26 September 2018 Peter Gareth Davies and Nigel Terrence Payne offered themselves for re-election as Directors, both were re-appointed with immediate effect.

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.

Corporate governance statement (continued)
Principle 10 (continued)

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 Chairman of the Group. This is reassessed on an annual basis.

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 to fulfil her duties as Non-executive Director of the Group and as such the Board considers she has sufficient capacity to carry out her duties. The Board reassess the time availability of both Joanne and Suzanne on a regular basis.

Remuneration Committee
The Remuneration Committee comprises Suzanne Thompson (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.

The Remuneration Committee has placed focus on the dilution of the Group, challenging the methods of remuneration for senior executives and partners. As a result the Committee has driven the changes made to the share incentive plans in use by the Group, primarily the introduction of the new long term incentive plan.

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. 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.

With the assistance of skilled partners within the business the Audit and Risk Committee have worked to put practices in place that will allow an internal audit division to deliver appropriate and meaningful results.

Nomination Committee
The Nomination Committee comprises Nigel Payne (Chairman), Suzanne Thompson 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.

Succession planning is an important part of the Group's corporate governance statement and is key to ensuring that the prosperity and collaborative culture of the business are maintained in the long term. The early addressing and announcement of the Group's succession plans in which Rod Waldie will succeed Michael Ward as CEO with effect from 1 May 2020, has been undertaken to enable a managed and orderly handover to take place. As part of its deliberations, the Board conducted a thorough review of the attributes required of a new CEO and agreed that an internal appointment was the best way to ensure the continuation of the Group's sustainable growth strategy, as well as preserving its culture.

Corporate governance statement (continued)

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) which has been updated in the year to provide more meaningful and insightful information to investors and other stakeholders. 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. The Group has also appointed a new broker and advisor with a focus on delivering more frequent, quality communications with investors.

It is intended that all Directors will attend each AGM and shareholders will be given the opportunity to ask questions. In addition, the Chief Executive Officer, Finance Director and Head of Investor Relations meet with institutional shareholders following the announcement of interim and final results and at other appropriate times. The Chief Executive Officer and Finance Director are also in regular contact with analysts who publish reports on the Group's performance.

Internal control

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

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) and 2018 (GCL Solicitors and Kiddy & Partners) 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 2018 and ending 30 April 2019, can be found on its website, www.gateleyplc.com

On behalf of the Board

Nigel Payne

Nigel Payne
Chairman
15 July 2019

Board of Directors

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

Nigel Payne, aged 59, 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 or 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 60, 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 61, 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 43, 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.

Joanne Lake, aged 55, 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 52, 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 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 2019.

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), the supply of specialist property consultancy services (via Gateley Hamer Limited) and the supply of specialist human capital management (via Kiddy & Partners).

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 54.

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 11. The Group's key performance indicators (KPIs) are set out on pages 13 and 14. The Strategic Report, which includes a description of the principal risks and uncertainties facing the Group, is set out on pages 15 to 19.

Dividends

The Directors propose to recommend that a final dividend of £5,986,483 (2018: £4,988,045), being 5.4p (2018: 4.8p) per share, be paid, giving a total dividend for the year of 8.0p (2018: 7.0p). 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 2019	**Percentage holding 2019**	Number of shares 2018	Percentage holding 2018
Nigel Terrence Payne	**55,926**	**0.05%**	39,107	0.04%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Suzanne Francis Alison Thompson	**10,000**	**0.01%**	10,000	0.01%
Michael James Ward	**2,446,754**	**2.23%**	2,631,204	2.46%
Peter Gareth Davies	**2,481,204**	**2.24%**	2,660,104	2.49%
Neil Andrew Smith	**480,846**	**0.43%**	520,000	0.49%

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 24 June 2019:

Name	**Number of ordinary shares**	**% of issued share capital**
Liontrust Asset Management	**11,388,684**	10.27%
Unicorn Asset Management Limited	**6,425,694**	5.80%
Miton Asset Management	**4,851,259**	4.38%

Directors' report (continued)

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.

Gender Pay Gap

The group's annual gender pay gap report can be found on its website, www.gateleyplc.com.

Environment, social and corporate governance ("ESG")

The Group is committed towards ensuring ESG is part of who we are and what we do. We undertake initiatives to reduce our own operational environmental impact and we believe that our greatest contribution to a sustainable environment is the advice and support we provide to our clients that operate in support of such an initiative. Our green credentials are embedded across the business so that everyone is directly engaged in the common goal of reducing our carbon footprint.

Our social initiatives are driven from our Boards at a national and local level. We support colleges and university mentoring schemes; directly sponsor a variety of causes from homeless initiatives to school literacy programmes; donate 100s of staff hours of time to schools, sports clubs and charities via a vast array of events across our local office communities in order to raise money for worthwhile causes; and partner with charities chosen by each office to create local programmes of fund raising events. We encourage our staff to participate in national diversity initiatives and support staff driven committees to engender an effective and collaborative programme of events.

Details of our corporate governance structure are well documented within the Corporate governance statement of these financial statements.

Our ESG overview, which provides a summary of some of the actions in place to deliver our core values across these areas can be found on our group website, www.gateleyplc.com

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 in the year (2018: £nil).

Directors' report (continued)

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, remains 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' responsibilities statement

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

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

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

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

Disclosure of information to auditor

The Directors confirm that:

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

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

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

By order of the board

Michael J Ward
Chief Executive Officer
15 July 2019

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 2019, which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements 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 their preparation 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 2019 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.

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:

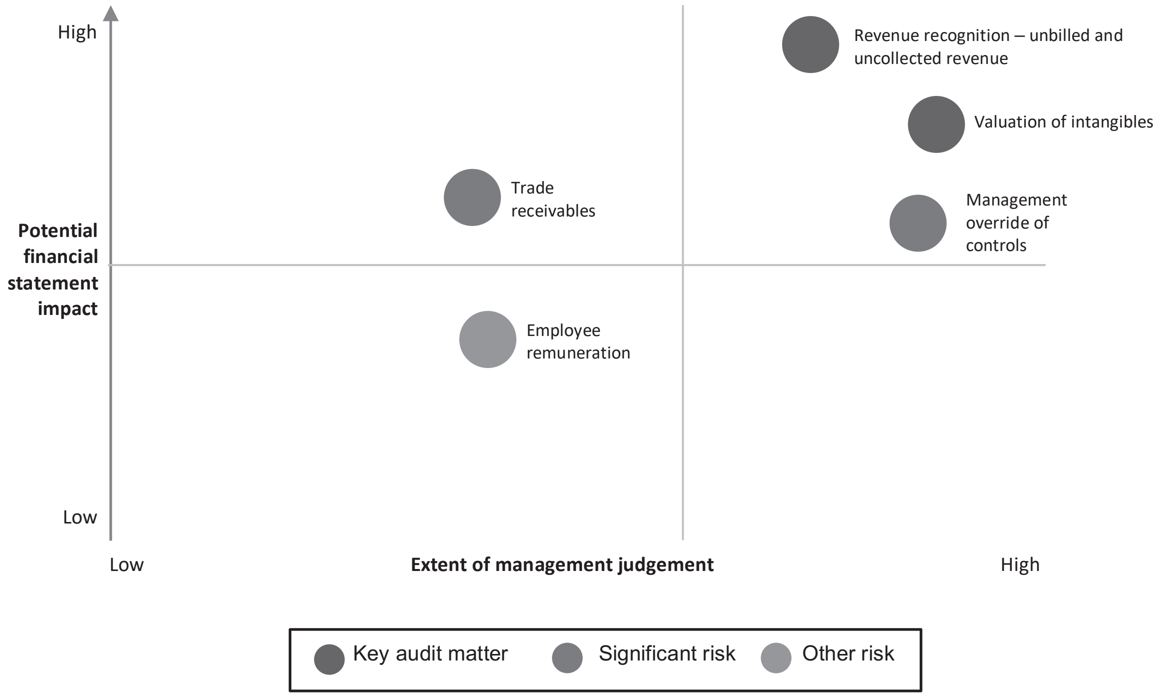
- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s or the parent company’s 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.

Overview of our audit approach

- Overall materiality: £903,000, which represents 5% of the Group's profit before tax excluding amortisation of acquired intangible assets, one-off acquisition costs and the share-based payment charge;
- Key audit matters were identified as revenue recognition for unbilled and uncollected revenue and valuation of intangible assets;
- We performed full-scope audit procedures on the financial statements of Gateley (Holdings) Plc and on the financial information of Gateley Plc, the most significant trading subsidiary of the Group; and
- We performed analytical procedures on the remaining components in the Group as these were not determined to be significant components.

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 judgement, 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.

<table>
<tr><th>Key Audit Matter – Group</th><th>How the matter was addressed in the audit – Group</th></tr>
<tr><td>Revenue recognition - unbilled and uncollected revenue
Due to the nature of the business there is a significant year end unbilled and uncollected 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 revenue recognition for unbilled and uncollected revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.</td><td>Our audit work included, but was not restricted to:
• evaluating the Group's accounting policies for recognition of revenue for appropriateness in accordance with requirements of the financial reporting framework, including IFRS 15 'Revenue from Contracts with Customers', and checking this has been appropriately applied;
• agreeing, on a sample basis, engagement terms to ensure client matters are classified correctly between contingent and non-contingent;
• determining whether a service has been provided or a sale had occurred in the financial year for revenue recorded by checking 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.
• agreeing the recoverability of the balance of unbilled revenue to post year end billing and cash receipts, and where billing has not yet occurred, challenging 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;
• analytically comparing revenue on a month-by-month basis across business units;

The Group's accounting policy on revenue recognition is shown in note 1.15 to the financial statements and related disclosures are included in note 2.

Key observations
Based on the audit procedures performed, we did not identify any material misstatement in relation to the recognition of unbilled and uncollected revenue.</td></tr>
<tr><td>Valuation of intangible assets
During the year the Group made multiple acquisitions.

The Group measures goodwill at the acquisition date as being the fair value of consideration transferred less the net recognised fair value amount of identifiable assets acquired and liabilities assumed. Goodwill of £5.7 million was recognised as a result of the acquisitions.

On initial recognition, the assets and liabilities acquired in a business combination are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies.

Intangible assets acquired in a business combination are deemed to have a cost to the Group equal to their fair value at the acquisition date. Intangible assets of £2.8 million were recognised as a result of the acquisitions. These intangible assets were valued based on discounted cash flow forecasts, which require judgement by the Directors around key assumptions such as revenue growth, discount rates, customer attrition and long-term growth rates.</td><td>Our audit work included, but was not restricted to:
• evaluating the Group's accounting policies for valuation of intangible assets for appropriateness in accordance with requirements of the financial reporting framework, including IFRS 3 'Business Combinations', and checking this has been appropriately applied;
• reperforming management's calculation of the fair value of the consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed;
• using our internal valuation specialist to evaluate and challenge the assumptions used, including discount rates, growth rates and forecast future trading performance applied in the calculation of the fair value of the intangibles recognised;
• testing the completeness and accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long-term growth forecasts; and
• testing significant fair value adjustments made to the assets and liabilities acquired and challenging management's assumptions in the value in use assigned to certain assets.

The Group's accounting policy on intangible assets and goodwill is shown in note 1.9 to the financial statements</td></tr>
</table>

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Determining the value of intangible assets to be recognised requires management to make significant judgements and estimates including assumptions about future performance. We therefore identified valuation of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	and related disclosures are included in note 12. **Key observations** Based on the audit procedures performed, we did not identify any material misstatement in relation to the valuation of intangible assets.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

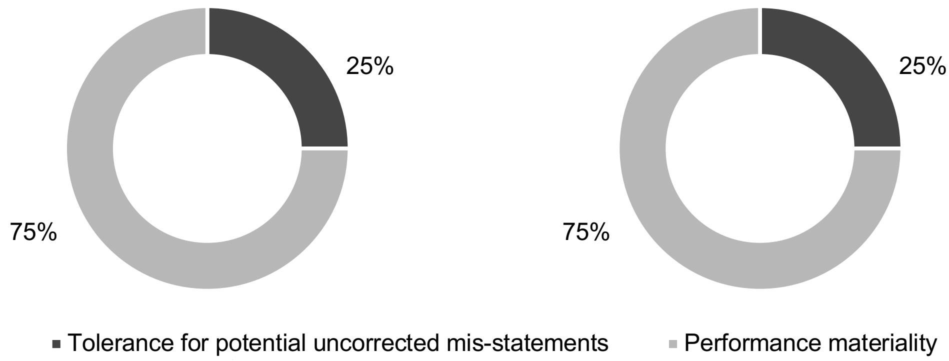
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£903,000, which is 5% of the Group's profit before tax excluding amortisation of acquired intangible assets, one-off acquisition costs and the share-based payment charge. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of directors to monitor 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 2018 as a result of the Group's increased profit before tax excluding amortisation of acquired intangible assets and share based payment charge, in the current year.	£284,000, which is 1% of the parent company's total assets. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of directors to monitor the financial position of the parent 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 2018 to reflect the increase in total assets of the parent company.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£45,150 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£14,200 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.

Overall materiality – Group | **Overall materiality – Parent company**

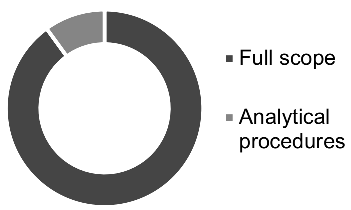


An overview of the scope of our audit

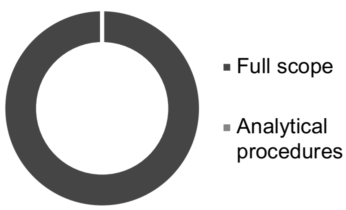
Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. This was evaluated by considering each component's significance as a percentage of the Group's total assets, revenues and profit before taxation;
- the financial statements of the parent company, Gateley (Holdings) Plc, were subject to a full-scope audit;
- we performed full-scope audit procedures on the financial information of Gateley Plc, the most significant trading subsidiary of the Group;
- 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;
- walkthroughs of each significant class of revenue transactions and assessing the design effectiveness of controls;
- documenting our understanding of management's process for evaluating the accounting treatment to be applied to the acquisitions and assessing the design effectiveness of relevant controls;
- the scope of the current year audit work is unchanged from the prior year;
- the significant components, which were subject to full-scope audit procedures, include 92% of revenue and 87% of total assets of the Group; and
- analytical procedures were performed on the financial information of the remaining Group components.

KAM – Revenue recognition - unbilled and uncollected revenue



KAM – Valuation of intangibles



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 49, 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.

Use of our report

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.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
15 July 2019

Consolidated statement of profit and loss and other comprehensive income for the year ended 30 April 2019

	Note	**2019**	2018
		£'000	£'000
Revenue	2	**103,471**	86,090
Other operating income	3	**313**	357
Personnel costs	5	**(63,412)**	(52,621)
Depreciation and amortisation	4	**(2,528)**	(1,517)
Other operating expenses		**(21,974)**	(17,484)
Operating profit	4	**15,870**	14,825
Adjusted EBITDA	4	**19,114**	16,517
Depreciation	10	**(1,122)**	(970)
Non-underlying items			
Share-based payment charges	5	**(655)**	(719)
Amortisation	12/13	**(1,406)**	(547)
Exceptional items			
Acquisition costs	4	**(61)**	-
Release of lease incentive	4	**-**	182
Release of contingent consideration	4	**-**	362
Net financing income/(expense)	6	**75**	(179)
Profit before tax		**15,945**	14,646
Taxation	7	**(2,904)**	(2,853)
Profit for the year after tax attributable to equity holders of the parent		**13,041**	11,793
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss Foreign exchange translation differences - Exchange differences on foreign branch		**(25)**	(58)
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		**13,016**	11,735
Statutory Earnings per share			
Basic	8	**11.83p**	11.03p
Diluted	8	**11.61p**	10.63p

The results for the periods presented above are derived from continuing operations.
The accompanying notes on pages 58 to 95 form an integral part of these financial statements.

Consolidated statement of financial position at 30 April 2019

	Note	2019	2018
		£'000	£'000
Non-current assets			
Property, plant and equipment	10	**2,017**	1,935
Investment property	11	**164**	164
Intangible assets & goodwill	12	**10,430**	3,295
Other intangible assets	13	**289**	39
Other investments	14	**85**	85
Total non-current assets		**12,985**	5,518
Current assets			
Trade and other receivables	15	**47,206**	41,417
Deferred tax asset	18	**428**	-
Cash and cash equivalents		**2,887**	4,301
Total current assets		**50,521**	45,718
Total assets		**63,506**	51,236
Non-current liabilities			
Other interest-bearing loans and borrowings	16	**(3,076)**	(2,982)
Other payables	17	**(983)**	(121)
Deferred tax liability	18	**(388)**	(128)
Provisions	19	**(339)**	(405)
Total non-current liabilities		**(4,786)**	(3,636)
Current liabilities			
Other interest-bearing loans and borrowings	16	**(3,044)**	(1,977)
Trade and other payables	17	**(23,727)**	(20,978)
Provisions	19	**(291)**	(200)
Current tax liabilities		**(1,074)**	(1,457)
Total current liabilities		**(28,136)**	(24,612)
Total liabilities		**(32,922)**	(28,248)
NET ASSETS		**30,584**	22,988
EQUITY			
Share capital	21	**11,086**	10,688
Share premium		**6,755**	4,576
Merger reserve		**(9,950)**	(9,950)
Other reserve		**1,770**	1,547
Treasury reserve		**(1,057)**	(15)
Translation reserve		**(2)**	23
Retained earnings		**21,982**	16,119
TOTAL EQUITY		**30,584**	22,988

These financial statements were approved by the Directors on 15 July 2019 and were signed and authorised for issue on their behalf by:

Michael J Ward

Michael J Ward
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078
The accompanying notes on pages 58 to 95 form 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 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 difference	-	-	-	-	-	-	(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**
At 1 May 2018, as previously reported	**10,688**	**4,576**	**(9,950)**	**1,547**	**(15)**	**16,119**	**23**	**22,988**
Adjustment from adoption of IFRS 9 (net of tax)	-	-	-	-	-	(353)	-	(353)
Restated balance at 1 May 2018	**10,688**	**4,576**	**(9,950)**	**1,547**	**(15)**	**15,766**	**23**	**22,635**
Comprehensive income:								
Profit for the year	-	-	-	-	-	13,041	-	13,041
Exchange rate differences	-	-	-	-	-	-	(25)	(25)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**13,041**	**(25)**	**13,016**
Transactions with owners recognised directly in equity:								
Issue of share capital	398	2,151	-	223	-	-	-	2,772
Recognition of tax benefit on gain from equity settled share options	-	-	-	-	-	726	-	726
Purchase of own shares at nominal value	-	-	-	-	-	(242)	-	(242)
Reclassification of gain on own shares	-	28	-	-	-	(28)	-	-
Sale of treasury shares	-	-	-	-	791	-	-	791
Purchase of treasury shares	-	-	-	-	(1,833)	-	-	(1,833)
Dividend paid	-	-	-	-	-	(8,118)	-	(8,118)
Share based payment transactions	-	-	-	-	-	655	-	655
Deferred tax on equity settled element of share based payment charge	-	-	-	-	-	182	-	182
Total equity at 30 April 2019	**11,086**	**6,755**	**(9,950)**	**1,770**	**(1,057)**	**21,982**	**(2)**	**30,584**

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 58 to 95 form an integral part of these financial statements.

Consolidated cash flow statement for the year ending 30 April 2019

	Note	**2019**	2018
		£'000	£'000
Cash flows from operating activities			
Profit for the year after tax		**13,041**	11,793
Adjustments for:			
Depreciation and amortisation	10/12/13	**2,528**	1,517
Financial income	6	**(523)**	(233)
Financial expense	6	**448**	412
Release of contingent consideration		**-**	(362)
Equity settled share-based payments		**655**	719
Profit on disposal of property, plant and equipment	4	**(3)**	-
Tax expense	7	**2,904**	2,853
		19,050	16,699
Increase in trade and other receivables		**(3,946)**	(2,330)
Increase in trade and other payables		**37**	851
Increase in provisions		**25**	14
Cash generated from operations		**15,166**	15,234
Tax paid		**(3,075)**	(3,051)
Net cash flows from operating activities		**12,091**	12,183
Investing activities			
Acquisition of property, plant and equipment	10	**(1,010)**	(745)
Acquisition of other intangible assets	13	**(276)**	(46)
Cash received on disposal of property, plant and equipment		**3**	-
Consideration paid on acquisition of Kiddy & Partners	28	**(426)**	-
Consideration paid on acquisition of GCL Solicitors, net of cash acquired	28	**(2,016)**	-
Consideration paid on acquisition of IIS, net of cash acquired	28	**(84)**	-
Deferred consideration paid - acquisition of subsidiary		**(236)**	(179)
Net cash used in investing activities		**(4,045)**	(970)
Financing activities			
Interest receivable	6	**523**	233
Interest and other financial income paid	6	**(448)**	(412)
Receipt of new bank loan		**2,970**	
Repayment of term bank loans	16	**(2,278)**	(1,980)
Repayment of loans from former members of Gateley Heritage LLP	16	**-**	(551)
Repayment of loans from former members of GCL Solicitors & Directors of IIS		**(904)**	-
Funding by EBT of SARS shares		**(1,863)**	-
Proceeds from sale of own shares		**767**	361
Acquisition of own shares		**(109)**	(217)
Dividends paid	9	**(8,118)**	(7,042)
Net cash used in financing activities		**(9,460)**	(9,608)
Net (decrease) / increase in cash and cash equivalents		**(1,414)**	1,605
Cash and cash equivalents at beginning of year		**4,301**	2,696
Cash and cash equivalents at end of year	20	**2,887**	4,301

The accompanying notes on pages 58 to 95 form 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 27.

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 £3.5m each, repayable quarterly at £0.65m until March 2020 then £0.15m per quarter until September 2023 together with unsecured overdraft facilities of up to £8m (2018: £8m). All 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.

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

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.4 Foreign currency (continued)

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
The Group has adopted IFRS 9 'Financial Instruments'. The standard specifies how an entity should classify and measure financial assets including some hybrid contracts. Financial assets are to be classified on principle-based requirements dependent on the assets contractual cash flow characteristics and the Group business model for managing those assets.

The standard also introduces an impairment model that is to be applied to debt instruments measured at amortised cost or fair value through other comprehensive income, as well as trade receivables and contract assets. Under the model, expected credit losses are to be recognised against financial assets. Expected credit losses have been calculated for the next 12 months in relation to debt securities and over the life time of trade and other receivables in line with the general approach provided within the standard. The Group have based the assessment of the expected credit losses on a number of factors including the credit risk of the asset upon initial recognition as well as observed actual losses against classes of financial assets and specific client and industry knowledge held by fee earners. In adopting IFRS 9, the Group has applied transitional relief and opted not to restate the prior period.

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.

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 that were previously classified as being available-for-sale and are stated at fair value under IAS 39, have been classified as equity investments measured at fair value through other comprehensive income under IFRS 9.

ii) Trade and other receivables
Trade and other receivables (except unbilled amounts for client work) are recognised and carried at amortised cost under IFRS 9. In line with the newly adopted IFRS 9, the Group recognises as disclosed in note 15 an expected credit loss against trade receivables in order to recognise the inherent risk that the Group may not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision recorded is based on a combination of historically observed collection rates and 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 measured at amortised cost.

Notes (continued)

1 Basis of preparation and significant accounting policies (continued)

1.6 Non derivative financial instruments (continued)

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 include 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.

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 its liabilities.
The Group's financial liabilities comprise trade and other payables, borrowings, contingent consideration, 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 with the exception of contingent consideration that is measured at fair value through profit or loss.

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.

The Group completed a number of complimentary acquisitions in the year, as a result of these the Group now holds various loans from former Partners or members of the acquired businesses. These loans are measured and held at fair value.

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.

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.

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.8 Business combinations (continued)

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, brands and software, 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
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.

Internally generated IT software
Costs associated with maintaining computer software programs are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:
- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to sell or use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.9 Intangible assets and goodwill (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years. Computer software under development is not amortised. Amortisation starts from the date on which the software is available for use. If a decision is made to halt development then the cost is immediately expensed.

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 recognised directly within 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 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.

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.

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.15 Revenue recognition (continued)

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.

The Group has adopted IFRS 15 Revenue from contracts with customers. Under the standard, revenue is to be recognised either over time or at a point in time. The model uses a contract based five-step analysis of transactions to determine when, and how much, revenue is recognised; this includes the matching of stand-alone process for services provided to the satisfaction of performance obligations.

The Group considers that there are two contract types in issue in the performance of professional services, being non-contingent and contingent contracts. Non-contingent work is typically recognised over the duration of the contract in line with the number of hours charged to the engagement at a pre-established rate. Under IFRS 15 the hours worked on these engagements are considered to be the satisfaction of the performance obligation, therefore where collection of revenue is considered probable, it is recognised in line with the hours performed. Contingent work is typically recognised at a point in time, once the pre-agreed stages of the contract performance are reached or concluded as a result of an event linked to each work type performance. In line with IFRS 15 the Group recognises revenue on these contracts at a point in time once the uncertainty over the contingent event has been satisfied. In some cases, though the contingent event is satisfied, there may be a delay or continued doubt over the collection of revenue. In these cases, revenue is billed at the point of conclusion; where there is considerable cause to doubt the recoverability of the revenue an appropriate provision is recognised.

The adoption of the standard has also resulted in both contract assets and liabilities being recognised. Under IFRS 15, unbilled revenue recognised by the Group meets the qualifying criteria for a contract asset as the amounts are derived from the existence of a contract, however have not yet been billed and therefore are not included within trade receivables. The Group have also recognised a contract liability under the standard that represents the amount of income that has been invoiced in advance of the service being performed. IFRS 15 includes a choice of transitional adjustments on initial application. As the impact of the new standard is not considered to be significant to the Groups revenue recognition policy, Management have elected to use the 'modified retrospective adoption', which is to retrospectively apply the standard with the cumulative effect of application being made to the opening balance of retained earnings on 1 May 2018. Implementation of this standard has therefore not resulted in a restatement of comparative period results.

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.

Notes (continued)

1 Basis of preparation and significant accounting policies (continued)

1.18 Taxation (continued)

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.

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: such charges are treated as non-underlying as the gain realised on the options granted is settled in shares not cash and therefore does not impact the income statement. The IFRS 2 charge is taken to the income statement, as this is not a true cash expense it is treated as non-underlying as it may distort the true performance of the Group.
- Amortisation and Impairment charges in respect of intangible fixed assets: these costs are treated and non-underlying as they are non-cash items.

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.
- Non-typical 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

At the date of authorisation of these Financial Statements, a number of new standards, amendments and interpretations to existing standards have been published by the IASB that are not yet effective and have not been applied early by the Group. The Group anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning on or after the effective date, once adopted by the EU:

- IFRS 16 Leases (IASB effective 1 January 2019, EU endorsed)
- Amendments to IFRS 9 Prepayment features with negative compensation (IASB effective 1 January 2019, EU endorsed)

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.21 Adopted IFRS not yet applied (continued)

- Annual Improvement to IFRS 2014-2016 Cycle relating to IFRS 12 Disclosure of interests in other entities (IASB effective 1 January 2017, not yet EU endorsed)
- Annual Improvements to IFRS 2015-2017 Cycle (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IFRS 3 Business Combinations (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IAS 28 Long term interests in associates and joint ventures (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to references to the conceptual framework in IFRS standards (IASB effective 1 January 2020, not yet EU endorsed)

With the exception of IFRS 16, the Group does not expect the adoption of any of these standards to have a material effect on the financial statements.

New standards and interpretations not yet applied

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. 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 performed work to assess the impact of the new standard. Such work has included 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 Group continues to assess the impact and implementation of the new standard, ensuring the correct treatment of leases going through a process of renegotiation.

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.

Notes (continued)

2 Revenue and 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. Also includes Kiddy & Partners Human Capital consultancy, providing assessment, talent management and leadership development and International Investment Services Limited, providing consultancy services to potential UK investors.
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:

	2019	2018
	£'000	£'000
United Kingdom	**95,319**	80,515
Europe	**3,351**	3,149
Middle East	**547**	670
North and South America	**3,457**	1,258
Asia	**206**	138
Other	**591**	360
	103,471	86,090

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 subsidiary. Net assets of £0.2m (2018: £0.5m) together with costs of £0.9m (2018: £0.8m) are located in the Group's Dubai subsidiary. Revenue generated by the Group's Dubai subsidiary from customers in the UAE totalled £0.7m (2018: £0.9m) as disclosed above.

The Group had no individual customers that represent more than 10% of revenue in either the 2019 or 2018 financial year.

Notes (continued)
2 Revenue and operating segments (continued)

2019

	Banking and Financial Services	Corporate	Business Services	Employee Pensions and Benefits	Property	Total segments	Other expense and movement in unbilled revenue	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Segment revenue	16,979	16,912	13,436	11,092	43,425	101,844	1,627	**103,471**
Segment contribution (as reported internally)	6,447	4,994	5,987	3,994	19,810	41,232	1,627	**42,859**
Costs not allocated to segments:								
Other operating income								**313**
Personnel costs								**(7,006)**
Depreciation and amortisation								**(2,528)**
Other operating expenses								**(17,052)**
Share based payment charge								**(655)**
Exceptional costs								**(61)**
Net financial expense								**75**
Profit for the financial year before taxation								**15,945**
Timing of revenue recognition								
Services transferred at a point in time								**32,326**
Services transferred over time								**71,145**
								103,471

Notes (continued)
2 Revenue and operating segments (continued)

2018

	Banking and Financial Services	Corporate	Business Services	Employee Pensions and Benefits	Property	Total segments	Other expense and movement in unbilled revenue	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	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								**357**
Personnel costs								**(4,490)**
Depreciation and amortisation								**(1,517)**
Other operating expenses								**(14,240)**
Share based payment charge								**(719)**
Exceptional income								**544**
Net financial expense								**(179)**
Profit for the financial year before taxation								**14,646**
Timing of revenue recognition								
Services transferred at a point in time								**23,883**
Services transferred over time								**62,207**
								86,090

Services transferred at a point in time
Group entities may be engaged on a contingent basis; in such cases the Group consider the satisfaction of the contingent event as the sole performance obligation within the contract. Fees are only billed once the contingent event has been satisfied. The initial financing of these engagement types is met by the Group. Due to the nature and timing of the billing, such engagements influence the contract asset balance held in the balance sheet at year end. In the majority of cases the contingent event is expected to be concluded within one year of the engagement date. The Group operates standard payment terms of 30 days. £11.7 million of the current period revenue is derived from services satisfied, in part, in the previous period.

Services transferred over time
For non-contingent engagements, fee earners hourly rates are determined at the point of engagement with all hours attributed to the engagement fully and accurately recorded. The recorded hours are then translated into fees to be billed and invoiced on a monthly basis. The Group typically operates on 30 days credit terms, in line with IFRS 15 the performance obligations are fulfilled over time with revenue being recognised in line with the hours worked.

Notes (continued)

2 Revenue and operating segments (continued)

Contract assets

Under IFRS 15 the Group is required to recognise contract assets based on the costs incurred in delivering the performance obligations stipulated in the contracts held with customers. These assets differ from accounts receivables. Accounts receivable are the amounts that have been billed to the client and the revenue recognised, whereas these contract assets are amounts of work in progress where work has been performed, yet the revenue has not been recognised and the amounts not yet billed to the client. Due to the nature of the services delivered by the Group the significant component of the cost of delivery is staff costs. As a result, there is little to no judgement exercised in determining the costs incurred as they are driven by the time recorded by fee earners.

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

Contract Liabilities

Under IFRS 15 the Group is required to recognise contract liabilities based on those amounts recognised against contracts for which the satisfaction of performance obligations has not yet been met. These liabilities relate to the deferred income recognised within Kiddy & Partners as a result of their billing structure. The amounts recognised by Kiddy & Partners reflect the agreed cost of the services to be performed and are realised in line with the ongoing cost of delivery. Due to the nature of the services provided by Kiddy & Partners, the main component of this cost of delivery is staff costs, as a result there is little to no judgement exercised in determining the value of the liability held at year end.

Notes (continued)

3 Other operating income

		2019	2018
		£'000	£'000
Rental and service charge income		**313**	357

4 Expenses and auditor's remuneration

Included in profit are the following:

		2019	2018
		£'000	£'000
Depreciation on tangible assets		**1,122**	970
Amortisation of intangible assets		**1,406**	547
Operating lease costs		**116**	132
Operating lease costs on property		**3,313**	2,981
Other operating income – rent received		**(258)**	(295)
Foreign exchange losses		**25**	66
Profit on sale of fixed assets		**(3)**	-
		2019	2018
Exceptional items		**£'000**	£'000
Release of lease incentive income		**-**	(182)
Release of contingent consideration income		**-**	(362)
Corporate finance structured expense paid on acquisition		**61**	-
		61	(544)

Exceptional items represent acquisition costs in respect of the acquisition of GCL Solicitors LLP.

Auditor's remuneration

		2019	2018
		£'000	£'000
Fees payable to the Companies auditors in respect of audit services:			
Audit of these financial statements		**68**	52
Audit of financial statements of subsidiaries of the Company		**22**	19
		90	71
Amounts receivable by the Company's auditor and its associates in respect of:			
Other assurance services		**33**	27
Tax compliance services		**11**	11
		44	38

Notes (continued)

5 Employees

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

		Numbers of employees	
		2019	2018
Legal and professional staff		**610**	509
Administrative staff		**297**	248
		907	757

The aggregate payroll costs of these persons were as follows:

		2019	2018
		£'000	£'000
Wages and salaries		**54,341**	45,825
Share based payment expense		**655**	719
Social security costs		**7,289**	5,283
Pension costs		**1,127**	794
		63,412	52,621

Details of the Directors' remuneration and share interests are given in the Directors' Remuneration Report on pages 20 to 26.

6 Financial income and expense

Recognised in profit and loss

		2019	2018
		£'000	£'000
Financial income			
Interest income		**523**	233
Total finance income		**523**	233
Financial expense			
Interest expense on bank borrowings measured at amortised cost		**(448)**	(412)
Total financial expense		**(448)**	(412)
Net financial income/(expense)		**75**	(179)

Notes (continued)

7 Taxation

		2019	2018
		£'000	£'000
Current tax expense			
Current tax on profits for the year		**3,297**	2,926
Under provision of taxation in previous period		**121**	38
Total current tax		**3,418**	2,964
Deferred tax expense			
Origination and reversal of temporary differences		**(268)**	(111)
Under provision on share-based payment charges		**(246)**	-
Total deferred tax expense		**(514)**	(111)
Total tax expense		**2,904**	2,853

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:

		2019	2018
		£'000	£'000
Profit for the year (subject to corporation tax)		**15,945**	14,646
Tax using the Company's domestic tax rate of 19% (2018:19%)		**3,030**	2,783
Expenses not deductible for tax purposes		**(1)**	32
Under provision of taxation in previous period		**121**	38
Under provision on share-based payment charges		**(246)**	-
Total tax expense		**2,904**	2,853

On 26 October 2015 the UK corporation tax rate was reduced to 19% (effective from 1 April 2017) and then further to 18% (effective 1 April 2020). The deferred tax liability at 30 April 2019 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

	2019	2018
	Number	Number
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**110,207,707**	106,881,953
Shares deemed to be issued for no consideration in respect of share based payments	**2,072,862**	4,074,859
Weighted average number of ordinary shares for calculating diluted earnings per share	**112,280,569**	110,956,812

	2019	2018
	£'000	£'000
Profit for the year and basic earnings attributable to ordinary equity shareholders	**13,041**	11,793
Non-underlying and exceptional items (see note 4)		
Operating expenses	**2,122**	722
Tax on non-underlying and exceptional items	**(403)**	(137)
Underlying earnings before non-underlying and exceptional items	**14,760**	12,378

Earnings per share is calculated as follows:

	2019	2018
	Pence	Pence
Basic earnings per ordinary share	**11.83**	11.03
Diluted earnings per ordinary share	**11.61**	10.63
Basic earnings per ordinary share after non-underlying and exceptional items	**13.39**	11.58
Diluted earnings per ordinary share after non-underlying and exceptional items	**13.15**	11.16

For the year ended 30 April 2019 the Group has elected to calculate earnings per share before non-underlying and exceptional items based after taxation thereof. This election has been made to provide a more reflective representation of adjusted profits. The prior year corresponding values have been presented on the same basis above (underlying earnings per the 30 April 2018 accounts were £11.35m).

Prior year earnings per share have been further amended to reflect the recalculation of shares deemed to be issued for no consideration.

Shares issued for no consideration

Under IAS 8, the Group has re-calculated the shares deemed to be issued for no consideration in respect of share based payments it anticipates will vest under the various SARs. This has resulted in an increase in 2018 weighted average number of ordinary shares from 110,830,394 to 110,956,812.

The impact of the recalculation above has reduced diluted earnings per share from 10.64p to 10.63p in 2018.

Notes (continued)

9 Dividends

	2019	2018
	£'000	£'000
Equity shares:		
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
Final dividend in respect of 2018 (4.8p per share) – 3 October 2018	5,264	-
Interim dividend in respect of 2019 (2.6p per share) – 15 March 2019	2,854	-
	8,118	7,042

The Board proposes to recommend a final dividend of 5.4p (2018: 4.8p) per share at the AGM. If approved, this dividend will be paid in mid October 2018 to shareholders on the register at the close of business on 20 September 2019. The shares will go ex-dividend on 19 September 2019. This dividend has not been recognised as a liability in these final statements.

10 Property, plant and equipment

	Leasehold improvements	Equipment	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
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
Balance at 1 May 2018	226	4,432	4,297	8,955
Additions	5	643	362	1,010
Arising on acquisition	-	325	334	659
Fair value adjustment on acquisition	-	(117)	(9)	(126)
Disposals	-	(8)	-	(8)
Balance at 30 April 2019	**231**	**5,275**	**4,984**	**10,490**
Depreciation and impairment				
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
Balance at 1 May 2018	82	3,438	3,500	7,020
Depreciation charge for the year	22	728	372	1,122
Arising on acquisition	-	200	174	374
Fair value adjustment on acquisition	-	(27)	(8)	(35)
Eliminated on disposal	-	(8)	-	(8)
Balance at 30 April 2019	**104**	**4,331**	**4,038**	**8,473**
Net book value				
At 30 April 2018	144	994	797	1,935
At 30 April 2019	**127**	**944**	**946**	**2,017**

Notes (continued)

11 Investment property

	£'000
Fair value	
Balance at 1 May 2017 and 30 April 2018	164
Balance at 1 May 2018 and 30 April 2019	**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 2019 at £164,000 (2018: £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 2017 and 30 April 2018	2,676	1,638	4,314
Acquisitions through business combinations	5,729	2,786	8,515
At 30 April 2019	**8,405**	**4,424**	**12,829**
Amortisation			
At 1 May 2017	-	472	472
Charge for the year	-	547	547
At 30 April 2018	-	1,019	1,019
Charge for the year	-	1,380	1,380
At 30 April 2019	**-**	**2,399**	**2,399**
Carrying amounts			
At 30 April 2018	2,676	619	3,295
At 30 April 2019	**8,405**	**2,025**	**10,430**

Sensitivities
The Group attributes a monetary value to the acquired customer lists based primarily on the anticipated future cash flows generated by the customers. Whilst the Group accounts for customer attrition and direct costs the main driver of this value is the estimated revenue resulting from the customers on the list. Management have estimated a year on year growth rate which has been applied to the model. The below table shows the Group's sensitivity to growth rates on the customer list valuation:

	Increase/(decrease) in value of customer list
	£'000
+1 % movement in growth rates	80
-1 % movement in growth rates	(80)

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 (CGU) 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. Of the goodwill balance held £5.7m is attributable to the property CGU and £2.7m is attributable to the employee benefits and pensions CGU. 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 10% was applied in determining the recoverable amount. The discount rate is based on the Group's 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 revenue 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 Group has conducted a sensitivity analysis on the impairment test of the CGU carrying value. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU. The analysis performed by management indicates that the discounted forecasts for the Property CGU would need to decrease by 47% and 41% within the Employee benefits and pension CGU in order to trigger an impairment charge.

13 Other intangible assets

	IT Development costs £'000	Computer software £'000	Total £'000
Cost			
Balance at 1 May 2017	-	-	-
Additions	**-**	**46**	**46**
At 30 April 2018	-	46	46
Additions	**237**	**39**	**276**
At 30 April 2019	**237**	**85**	**322**
Amortisation			
Balance at 1 May 2017	-	-	-
Charge for the year	-	7	7
At 30 April 2018	-	7	7
Charge for the year	-	26	26
At 30 April 2019	**-**	**33**	**33**
Net book amount at 30 April 2018	-	39	39
Net book amount at 30 April 2019	**237**	**52**	**289**

Notes (continued)

14 Other investments

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

	£'000
Fair value	
Balance at 1 May 2017	85
Additions	-
Balance at 30 April 2018	85
Additions	-
Balance at 30 April 2019	**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 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
Kiddy & Partners Limited	England and Wales	100%	Human capital consultancy
International Investments Services Limited	England and Wales	100%	UK Investment 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)
14 Other investments (continued)

The Directors have taken advantage of the exemption available under Section 479A of the Companies Act 2006 relating to the requirement for the audit of individual accounts for the following subsidiaries of the Group:

Entrust Pension Limited
Gateley Capitus Limited
Gateley Hamer Limited
International Investments Services Limited
Gateley EBT Limited
Gateley UK LLP
Kiddy & Partners Limited

15 Trade and other receivables

Impact of IFRS 9 transition

IFRS 9 specifies the classification and measurement of financial assets and liabilities. The adoption of the standard has principally impacted how the Group measures the following financial assets: trade receivables and unbilled revenue.

Under IAS 39 the Group held debts at selling price less any specific provision. Such provision was assessed on a debt-by-debt basis, representing the extent of any risk of default identified. Under IFRS 9, the Group now measures debts at selling price less any lifetime expected credit losses (ECL's). The Group have applied these calculated ECL's to all debts held.

The Group have applied ECL's to unbilled revenue in order to account for the potential default on amounts not yet billed to the client. The ECL's have been calculated on the same basis as those applied to trade receivables.

On adoption of IFRS 9 the Group has applied transitional relief and opted not to restate prior periods and has calculated an opening adjustment to reserves at 1 May 2018.

The adoption of the standard has not impacted the recoverability of the Group's debts.

	£'000
Recognition of lifetime expected credit losses on trade receivables	58
Recognition of lifetime expected credit losses on unbilled revenue	295
Impact of IFRS 9 Transition	353

The impact of the transition to IFRS 9 has been recognised within the opening reserves.

	2019	2018
	£'000	£'000
Trade receivables	**33,909**	28,512
Unbilled revenue	**10,671**	10,672
Prepayments	**2,584**	2,233
Other receivables	**42**	-
	47,206	41,417

Notes (continued)
15 Trade and other receivables (continued)

All trade receivables are repayable within one year.

Movement in the allowance for doubtful receivables

	2019	2018
	£'000	£'000
Brought forward provision	**(2,212)**	(2,011)
Brought forward on acquisition	**(14)**	-
Provision utilised	**450**	264
Charged to income	**(1,147)**	(1,296)
Provisions released	**196**	831
IFRS 9 provision	**(58)**	-
	(2,785)	(2,212)

Receivables not impaired, past due

	2019	2018
	£'000	£'000
Not past due	**21,250**	18,220
Past due 0-30 days	**4,120**	3,246
Past due 31-120 days	**4,030**	4,363
Past due greater than 120 days	**7,294**	4,895
	36,694	30,724

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 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.

Contract assets recognised under IFRS 15

Under IFRS 15 the Group is required to recognise contract assets, as detailed in note 2.

	2019
	£'000
Contract asset value at 1 May 2018	**10,672**
Contract assets arising on acquisition	**152**
Contract asset value added in the year	**32,185**
Contract asset value realised in the year	**(32,338)**
Contract asset value at 30 April 2019	**10,671**

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 22.

	2019 Fair value	**Carrying amount**	2018 Fair value	Carrying amount
	£'000	**£'000**	£'000	£'000
Non-Current liabilities				
Unsecured bank loan	**3,076**	**3,076**	2,982	2,982
Current liabilities				
Unsecured bank loan	**2,574**	**2,574**	1,977	1,977
Loans from former members of GCL Solicitors LLP	**425**	**425**	-	-
Loans from Director of IIS	**45**	**45**	-	-
	3,044	**3,044**	1,977	1,977

The unsecured overdraft facilities totalling £8m (2018: £8m) are repayable on demand.
On 8 June 2015, Gateley Plc entered into two new loan agreements of £5m each, £10m in total. On 28 October 2018 these existing loans were re-negotiated and an additional £3 million of total new loans were entered into. The new total term loans are repayable quarterly at £0.65m per quarter until March 2020 followed by quarterly repayments of £0.15m until September 2023. Interest is chargeable at 2.25% over LIBOR. On the acquisition of GCL Solicitors LLP £1.28m of amounts relating to individual members capital classified as a liability together with amounts due to members were converted into loans from former members. Loans from former members 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 these liabilities are forecast to be made in full by December 2019. On the acquisition of IIS £0.09m of amounts relating to an individual IIS Director's loan are repayable in monthly instalments commencing December 2018 and concluding in April 2020.

17 Trade and other payables

	2019	2018
	£'000	£'000
Current		
Trade payables	**4,769**	5,204
Other taxation and social security payable	**6,437**	6,355
Other payables	**167**	188
Contingent consideration	**1,428**	470
Accruals	**10,779**	8,761
Deferred income	**147**	-
	23,727	20,978

Contingent consideration relates to estimated earn out payments due to the vendors of Kiddy and Partners LLP (2018: Gateley Hamer Limited) that will be settled 50:50 in cash and shares.

Non-current	**£'000**	£'000
Other payables	**128**	121
Contingent consideration	**855**	-
	983	121

Notes (continued)
17 Trade and other payables (continued)

During the year £0.239m was paid to Gateley Hamer Limited in accordance with the terms of the acquisition. Contingent consideration of £0.72m relates to estimated earn out payments due to the vendors of Kiddy and Partners LLP that will be settled 50:50 in cash and shares together with £0.14m relating to estimated earn out payments due to the vendor of IIS that will be settled 15% in cash and 85% in shares.

Contract liabilities recognised under IFRS 15
Under IFRS 15 the Group is required to recognise contract assets, as detailed in note 2.

	2019
	£'000
Contract liabilities values at 1 May 2018	**-**
Contract liabilities arising on acquisition	**294**
Contract liabilities value added in the year	**2,757**
Contract liabilities value realised in year	**(2,904)**
Contract liabilities value at 30 April 2019	**147**

18 Deferred tax

Deferred tax assets and liabilities are summarised below:

Deferred tax asset
The deferred tax asset recognised in the Consolidated accounts represents the future tax impact of issued share based payments schemes that are yet to vest.

	Share based payments
	£'000
At 1 May 2017 and 1 May 2018	**-**
Credited during the year to retained earnings	**182**
Credited during the year in the consolidated income statement	**246**
At 30 April 2019	**428**

Deferred tax liability
The deferred tax liability recognised in the consolidation represents the future tax impact of the Groups benefit from customer lists obtained through acquisitions.

	Customer lists
	£'000
At 1 May 2017	**239**
Credited during the year in the consolidated income statement	**(111)**
At 30 April 2018	**128**
Arising through business combinations – Kiddy & Partners Limited and GCL Solicitors LLP	**529**
Credited during the year in the consolidated income statement	**(269)**
At 30 April 2019	**388**

Notes (continued)

19 Provisions

Professional indemnity

	2019	2018
	£'000	£'000
Brought forward	**605**	591
Provisions made during the year	**100**	210
Provisions released during the year	**-**	4
Provisions reversed during the year	**(75)**	(200)
At end of year	**630**	605
Non-current	**339**	405
Current	**291**	200
	630	605

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 is uncertain as the resolution of the cases are unknown at the year end.

Notes (continued)

20 Net debt

	2019	2018
	£'000	£'000
Cash and cash equivalents	2,887	4,301
Debt		
Total loans brought forward	(4,959)	(7,489)
Loans from former members	(469)	-
Extension to term loans in the year	(2,970)	-
Repayment of loans from former members	171	-
Repayment of term loans	2,107	2,530
Total loan carried forward	(6,120)	(4,959)
Net debt	(3,233)	(658)

	As at 1 May 2018	On acquisition	New loans taken out during year	Cash flows	As at 30 April 2019
	£'000	£'000	£'000	£'000	£'000
Term loans	(4,959)	-	(2,970)	2,279	(5,650)
Loans from former members of GCL	-	(1,280)	-	855	(425)
Loans from former director of IIS	-	(94)	-	49	(45)
	(4,959)	(1,374)	(2,970)	3,183	(6,120)

21 Share capital

Authorised, issued and fully paid

	2019	2019	2018	2018
	Number	£	Number	£
Ordinary shares of 10p each				
Brought forward	106,881,953	10,688,195	106,881,953	10,688,195
Issued on acquisition of GCL solicitors	1,164,276	116,428	-	-
Issued on acquisition of Kiddy & Partners	251,207	25,121	-	-
Issued on vesting of SARS	2,425,024	242,502	-	-
Issued as part of deferred consideration of Gateley Hamer Limited	138,329	13,833	-	-
At 30 April	110,860,789	11,086,079	106,881,953	10,688,195

On 22 May 2018 Gateley Plc acquired the business and assets of GCL Solicitors LLP in part for the issue of 1,164,276 10p ordinary shares.

On 22 June 2018 138,329 10p ordinary shares were issued as deferred consideration to Gateley Hamer Limited.

On 9 July 2018 the Group acquired the business and assets of Kiddy & Partners LLP in part for the issue of 251,207 10p ordinary shares.

On 18 July 2018 2,425,024 10p ordinary shares were issues upon vesting of the 2015 SARS scheme to participants.

Notes (continued)

22 Financial instruments and related disclosures

The Group adopted IFRS 9 Financial Instruments in the year, the impact of future credit losses is not considered to be material. Management have concluded that it is not reasonably possible to restate the prior year amounts without the use of hindsight; therefore the difference to the prior year carrying amounts has been recognised in the opening balance of the retained earnings.

	Trade receivables	Unbilled revenue	Cash & cash equivalents	Treasury shares
Measurement category under IAS 39	Invoice amount less provision	Selling price less provision	Carrying amount	Treasury share reserve
Carrying amount under IAS 39 £'000	33,967	10,966	2,887	(1,085)
Measurement category under IFRS 9	Amortised cost	Amortised cost	Amortised cost	FVTPL
Carrying amount under IFRS 9 £'000	33,909	10,671	2,887	(1,085)

IFRS 9 introduces the use of expected credit losses (ECLs) that apply to the life time of the financial asset. In performing this calculation Management have elected to group assets by operating unit in order to apply an appropriately disaggregated ECL based on the age of the assets. The calculation also encompasses factors such as industry and client specific information in order to reach the final provision. Further detail on the calculation of ECLs is provided within note 27.

Financial risk management
The Board 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.

Under IFRS 9 the Group have rebutted the presumption that financial assets with contractual payments more than 30 days past due have a significantly increased credit risk. Historic cash collection rates and the Group write-off of financial instruments do not show and increased likelihood of default once the payments are more than 30 days past due. The Group hold long standing relationships with most clients therefore there is no increased risk perceived based on the age of the contractual payment alone.

The Board considers financial instruments where contractual payments are significantly past due on a monthly basis to determine the risk of default. As part of this process and financial instruments that have had a significant increase in credit risk are identified. For these purposes default is considered to be where the counterparty to the financial instrument fails to fulfil part or all of their financial obligation. The Group will consider a financial asset to be credit impaired based on both the age of the item and specific knowledge held by the fee earner in relation to the clients ability and intention to meet their obligations.

Notes (continued)

22 Financial instruments and related disclosures

In circumstances where fee earners and the Board find sufficient indicators that there is no longer reasonable expectation of recovery, the amounts are written off.

In determining the expected credit losses on financial assets Management grouped assets by the operating segment and the age of the asset (into 30 day age brackets). Such groupings have been applied in order to sufficiently disaggregate assets into pools that share similar characteristics and a measureable credit history.

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

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

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

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

Foreign currency risk
The Group has one overseas operation based in Dubai which, therefore, exposes the Group to changes in Sterling/Dirhams exchange rates. Management does not consider this to be a significant risk to the Group due to the total value of transactions conducted in Dubai.

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)

Notes (continued)
22 Financial instruments and related disclosures (continued)

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):

	2019	2018
	£'000	£'000
Cash and cash equivalents	**2,887**	4,301
Trade receivables at amortised cost	**44,580**	39,184
Total financial assets	**47,467**	43,485
Trade and other payables	**(15,862)**	(14,623)
Contingent consideration at FVTPL	**(1,428)**	-
Short-term borrowings	**(3,044)**	(1,977)
Current financial liabilities	**(20,334)**	(16,600)
Long-term borrowings	**(3,076)**	(2,982)
Other payables due after more than one year	**(128)**	(121)
Contingent consideration at FVTPL	**(855)**	-
Total financial liabilities	**(24,393)**	(19,703)

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

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:

	2019	2018 Increase/(decrease) in equity list
		£'000
+1 % movement in interest rates	**43**	44
-1 % movement in interest rates	**(43)**	(44)

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:

	2019	2018
	£'000	£'000
Net currency	**279**	128

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	**Other**	Land and buildings	Other
	2019	**2019**	2018	2018
	£'000	**£'000**	£'000	£'000
Less than one year	**3,297**	**112**	3,290	127
Between one and five years	**10,585**	**214**	11,541	329
More than five years	**11,881**	**-**	13,637	-
	25,763	**326**	28,468	456

24 Capital commitments

As outlined in the Finance Directors report, the Group have entered a contract with a leading provider of legal technology for the development of a new practice management system, LexisOne. The contract is expected to continue into the calendar year 2020. There is no obligation at the year end.

25 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 £120,000 (2018: £95,000) and the amounts outstanding at the year-end are £Nil (2018: £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 £38,286 (2018: £28,432) in respect of employee benefits services provided by Mattiolli Woods Plc. In addition, the Group received revenues of £256,881 (2018: £197,443) 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 4.98% (2018: 5.52%) 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 2019: £2.591m (2018: £2.211m).

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

	2019	2018
	£'000	£'000
Wages and salaries	**2,255**	1,920
Social security	**311**	268
Pension costs	**-**	-
Share based payment charges	**25**	23
	2,591	2,211

Notes (continued)

26 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 an award of shares equal to the growth in value of the option between the date of grant and the date of exercise in excess of the hurdle rate calculated by reference to the number of reference options granted to each option holder. The hurdle rate is currently set at 115.765% of the market value of the underlying shares on the date of the grant.

During the year the first issue of SARS vested. Of the 7.2 million reference shares issued in 2015, 6.7 million were held at the exercise date, the resultant number of shares granted is detailed below:

	Reference shares in issue at exercise date	Price at grant date	Price at exercise date	Growth	Growth value	Number of shares at exercise price
	Number	£	£	£	£'000	Number (thousands)
SARS 15/16	6,650,000	1.100	1.731	0.631	4,198	2,425

The below table shows the estimated number of shares to be issued under the further two SARS scheme in issue based on the Company's share price at the balance sheet date of £1.60:

	Reference shares in issue at 30 April 2019	Hurdle price	Share price at 30 April 2019	Estimated growth	Estimated growth value	Number of shares at exercise price
	Number	£	£	£	£'000	Number (thousands)
SARS 16/17	10,275,000	1.39	1.60	0.21	2,158	1,349
SARS 17/18	6,750,000	1.83	1.60	(0.23)	-	-

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.

Notes (continued)
26 Share based payments (continued)

The annual unvested awards granted under all schemes are summarised below:

	Weighted average remaining contractual life	Weighted average exercise price	Originally granted	Lapsed at 30 April 2018	At 1 May 2018	Granted during the year	Lapsed during year	At 30 April 2019
	Years	£	Number	Number	Number	Number	Number	Number
SARS								
SARS 16/17 - 7 October 2016	0.4 years	£1.39	10,850,000	(425,000)	10,425,000	-	(150,000)	10,275,000
SARS 17/18 - 3 October 2017	1.4 years	£1.83	7,050,000	(175,000)	6,875,000	-	(125,000)	6,750,000
			17,900,000	(600,000)	17,300,000	-	(275,000)	17,025,000
SAYE								
SAYE 16/17- 1 September 2016	0.3 years	£0.95	1,166,779	(216,947)	949,832	-	(39,865)	909,967
SAYE 17/18- 15 September 2017	1.4 years	£1.33	556,296	(24,361)	531,935	-	(36,271)	495,664
SAYE 18/19 – 21 September 2018	2.4 years	£1.268	-	-	-	620,335	(19,874)	600,461
			1,723,075	(241,308)	1,481,767	620,335	(96,010)	2,006,092
CSOPS								
CSOPS 16/17 – 20 December 2016	0.6 years	£1.31	940,685	(151,737)	788,948	-	(68,205)	720,743
CSOPS 17/18 – 3 October 2017	1.4 years	£1.65	581,162	(39,390)	541,772	-	(52,724)	489,048
CSOPS 18/19 – 24 October 2018	2.5 years	£1.44	-	-	-	812,131	(22,916)	789,215
			1,521,847	(191,127)	1,330,720	812,131	(143,845)	1,999,006

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	CSOP	SAYE	SAYE	SAYE	SARS	SARS	SARS
Grant date	24/10/18	15/9/17	20/12/16	21/9/18	3/10/17	1/10/16	3/10/17	7/10/16	8/6/15
Share price at date of grant	£1.44p	£1.65p	£1.305p	£1.585p	£1.66p	£1.18p	£1.58p	£1.20p	£0.95p
Exercise price	£1.44p	£1.65p	£1.305p	£1.268p	£1.33p	£0.95p	£1.83p	£1.39p	£1.10p
Volatility	24%	24%	24%	24%	24%	24%	24%	24%	24%
Expected life (years)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Risk free rate	1%	1%	1%	1%	1%	1%	1%	1%	1%
Dividend yield	4.5%	4%	4%	4.5%	4%	4%	4%	4%	4%
Fair value per share Market based performance condition	£0.16p	£0.19p	£0.15p	£0.27p	£0.33p	£0.25p	£0.12p	£0.06p	£0.05p
Non-market based performance condition/no performance condition	-	-	-	-	-	-	-	-	-

Notes (continued)
26 Share based payments (continued)

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

The total charge to the income statement for all schemes now in place, included within personnel costs, is £655,000 (2018: £719,000).

27 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.

Estimates

Impairment assessment of trade receivables (note 15)

The Group has adopted IFRS 9 in the year. As a result the carrying amount of trade receivables on client assignment is held at selling price less lifetime estimated credit losses (ECL's) and any specific provisions. The inclusions of the ECL's contributes to reducing the risk relating to the amounts of debts that are recoverable or not recoverable.

ECL's have been estimated based on historic credit losses within each operating segment for each ageing bracket. These credit losses calculated have then been adjusted where appropriate for the inclusion of management and legal professionals' judgement to account for any forward looking information on specific clients.

Due to the nature of some of the matters on which the Group is engaged, management have also applied prudent specific provisions against certain debts where there is an identified risk of default beyond that captured by the ECLs. These specific provisions are made based on interactions between finance, legal staff members and clients, mindful of the specific circumstances of clients, matters and invoices.

Management have performed sensitivity analysis over the ECL and specific provision applied to trade receivables:

	Increase/(decrease) in value of trade receivables
	£'000
+1% movement in ECL and specific provision	(314)
-1% movement in ECL and specific provision	314

Management believe the overall provision held against trade receivables is prudent and therefore any increase in rate to be unlikely.

Notes (continued)

27 Accounting estimates and judgements (continued)

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. The principal uncertainty over this estimation is a result of the amounts not yet being billed to, or recognised by the client. The extent of such uncertainty is increased on contingent engagements as there is no certainty that the amount will be recoverable at all until the contingent event is satisfied. Management look to reduce this level of uncertainty by conducting comprehensive risk assessment over each engagement undertaken to minimise the overall risk held by the Group. 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.

Management have also applied lifetime estimated credit losses (ECL's) to the amounts of unbilled revenue recognised in the consolidated accounts, in line with IFRS 9. The ECL's have been based on historic credit losses observed by the Group and the judgements of management, on the same basis as those calculated for trade receivables.

Management have performed sensitivity analysis on the ECL applied to the WIP balance:

	Increase/(decrease) in value of WIP
	£'000
+1% movement in ECL rate	(110)
-1% movement in ECL rate	314

Management believe that the provision in place is sufficiently prudent and therefore any increase in the rate applied is unlikely.

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 made relate to the valuation of the brand, where the acquired brand is retained by the entity, and the customer list.
The value of such intangibles has been estimated based on the amount of revenue expected to be generated by them. The revenue estimations rely on annual growth rates. Management have selected the appropriate rates based on a combination of observed historical growth, industry norms and forecasted influencing factors. Management have also performed sensitivity analysis to assess the impact of any variation to the growth rate used, see note 12. The rates applied reflect previous growth rates, with sensitivities indicating that variations in the actual rate achieved are unlikely to materially impact the valuation of the intangible assets.

Judgements

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)

28 Business combinations

Acquisition of GCL Solicitors LLP
On 23 May 2018 Gateley Plc acquired the business and assets of GCL Solicitors LLP, a specialist in legal advice on residential developments. GCL works with some of the UK's top housebuilders as well as promotors and landowners. GCL is also one of the leading law firms who act for overseas private investors buying new build residential properties in the UK, primarily in and around London.

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	**Total**
	£'000	£'000	**£'000**
Property, plant and equipment	278	(91)	**187**
Work in progress	522	(370)	**152**
Intangible asset relating to customer list and brand	-	2,120	**2,120**
Cash and short term deposits	266	-	**266**
Trade receivables	981	-	**981**
Prepayments and accrued income	284	-	**284**
Total assets	2,331	1,659	**3,990**
Loans from former Partners – Partners current and tax liabilities	(1,280)	-	**(1,280)**
Trade payables	(534)	-	**(534)**
Accruals and other payables	(517)	(17)	**(534)**
Deferred tax	-	(403)	**(403)**
Total liabilities	(2,331)	(420)	**(2,751)**
Total identifiable net assets at fair value	-	1,239	**1,239**
Goodwill arising on acquisition			**2,900**
Total acquisition cost			**4,139**
Analysed as follows:			
Initial cash consideration paid			**2,282**
Issue of new 10p ordinary shares in Gateley (Holdings) Plc			**1,857**
			4,139
Cash outflow on acquisition			
Cash paid			**(2,282)**
Acquisition costs			**-**
Net cash acquired with subsidiary (included in cash flows from investing activities)			**266**
Net cash outflow			**(2,016)**

From the date of acquisition GCL has contributed £5.9 million to revenue and £0.8 million to Group profit for the period after taxation.

Notes (continued)
28 Business combinations (continued)

Acquisition of Kiddy & Partners Limited ('Kiddy')
On 9 July 2018 the Company acquired the business and assets of Kiddy & Partners LLP, a leader in its field delivering a comprehensive set of Human Capital consultancy services to businesses looking to improve the performance of their leaders and senior managers.

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	**Total**
	£'000	£'000	**£'000**
Property, plant and equipment	7	-	**7**
Intangible asset relating to customer list and brand	-	666	**666**
Trade receivables	340	-	**340**
Prepayments and accrued income	78	-	**78**
Total assets	425	666	**1,091**
Trade payables	(66)	-	**(66)**
Other taxation & social security payable	(22)	-	**(22)**
Accruals and other payables	(368)	-	**(368)**
Deferred tax	-	(126)	**(126)**
Total liabilities	(456)	(126)	**(582)**
Total identifiable net assets at fair value	(31)	540	**509**
Goodwill arising on acquisition			**2,491**
Total acquisition cost			**3,000**
Analysed as follows:			
Initial cash consideration paid			**426**
Issue of new 10p ordinary shares in Gateley (Holdings) Plc			**424**
Deferred cash consideration payable			**1,428**
Deferred share consideration payable			**722**
			3,000
Cash outflow on acquisition			
Cash paid			**(426)**
Acquisition costs			**-**
Net cash acquired with subsidiary (included in cash flows from investing activities)			**-**
Net cash outflow			**(426)**

From the date of acquisition, Kiddy has contributed £3.1 million to revenue and £0.8 million to Group profit for the period after taxation.

Notes (continued)
28 Business combinations (continued)

Acquisition of International Investment Services Limited ('IIS)
On 30 November 2018 Gateley (Holdings) Plc acquired all issued share capital in International Investments Services Limited (formerly Sirius London Limited) a specialist in supporting businesses expanding internationally, advising companies investing in the UK on all aspects of the UK finance landscape and developing a competitive business environment.

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	**Total**
	£'000	£'000	**£'000**
Cash and short term deposits	2	-	**2**
Tax receivable	6	-	**6**
Total assets	8	-	**8**
Other taxation & social security payable	(2)	-	**(2)**
Directors loan	(94)	-	**(94)**
Total liabilities	(96)	-	**(96)**
Total identifiable net liabilities at fair value	(88)	-	**(88)**
Goodwill arising on acquisition			**338**
Total acquisition costs			**250**
Analysed as follows:			
Initial cash consideration paid			**86**
Shares issued as consideration			**30**
Deferred consideration payable			**134**
			250
Cash outflow on acquisition			
Cash paid			**(86)**
Acquisition costs			**-**
Net cash acquired on subsidiary (Included in cash flows from investing activities)			**2**
Net cash outflow			**84**

From the date of acquisition, IIS has contributed £0.1 million to revenue and £nil to Group profit for the period.

29 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 £1,146,098 (2018: £793,869) and the outstanding balance at the yearend was £10,363 (2018: £20,284).

30 Subsequent events

There were no subsequent events.

Parent company statement of financial position at 30 April 2019

	Note	2019	2018
		£'000	£'000
Non-current assets			
Investments	5	**20,085**	16,180
Total non-current assets		**20,085**	16,180
Current assets			
Trade and other receivables	6	**9,856**	7,856
Cash and cash equivalents		**243**	1
Total current assets		**10,009**	7,857
Total assets		**30,184**	24,037
Non-current liabilities			
Other payables	7	**(855)**	-
Total non-current liabilities		**(855)**	-
Current liabilities			
Other payables	7	**(1,428)**	(470)
Trade payables	7	**(30)**	-
Total current liabilities		**(1,458)**	(470)
Total liabilities		**(2,313)**	(470)
Net assets		**27,871**	23,567
Equity			
Share capital		**11,086**	10,688
Share premium		**6,483**	4,332
Other reserves		**1,770**	1,548
Retained earnings		**8,532**	5,830
Total equity		**27,871**	23,567

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 2019 was £8,996,553 (2018: £7,739,000).
These financial statements were approved by the Directors on 15 July 2019 and were signed and authorised on their behalf by:

Michael J Ward
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078. The accompanying notes on pages 99 to 106 form an integral part of these financial statements.

Parent company statement of changes in equity

	Share capital	Share premium	Other reserves	Retained earnings	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At May 2017	10,688	4,332	1,548	5,583	22,151
Comprehensive income:					
Profit for the year	-	-	-	7,739	7,739
Total comprehensive income	**-**	**-**	**-**	**7,739**	**7,739**
Transactions with owners recognised directly in equity					
Dividend paid	-	-	-	(7,042)	(7,042)
Share based payment transactions				719	719
Total equity at 30 April 2018	**10,688**	**4,332**	**1,548**	**6,999**	**23,567**
At May 2018	10,688	4,332	1,548	6,999	23,567
Comprehensive income:					
Profit for the year	-	-	-	8,996	8,996
Total comprehensive income	**-**	**-**	**-**	**8,996**	**8,996**
Transactions with owners recognised directly in equity					
Dividend paid	-	-	-	(8,118)	(8,118)
Issue of share capital	398	2,151	222	-	2,771
Share based payment transactions	-	-	-	655	655
Total equity at 30 April 2019	**11,086**	**6,483**	**1,770**	**8,532**	**27,871**

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.

The accompanying notes on pages 99 to 106 form an integral part of these financial statements.

Parent company cash flow statement for year ended 30 April 2019

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**8,996**	7,739
Increase/(decrease) in liabilities	**117**	(364)
Increase in trade and other receivables	**(249)**	(131)
Net cash flows from operating activities	**8,864**	7,244
Investing activities		
Consideration paid on the acquisition of Kiddy & Partners and IIS	**(510)**	(203)
Deferred consideration paid in respect of Gateley Hamer Limited earn out	**(236)**	-
Net cash used in investing activities	**(746)**	(203)
Financing activities		
Receipt of funds for issue of SARS shares	**242**	-
Dividends paid	**(8,118)**	(7,042)
Net cash used in financing activities	**(7,876)**	(7,042)
Net increase/(decrease) in cash and cash equivalents	**242**	(1)
Cash and cash equivalents at beginning of the year	**1**	2
Cash and cash equivalents at end of year	**243**	1

The accompanying notes on pages 99 to 106 form an integral part of these financial statements.

Parent company notes to the financial statements For the year ended 30 April 2019

(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.

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 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 £3.5m each repayable quarterly at £0.65m until March 2020 then £0.15m per quarter until September 2023 together with unsecured overdraft facilities of up to £8m (2018: £8m). All of the Group's overdraft facilities are 12 months in duration. The Group's forecasts and projections show that the 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)
1.3 Non derivative financial instruments (continued)

i) 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.

ii) 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.

iii) Cash and cash equivalents
Cash and cash equivalents include 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

At the date of authorisation of these financial statements, a number of new standards, amendments and interpretations to existing standards have been published by the IASB that are not yet effective and have not been applied early by the Company. The Company anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning on or after the effective date, once adopted by the EU:

- IFRS 16 Leases (IASB effective 1 January 2019, EU endorsed)
- Amendments to IFRS 9 Prepayment features with negative compensation (IASB effective 1 January 2019, EU endorsed)
- Annual Improvement to IFRS 2014-2016 Cycle relating to IFRS 12 Disclosure of interests in other entities (IASB effective 1 January 2017, not yet EU endorsed)
- Annual Improvements to IFRS 2015-2017 Cycle (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IFRS 3 Business Combinations (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IAS 28 Long term interests in associates and joint ventures (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to references to the conceptual framework in IFRS standards (IASB effective 1 January 2020, not yet EU endorsed)

The Company does not expect the adoption of any of these standards to have a material effect on the financial statements.

2 Expenses

Audit fees in relation to the audit of these accounts of £10,000 (2018: £10,000) have been borne by Gateley Plc. The Company does not have any employees (2018: Nil)

Parent company notes to the financial statements (continued)

3 Investment income

On 14 March 2019, Gateley Plc, declared an intercompany dividend of £1,000,000 to its Parent Company Gateley (Holdings) Plc.

On 14 March 2019, Gateley Capitus Limited, declared an intercompany dividend of £1,000,000 to its Parent Company Gateley (Holdings) Plc.

On 14 March 2019, Gateley Hamer Limited, declared an intercompany dividend of £1,000,000 to its Parent Company Gateley (Holdings) Plc.

On 30 April 2019, Gateley Plc, declared an intercompany dividend of £6,000,000 to its Parent Company Gateley (Holdings) Plc.

4 Taxation

The Company's profit for the year arises from the receipt of intercompany dividends and the issuance of new shares to Gateley EBT Limited, 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 2017	15,437
Share based payment charge	719
Other costs	24
Balance at 30 April 2018	**16,180**
At 1 May 2018	16,180
Share based payment charge	655
Acquisition of Kiddy & Partners Limited	3,000
Acquisition of IIS	250
Balance at 30 April 2019	**20,085**

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
Kiddy & Partners Limited	England and Wales	100%	Human capital consultancy
International Investments Services Limited	England and Wales	100%	UK Investment 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)

	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

	2019	2018
	£'000	£'000
Amounts owed from Gateley Plc	**8,856**	7,856
Amounts owed from Gateley Hamer Limited	**1,000**	-
	9,856	7,856

All trade receivables are anticipated to be due within one year and repayable on demand.

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

	2019	2018
	£'000	£'000
Contingent consideration due in one year	**1,428**	470
Amounts owed to Gateley EBT Limited	**30**	-
	1,458	470

Other payables released during the year related to £0.47m of contingent consideration to the vendors 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.

Contingent consideration of up to £2.149m in relation to estimated earn out payments are due to the vendors of Kiddy and Partners LLP will be settled 50:50 in cash and shares together, £1.428m within one year and £0.72m after more than one year.

Parent company notes to the financial statements (continued)
7 Other payables (continued)

	2019	2018
	£'000	£'000
Contingent consideration due in more than one year	**855**	-

Contingent consideration of £0.14m in relating to estimated earn out payments are due to the vendor of IIS that will be settled 15% in cash and 85% in shares. All consideration is due after more than one year.

8 Capital and reserves

Authorised, issued and fully paid

	2019	**2019**	2018	2018
	Number	**£**	Number	£
Ordinary shares of 10p each				
Brought forward	**106,881,953**	**10,688,195**	106,881,953	10,688,195
Issued on acquisition of GCL solicitors	**1,164,276**	**116,428**	-	-
Issued on acquisition of Kiddy & Partners	**251,207**	**25,121**	-	-
Issued on vesting of SARS	**2,425,024**	**242,502**	-	-
Issued as part of deferred consideration of Gateley Hamer Limited	**138,329**	**13,833**	-	-
At 30 April 2019	**110,860,789**	**11,086,079**	**106,881,953**	**10,688,195**

9 Financial instruments and related disclosures

Financial risk management
The Board 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 counterpart 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):

	2019	2018
	£'000	£'000
Cash and cash equivalents	**243**	1
Group receivables	**8,105**	7,856
Total financial assets	**8,348**	7,857
Contingent consideration - FVTPL	**(2,283)**	(470)
Group payables	**(30)**	-
Current and total financial liabilities	**(2,313)**	(470)

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 26 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 25.

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 (note 5)

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 in 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. Management do not believe any impairment is necessary against the carrying value of its investments.

13 Contingent liability

A cross guarantee between the Company and Gateley Plc exists in respect of all term loans and overdrafts. The value of the contingent liability at 30 April 2019 is £nil (2018: £nil)

14 Subsequent events

There were no subsequent events.

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 19 September 2019 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 2019 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 2019, which is set out in the Company's annual report for the financial year ended 30 April 2019.

3. To declare a final dividend for the year ended 30 April 2019 of 5.4p per share payable on 18 October 2019 to shareholders on the register of members at the close of business on 20 September 2019.

4. To reappoint Neil Andrew Smith (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 Joanne Carolyn Lake (who retires in accordance with article 23.4.2 of the Company's articles of association and, being eligible, offers herself 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 £3,698,503 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 19 December 2020) 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 £554,776 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 19 December 2020) 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.

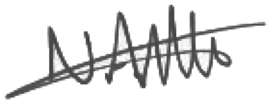
10. THAT, if resolution 8 above is passed, and in addition to any authority granted under resolution 9 above, the directors of the Company be and are hereby generally and unconditionally empowered pursuant to section 570 of the Act to allot Equity Securities for cash under the authority given by that 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 £554,776 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 19 December 2020) 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 11,095,510 (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 19 December 2020); 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 2019

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, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 12.30pm on 17 September 2019.

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 PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 12:30pm on 17 September 2019. 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 PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by 3.00pm on 18 September 2019.

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 17 September 2019 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 0371 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 £3,698,503, 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 £554,776, 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 £554,776, 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 11,095,510 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital as at 23 August 2019, 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).

gateleyplc.com