Gateley (Holdings) Plc

Annual Report

for year ended 30 April 2020

Gateley

Gateley (Holdings) Plc
Annual report and financial statements
Registered number 09310078
For the year ended 30 April 2020

Contents

Company information

Registration number	09310078	
Registered office	One Eleven Edmund Street Birmingham B3 2HJ	
Directors	RR Waldie	Chief Executive Officer
	PG Davies	Chief Operating Officer
	NA Smith	Finance Director and Company Secretary
	MJ Ward	Executive Director
	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 1 Bartholomew Close London EC1A 7BL	
	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 West Midlands B3 3SF	
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom	
Financial PR adviser	Belvedere Communications 25 Finsbury Circus London EC2M 7EE	
Website	www.gateleyplc.com	

Resilient and well-balanced business successfully navigating through uncertain economic conditions

A resilient set of results referable to a period of macro-economic uncertainty arising from on-going Brexit negotiations, a resultant change in Government and, during the final two months of FY20, major turbulence caused by the COVID-19 pandemic.

Financial Highlights

	FY20	FY19	Change
Group revenue	£109.8m	£103.5m	+6.1%
Group underlying operating profit before tax*	£18.7m	£18.0m	+3.9%
Group underlying profit before tax*	£18.1m	£18.1m	-%
Group profit before tax	£14.8m	£15.9m	-6.9%
Group profit after tax	£11.7m	£13.0m	-10.0%
Underlying basic earnings per share ('EPS')	10.34p	11.83p	-12.6%
Adjusted fully diluted EPS**	12.45p	13.15p	-5.3%
Net assets	£44.8m	£30.6m	+46.4%
Net debt***	£0.9m	£3.2m	-71.9%

* Underlying profit before tax and underlying operating profit before tax excludes share based payment charges, amortisation and exceptional items
** Adjusted fully diluted EPS excludes share based payment charges, amortisation and exceptional items. It also adjusts for the future weighted average number of expected unissued shares from granted but unexercised share option schemes in issue based on a share price at the end of the financial year
*** Net debt excludes IFRS 16 liabilities

COVID-19 impact update
- Swift action taken to enable the Group to continue trading profitably through the pandemic with ample financial liquidity
- Group benefitting from cost savings, as a result of new ways of working

Operational Highlights
- Further strategic diversification of the Group's service offering, through acquisitions of Persona Associates, t-three, Gateley Tweed and Gateley Vinden
- Successful and seamless move to home-working, testament to ongoing investment in technology and systems to support the Group's growth ambitions
- New five-year Orderly Market Agreement in place and new Long-Term Incentive Plan introduced

Current Trading and Outlook
- Group trading profitably and cash positive in Q1 of the new financial year ending 30 April 2021 ("FY21")
- Q1 FY21 activity levels down approximately 9% year-on-year
- FY21 activity levels down 7% at the end of August 2020 year-on-year
- Operational gearing opportunities, resulting from new ways of working, being explored further
- Strong balance sheet, disciplined working capital management and conservative levels of debt
- Diversified and resilient business model supporting the Board's confidence in the future performance of the business
- The current macro-economic outlook remains, however, too uncertain for the Board to be prescriptive on FY21 outlook at this stage

Rod Waldie, CEO of Gateley, said:

“We are delighted with the performance of the Group for the year and that the business has continued to trade profitably and remain cash positive throughout the new financial year. This would not have been possible without the commitment, dedication and understanding of all of our colleagues, whose wellbeing remains our highest priority.

“In FY20 we continued to invest in the growth of the Group through strategic headcount increases and four diversification acquisitions. The Group performed well and in line with market expectations until COVID-19 impacted at the end of February 2020. When country-wide restrictions were introduced in early March, many of the Group’s mandates were put on hold and, like most businesses, we experienced an unexpected and sudden reduction in revenue.

“As a people business with a cost structure aligned to forecast revenue, and with little time before the end of the year for cost mitigation measures to take effect, this reduction in revenue, during our critical Q4, immediately impacted our profitability. We took swift action to mitigate this, whilst taking great care to protect the long-term growth prospects of the Group, which are of utmost importance to all our stakeholders. We believe that it is crucial to the sustainability and future success of our business that we maintain capability and capacity, even if this impacts our profitability in the short term.

“The Group is benefitting from cost savings resulting from new ways of working introduced during lockdown, and we will capitalise on these and other operational gearing potential to improve margins in the longer term, and to strengthen further the resilience of our business.

“On a gradually improved trajectory, year to date activity levels are circa 7% down on the previous year. The Group has traded profitably and cash positive throughout the new financial year.

“Gateley is a resilient, diversified business that has a demonstrable track record of growth, delivered through numerous economic cycles. The business has a strong management team, a collegiate culture and a clear strategy to expand the breadth and depth of its service lines, via our “Platforms”, which are sector focused and bring together our increasing range of complementary legal and consultancy services.

“The Board is confident that the Group has more than sufficient resources to withstand the pandemic, to return to prior levels of profitability and to grow from there. We fully expect Gateley to emerge from this crisis in a strong position, well placed to capitalise on both organic and acquisition opportunities, as we continue to focus on long term growth that rewards our people and delivers attractive returns to our investors.

“We embrace the future with confidence.”

Chairman's Statement

I am delighted with the performance of the business during the past financial year, a year in which we successfully navigated the disruption and uncertainty caused by the lengthy debate on Brexit, and the unprecedented disruption caused by COVID-19. Gateley has demonstrated the resilience of its operating model and diversification strategy, delivered solid financial results under exceptionally challenging circumstances, expanded its staff complement and completed four strategic acquisitions. Everyone in the business, from top to bottom, should be proud of their achievements.

The businesses we added to the Group during the year, have integrated well, enhancing our market offering and further strengthening our now well-diversified Group. The scale, breadth and depth of our service offering has been, and will continue to be, at the forefront of our strategic thinking and operational focus. Our acquisition pipeline remains strong, as we focus on earnings and service line enhancing opportunities that fulfil our clients' needs. The professional services industry is immensely talented in this country, including our own highly skilled staff, and remains extremely adaptable. The services we offer to clients are critical to their operations, emphasising just how robust our legal and complementary services are with our wide, multi-sectoral, client-base.

Our people have ably risen to the challenges encountered throughout the year and, importantly, since the onset of the pandemic. Their dedication to the business, to their colleagues and to our clients has been first class. Their efforts, combined with the strength of the business, have enabled us to continue to invest for the future. Average employee numbers rose by 15.4% from 907 to 1,047 during the year, with 1,138 employees in the business at the year end. The majority of our team now have some form of equity stake in the business. We successfully established a new long-term incentive plan and a new orderly market agreement across key internal shareholders. The latter sets the blueprint for internal investment over the next five years prudently and manages any potential divestitures that internal shareholders may wish to make.

It was clear to the Board in early March 2020 that as a consequence of COVID-19 the economic environment in the UK would remain uncertain for some time. With poor visibility on economic outcomes, the Board took the sensible step to preserve the Group's financial liquidity by reducing salaries and cancelling all bonus and dividend payments. We also suspended financial performance guidance, to give ourselves time to digest and understand how COVID-19 changes were affecting our clients and our own business. It is the Board's intention to reinstate guidance as soon as we are able to forecast with a reasonable degree of accuracy. However, uncertainty prevails and we therefore consider it would be unwise, in the current rapidly moving economic environment, to extrapolate current performance figures to suggest an outcome for the full year ending 30 April 2021.

It is nearly 18 months since we announced that Michael Ward, our long-standing Chief Executive, would stand down at the end of the 2020 financial year, and that he would be succeeded by Rod Waldie. This was well planned to deliver a smooth transition. We could not, however, have foreseen the challenging circumstances under which the transition would take place. With this in mind, it is entirely appropriate to record how well Rod has risen to the challenge. His calm approach and his steady handling of such a difficult situation has been welcomed across the Group, particularly the way in which he has communicated with our people in the face of such adversity. Rod's existing long-established knowledge of the business, and understanding of its collaborative culture, entirely ratifies our decision to appoint a trusted and respected internal successor to Mike.

Finally, I would like to thank Mike, for his first-class leadership of the business throughout his tenure, and our first five years as a public company, as well as my colleagues on the Board, the management team and all of the staff at Gateley for their unremitting hard work, support and fantastic contribution to the business. In what has been a uniquely challenging year, Gateley's people have excelled in client delivery, have conquered every challenge presented, and have delivered further strategic progress for the business, all of which have served to deliver a solid set of results.

We look forward to the future with confidence.

Nigel Payne
Chairman
28 September 2020

Chief Executive Officer's Review

Introduction
The beginning of my tenure as Group CEO has thrown-up unexpected challenges. However, I would not be as confident as I am today in the robustness and resilience of the Group, and the continuation of the Gateley story, without the talent and commitment of all of our people. I must, therefore, start my first report as CEO by thanking all our people for their support and dedication to the ongoing success of the Gateley Group. The whole team has performed exceptionally well throughout the adversity caused by the global pandemic, which began just before our FY20 year end. I am immensely proud and excited to lead such a talented team of people. Whilst some difficult decisions have had to be taken as a result of COVID-19, we have a well-balanced, resilient Group with a strong and loyal client base, and I believe that the next few years will highlight Gateley's strength, as it rises to the challenges ahead.

Since the Group joined the AIM Market over five years ago it has almost doubled in size, both in headcount and revenue, as we have delivered on our strategy to differentiate, diversify, incentivise and grow. We are now an even more resilient, diversified business, with a demonstrably collegiate "one team" culture focused on delivering our strategic goals. That quality, depth and breadth enables us to deliver on our promises to all stakeholders in a sensible, well-managed way. The challenges we face today, as a result of the current economic climate, do not affect our confidence in the Group's ability to withstand all modelled scenarios for the year ahead, and we will continue to expand our Platforms for growth and focus on the delivery of a strong performance in FY21 and beyond.

Results overview
During the year, we completed four earnings enhancing acquisitions, further strengthening and diversifying the Group's services, and continuing to build-out our strategic Platforms offering. Following a solid first half trading performance, however, COVID-19 disruption impacted trading in the crucial final two months of the year, as transactions due for completion across a number of key work streams were placed on hold. Despite this, we are pleased to report that revenue increased by 6.1% during FY20 to £109.8m (FY19: £103.5m).

Our solid revenue performance reflects the strength in the breadth and balance of the Group's legal and consulting service lines. For example, despite a general decline in activity in the UK property sector, our legal and consulting teams, working together on our Property Platform, are currently trading ahead of prior year. In addition, many of the Group's counter-cyclical service lines, including Dispute Resolution, are extremely busy.

Cash generation during the year remained strong, as net cashflows from operating activities of £11.7m (FY19: £12.1m) represented 98.5% (FY19: 92.7%) of profit after tax. The Group spent £4.5m (FY19: £4.0m) on investing activities, including the net cash spend of £2.7m (FY19: £2.5m) on the four acquisitions. The Group's net debt at the year-end was a healthy £0.9m (FY19: £3.2m).

We made a number of key infrastructure investment decisions during the year, including flexing use of our office space and IT investment, which complement and enhance our new ways of working, aid the Group's operational gearing and enhance our ability to manage our costs.

COVID-19 actions taken
Immediately after the onset of the pandemic the Board reviewed the Group's cash position and its operating expenses and took swift and decisive action to minimise the anticipated financial impact.

Our immediate concern was the wellbeing of our staff, clients and suppliers and, on 17 March, we closed our offices to all but a skeleton staff.

Similar to our approach during the Global Financial Crisis in 2008/9 ("GFC"), in an environment in which the outlook is constantly changing and traditional near-term forecasting is compromised, we focused on financial liquidity and cash management and evaluated our actions against an ongoing COVID-19 liquidity model. Overarching this, we adopted the same principle as that adopted during the GFC; maintaining robust staffing levels to ensure we could continue to provide comprehensive, high quality, timely professional advice in circumstances where our clients need it more than ever. Our already well-managed and conservative financing structure is designed to maintain staffing flexibility, and to position the Group to outperform, as the UK economy normalises during the pandemic recovery phase. The swift decisions taken by the Board have enabled the Group to trade profitably and with ample liquidity. Examples of specific actions taken include:

- Bonus cancellation and Board and staff salary cuts for the first six months of FY21 of between 15% and 20% across the Group;
- Reductions in discretionary expenditure aided by new working practices;
- Cancellation of FY20 interim and final dividend;
- Limited acceptance of Government Support Schemes, aimed at those parts of the business which were either non-operational, or had restricted operations as a result of significantly reduced activity levels during COVID-19; and

Chief Executive Officer's Review (continued)

- Maximisation of cash flows including a no cost deferral of UK VAT payments totalling £5m and PAYE and national insurance payments totalling £7m between March and June 2020.

We did not pursue government loans, as we already have significant debt capacity and are well supported by our banking partners at HSBC, Lloyds and Santander, who continue to provide flexible working capital facilities that we can adapt to suit the needs of the Group.

During FY21, we anticipate receiving material furlough income and other staff savings, predominantly via H1 salary cuts, which were implemented to align overall costs with the changing level of revenue, but without reducing the Group's capacity to deliver services to clients. I am pleased, however, to report that we will return to full salaries from 1 November 2020.

Operational Review
During the year we saw further significant growth in our fee earning staff and created new service offerings. We established a private wealth team based in our London office, which operates nationally and internationally, and we expanded our regional housebuilding practice. Our corporate team in London was expanded and strategic real estate expertise was added in key regions. The reach of our litigation and restructuring teams was also extended during the year, with work predominately sourced from overseas, where our clients are seeking expertise in the UK legal system. We also created a bespoke real estate dispute resolution team, resourced internally, with wide-ranging expertise in commercial landlord and tenant, easement disputes, nuisance, restrictive covenants, boundary and title issues, trespass and beneficial interest claims.

Our international dispute resolution practice gained significant traction in FY20. Key new work in the year (which will carry on throughout FY21) includes acting for an executive agency of an overseas government in recovery of property from a former owner of a mainstream bank. This complex, top-tier multi-disciplinary, international work runs alongside mainstream insolvency and liquidator appointments, and tax avoidance recovery work. This is highly specialist work, delivered through the expertise of a team already within the Group who have long-established credentials in complex recovery cases in the UK and overseas. This is a prime example of the returns we are able to generate through our strategy to invest in niche, highly specialised services, and our ability to leverage counter-cyclical opportunities with established expertise.

We remain successful in winning work across all our Platforms, including appointment and/or reappointment to bank and housebuilding panels for our legal services teams, as well as in securing new multi-disciplinary (that is, legal and consultancy) appointments involving multiple Gateley service lines. Examples of the latter include:

- Legal (property) and surveying (utilities compensation - Gateley Hamer) services sold to a housebuilder;
- Legal (property) and fiscal incentives consultancy (Capital Allowances - Gateley Capitus) services sold to a UK logistics provider;
- Human Capital consulting (t-three) and legal (cyber security) services sold to a global pharmaceutical company; and
- Legal (employment) and Human Capital consulting (t-three) services sold to a national transportation systems business.

We are delighted with how well our legal and consulting services are combining to win these types of appointments, evidencing that broadening and strengthening these Platforms will secure further profitable growth.

We conducted our Group-wide tri-annual client survey during the year, scoring extremely well (net promoter score +68). Gateley remains the UK's most active M&A legal advisor by deal volume, as we reported in H1 2020 when the Group was ranked first in London and the North West and second in the Midlands and Yorkshire. In difficult times this is a resounding testament to our referral network, staff and service delivery capabilities.

As announced on 17 October 2019 the Group introduced a new five-year Orderly Market Agreement, which commenced on 8 June 2020. This replaced a similar agreement which was put in place at the time of the Company's admission to the AIM Market in 2015. The new agreement makes all the partners in the Group subject to a minimum capital investment, above which there is an annual sales cap. The overwhelming internal support for this showcases our collegiate culture and demonstrates our partners' long-term commitment to the Group's strategy.

We remain focused on investing in the right people to join the Gateley team, and incentivising them through plc share ownership, providing an attractive alternative to traditional law firm ownership models. Exercised SAYE, CSOP and SARS option schemes required the creation of 3,187,446 new shares during the Year, which represented 2.7% of the entire issued share capital of the Group. These schemes were granted three years ago, with the resultant shares increasing staff share ownership.

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

A new Long-Term Incentive Plan ("LTIP") has also been introduced to replace our existing SARS, creating greater alignment to the profit performance of the Group and greater clarity over the impact of dilution going forward. Shortly after the year end we issued our FY21 CSOP and new LTIP award schemes that were granted over 976,797 and 1,405,766 shares respectively.

We have spent many years building-up our physical footprint across the UK, matching our office locations with commercial opportunities available to the Group. As a result, we currently provide our services from most of the major commercial centres in the UK. Our office network remains an important asset and, during FY20, we secured targeted long-term positions, on favourable terms, in relation to parts of our office portfolio. Our strategy is to maximise the use of our existing offices. We believe that the agile working regime, which we have recently adopted, will enable us to on-board opportunities that become available to us, in or beyond our existing centres, without the need to extend the overall size of our office portfolio. This will further improve operational gearing and broaden and strengthen our business.

In 2019, we committed to a new ten-year lease on our second largest office, Manchester, and successfully relocated our 90+ Guildford team to new offices, also on a ten-year lease, to facilitate further expansion of services across the south of England and enable the complete relocation of the Persona Associates team from Horsham to the new Guildford office. We also took back office space from a long-standing sub-tenant in Paternoster Square, London. This was necessitated by the growth of our London based teams, including Kiddy & Partners, Gateley Hamer, Gateley Capitus and Gateley Legal. Our London base continues to act as a gateway for national and international clients. Finally, we have, recently, expanded our network by the opening of an initially serviced office in Newcastle, to support our housebuilding client needs. All of our office locations are multi-floored, and we have the ability in our leases to sublet attractively sized floor plates should we need to do so.

We were very pleased and proud to be awarded 'UK Law Firm of the Year' at the British Legal Awards in November 2019, whilst more recently winning Corporate Law Firm of the Year at the Thames Valley Deal Awards and the Greater Birmingham Chamber of Commerce 2020 Awards: Excellence in Contribution to the Community Award; and Excellence in Sales and Marketing Award. We believe these industry peer awards bear testament to the hard work and dedication of all our people, and an acknowledgment of the strength and quality of our business.

Our Platforms
In implementation of our strategy to differentiate ourselves by our ability to offer our clients complementary legal and consultancy professional services, we have continued to invest in our Platforms. These Platforms comprise clusters of complementary Group services, presenting a broader and more compelling offering to clients in specific markets, or sectors. This broader, connected services approach enhances cross-selling opportunities to our existing clients, and represents a compelling go-to-market strategy for new ones.

To this point we have successfully established our "Property Platform" and our "Human Capital Platform", with our plan being to replicate that approach in other areas as demand and opportunity dictate.

Our Property Platform currently comprises the expertise and services of our property lawyers, Gateley Capitus, Gateley Hamer, Persona Associates (now forming part of Gateley Hamer) and recently acquired Gateley Vinden. Though we may add to the breadth of services offered by this Platform in the future, it already offers a broad range of professional services, including legal, surveying, compulsory purchase and planning, land referencing, tax incentives and reliefs, dispute resolution and debt finance; all as they relate specifically to property, and all delivered by professionals and businesses expert in and dedicated to property.

Our "Human Capital Platform" currently comprises our employment, pensions and benefits lawyers, as well as Entrust, Kiddy & Partners and t-three. Again, we may add to this Platform in future, but already it offers employers an array of Human Capital services, including legal, pension trustee and advisory services, occupational and behavioural sciences services including c-suite and board-level assessment, leadership development and individual/organisational cultural/behavioural consulting and change programmes.

The Board's strategy is to continue to grow these Platforms, and add new ones, both organically and through acquisition.

Acquisitions
Our acquisition strategy is primarily focused on both legal and specialist consultancy services business targets which fit seamlessly into our market-focused Platforms of complementary service lines, supplementing our core legal services offering and differentiating our business. Our plc status and established reputation help us to attract and incentivise first class professionals to help us develop these Platforms from which we sell multiple services collaboratively.

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

FY20 was another busy year in the expansion of the Group, and I am pleased that we completed all planned deals prior to the onset of COVID-19 and the UK lockdown. Those new businesses to join the Group during FY20 are as follows:

Persona Associates (July 2019) - one of the UK's longest-established and leading land referencing consultancies, advising on some of the UK's largest infrastructure and regeneration projects. This business is now fully integrated into Gateley Hamer;

t-three (December 2019) - offers services and products to businesses that enable them to develop their senior people and effect cultural change within the business itself. Together with Kiddy & Partners, we now offer one of the largest specialist Human Capital consultancy businesses in the UK;

Gateley Tweed (March 2020) - offers specialist legal services in reputation management and media law, with offices in Belfast and a presence in Dublin and London. The acquisition expands our offering in media law, reputation management, privacy and brand protection and presents cross-selling opportunities into Tweed's existing and future client base. In addition, the acquisition has strengthened our position in the Irish professional services market providing a base in Northern Ireland and the Republic of Ireland from which we can offer broader legal services and allowing for growth and expansion in Belfast, where Gateley Capitus are already established, as well as a number of Gateley Legal Construction lawyers; and

Gateley Vinden (March 2020) - a specialist business offering corporate advisory, dispute resolution and consultancy to the built environment, property and construction markets. The acquisition has strengthened our Construction team and added weight to our corporate advisory, dispute management and resolution expertise.

Target acquisitions will allow us to create new Platforms, building on our existing legal services lines around which we can aggregate complementary consultancy services. Ultimately, our business will offer a balanced range of legal and related professional services, which will make us indispensable to our clients, create more opportunity for our people, differentiate us from our competitors and make us more attractive to our investors.

Succession and Board Changes
Michael Ward, who stepped down from the role of Chief Executive Officer on 30 April 2020, now oversees our consultancy services businesses and remains as an executive director on our Board.

Current trading and outlook
FY21 started better than we initially expected, given the worldwide economic crisis. The Group has been profitable and cash positive throughout the current year to date, albeit Q1 FY21 activity levels were down 9% year-on-year, improving to just 7% down at the end of August 2020.

Although there has been a positive trend in activity levels within the Group since April, the macro-economic outlook remains too uncertain for the Board to sensibly guide on the outcome for FY21. The fundamentals of our business, and the opportunities that exist for capitalising on our broader professional services through our Platforms, however, remain strong.

Gateley is a resilient, balanced and financially transparent business with a demonstrable history of growth across numerous economic cycles. Given our proven ability to perform in counter-cyclical markets and our low geared balance sheet, we fully expect to emerge from this crisis in a strong position, able to capitalise on both organic and acquisition opportunities to grow the business further. Opportunities undoubtedly exist to broaden our client offering and Platforms further and deliver strong returns to investors. We remain confident in our business and people and embrace the future.

R.R. Waldie

Rod Waldie
Chief Executive Officer
28 September 2020

Finance Director's Review

Revenue
Group total revenue grew by 6.1% (FY19: 20.2%) to £109.8m (FY19: £103.5m). Revenue from core legal service lines grew organically by 3.5% (FY19: 9.5%) and rose by a further 2.6% through acquisitions made during the year (FY19: 10.7%). Revenue from complementary consultancy businesses represented £11.0m or 10% of total revenue (FY19: £7.0m or 6.7%), highlighting the continued diversification of the business, as set out in the Group's strategy.

The Group benefitted from another strong year of organic growth in its legal Corporate reporting segment, which generated 17.1% growth in revenue. We continue to top deal-volume league tables, as a result of our expertly delivered services to our Private Equity and M&A clients. Our Property reporting segment grew by 3.8% as we took advantage of opportunities, generated by our diversified offering and overall Platform strength, at both regional and national level in the UK's construction, property development and housing markets, which rely upon long-term specialist legal support. We have enhanced the Property Platform in adding a suite of additional services as a result of the acquisition of Persona Associates in July 2019 and Gateley Vinden in March 2020. The acquisition of t-three in December 2019 contributed almost half of the 22.9% annual growth in our Employment, Pensions and Benefits reporting segment. Gateley Tweed, a new legal service line, slotted in well to our Business Services Platform towards the end of the year.

The FY20 outcome was not as initially expected, due to the unforeseen impact of COVID-19 on revenue. Transactions paused, which meant it was impossible for clients in the majority of our transactional-led work types to complete expected deals. However, new opportunities arose in other areas of our well-balanced business portfolio from the same clients, and the strength of our relationships held strong to ensure we achieved another year of growth.

Personnel costs and operating expenses
Our total personnel costs increased by £0.8m million to £63.5m (FY19: £62.8m). This comprised a mixture of headcount increases through a combination of organic and acquisitive growth, 1 May 2019 pay awards, minus the decrease in total staff financial rewards, which resulted from the Board's decision to cancel FY20 bonuses in order to conserve cash following the onset of the COVID-19 pandemic.

The impact of COVID-19 on the top line in the final six weeks of the financial year was sudden. No cost base within our business could flex quickly enough to counter such an impact. However, we took swift action to mitigate this loss of revenue and to plan for all possible scenarios. Commencing use of the Government's Job Retention Scheme ("JRS") was a key aspect of our plan as the uncertainty set in across the world. As COVID-19 took hold, we immediately ceased all non-essential recruitment and decided to use the JRS with immediate effect. Income during the year arising from the use of the JRS totalled £0.4m, as we placed 285 staff on furlough in April. Furlough scheme usage increased during May to July, followed by a subsequent reduction due to flexible working, a gradual return to restricted office working across certain locations and as a result of increases in activity.

Prior to the pandemic, our headcount was increased organically to meet client demand and as a result of making four acquisitions. Once again, we strengthened our legal and consultancy teams with key hires throughout the year. Eleven new legal partners joined the business in FY20 and we made six successful promotions to legal partner.

Average numbers of legal and professional staff rose by 15.7% to 706 (FY19: 610), whilst support staff numbers rose 14.8% to 341 (FY19: 297). Personnel costs as a percentage of fees reduced to 57.8% of revenue from 60.7% in FY19 excluding share-based payment charges.

Other operating expenses increased by 8.5% or £1.9m to £23.8m (FY19: 21.9m). £1.1m of this increase was as a result of the expansion of the Group following the four acquisitions made during the year. The remainder was due to investment in our information technology infrastructure and professional service fee increases, following a number of significant growth years. Operating expenses as a percentage of revenue increased by 0.4% to 21.6% (FY19: 21.2%).

Prior to lockdown the Group's cost base was growing proportionately with the level of organic growth generated, and as a result of the earnings enhancing acquisitions made mainly during the latter half of FY20. Following lockdown certain overheads ceased abruptly, as the business switched successfully to homeworking. Whilst not planned, some of the savings resulting from our new way of working will continue to benefit the business going forward and overheads will rebase. These costs are predominately property, travel and office supply related, and present a significant opportunity to navigate towards a lower total cost base in the future under new normal working practices. We remain fully focused on sensible cost management and control and we are confident that all actions taken in H1 FY21 currently enable us to anticipate that total costs for FY21 could be at a similar level to FY20.

Finance Director's Review (continued)
Personnel costs and operating expenses (continued)

Operationally, there remains a significant focus on IT, and our current and future infrastructure. We have invested sensibly over recent years and further enhance both our internal and client facing experiences of IT usage. I wish to thank Nick Capell, our IT Director, along with his team for the dedication they have shown in moving us all to home working with such care and professionalism. We have taken steps both pre and post pandemic to continue to refine existing processes, including moving to Microsoft Teams during 2019, investing in a new client opening technology and streamlining service delivery services.

Our response to COVID-19
As COVID-19 swept across the UK in mid-March, we prioritised the wellbeing of all staff across the Group. This involved the immediate closure of all of our offices and resultant changes in working practices, to ensure continuity of service to our clients as staff continued to support them and the business remotely. I am extremely pleased with the calm response of our staff and the Gateley team spirit shown across the Group in the face of such difficult circumstances. Whilst the statements in this report contain the strategic steps taken by the Group and our Board in handling the new challenges presented, the thoughts of each segmental reporting group head are detailed below to provide a context on trading sentiment and activity across the Group into and emerging from the UK wide lockdown.

(a) Since the initial impact in April and May the Banking and Restructuring Group has seen an increasing volume of new work as the business attempts to understand the impact of COVID-19. To date, the work has mainly been business and financial advisory, centred around the Government's various support schemes. However, we expect a significant uptick in transactional restructuring and refinancing as the longer-term economic effects of COVID-19 take hold - Brendan McGeever (Group head of the Banking and Restructuring Group)

(b) The initial impact of lockdown on the Corporate Group caused an abrupt slowdown in transactional work with many corporate deals either aborting or being postponed. The Corporate Group did, however, manage to maintain a reasonable degree of activity not only within its Private Client Unit, but also within its Corporate & Tax Units. As a testament to the Corporate Unit's large and diverse client base, there was deal activity through a number of well financed clients who saw opportunities in the market. Such activity levels have been steadily increasing, as the pipeline of work improves and confidence returns within the corporate community - Charles Glaskie (Group head of the Corporate Group)

(c) Our Business Services Group has so far weathered the COVID-19 storm. We are not yet back to pre-coronavirus activity levels, but after an initial dip, instructions have picked up, albeit not all of the projects we are advising on are of a comparable magnitude to pre-lockdown days. - Simon Pigden (Group head of the Business Services Group)

(d) For our Employment, Pensions and Benefits Group the announcement of lockdown and the Job Retention Scheme meant a very busy period in advising clients on furlough across all sectors. There was, however, an adverse impact on trading due to the general suspension of the Employment Tribunal system, the decline in transactional work and a drop off in day to day advisory work whilst workforces were furloughed. Work levels increased steadily during June and July, by which time the Employment Tribunal system was operating with some degree of normality, and there was a marked increase in transactional support work including numerous restructuring/insolvency matters. Business as usual employee relations advice work has also returned to more usual levels. - Andrew MacMillan (Group head of the Employment, Pensions and Benefits Group)

(e) The Property Group transitioned smoothly to home working on lockdown with the help of recent investment in IT. Work levels have been unusually strong in the specialist Logistics, Construction and Real Estate Disputes teams. Client activity has rebounded strongly in the Housebuilder team due to our diversified client base, while a relatively light Retail exposure has helped reduce the impact of lower activity levels in that sector. On the volume side, Plot sale rates initially fell sharply but have recovered strongly to be consistently above pre COVID-19 levels across the country. - Callum Nuttall (Group head of the Property Group)

Underlying operating profit before tax
Underlying operating profit before tax (PBT) of £18.7m increased by 3.9% from £18.0m enabling a steady PBT margin of 16.99% (FY19: 17.39%).

Underlying operating profit before tax excludes amortisation of acquired intangibles, impairment of intangibles and all share-based charges. Underlying profit before tax has been calculated as an alternative performance measure, in order to provide a more meaningful measure and year on year comparison of the profitability of the underlying business.

Finance Director's Review (continued)
Underlying operating profit before tax (continued)

Extract of UK statement of comprehensive income	2020	2019
	£'000	£'000
Revenue	109,838	103,471
Operating profit	15,361	15,870
Operating profit margin (%)	13.99%	15.34%
Reconciliation to alternative performance measure: underlying operating profit before tax		
Operating profit	15,361	15,870
Non-underlying items		
Share-based payment charges - Gateley Plc	821	655
Share-based payment charges - Kiddy & Partners	534	-
Amortisation of intangible assets	1,375	1,406
Exceptional items		
Acquisition costs	107	61
Impairment of software development costs	463	-
Underlying operating profit before tax	18,661	17,992
Adjusted underlying operating profit margin (%)	16.99%	17.39%

Earnings Per Share (EPS)
Basic EPS decreased by 12.6% to 10.34p (FY19: 11.83p). Basic EPS before non-underlying and exceptional items decreased by 5.3% to 12.69p (FY19: 13.39p). Diluted EPS decreased by 12.7% to 10.14p (FY19: 11.61p). Diluted EPS before non-underlying and exceptional items decreased by 5.3% to 12.45p (FY19: 13.15p).

Long-Term Incentive Plan ('LTIP')
The Group has introduced a new LTIP share scheme that aligns share option reward distribution with compound annual growth in EPS over a three-year vesting period based on underlying trading profit after tax rather than share price. The LTIP scheme uses EPS growth based on underlying profit after tax, as the most appropriately aligned profit measure that staff participating within the scheme can be held accountable against and is referred to as underlying fully diluted EPS. Profits used to calculate underlying EPS are disclosed below:

	2020	2019
	£'000	£'000
Reported profit after tax	11,723	13,041
Adjustments for non-underlying and exceptional items:		
Anticipated impact of IFRS 16 if it had been adopted in earlier years	-	(313)
Amortisation of acquired intangible assets	1,375	1,406
Share-based payment adjustments	1,355	655
Impairment of software development costs	463	-
Acquisition-related costs	107	61
Underlying profit after tax	15,023	14,850
Weighted average number of ordinary shares for calculating diluted earnings per share	115,599,727	112,280,569
Underlying adjusted fully diluted EPS	13.00p	13.23p

Finance Director's Review (continued)

Taxation

The Group's tax charge for the year was £3.0m (FY19: £2.9m), which comprised a corporation tax charge of £3.4m (FY19: £3.4m) and a deferred tax credit of £0.4m (FY19: credit of £0.5m).

The deferred tax credit arises due to a combination of credits in respect of the share schemes that have vested in the year and the release of deferred tax on brands. The total effective rate of tax is 20.6% (FY19: 18.2%) based on reported profits before tax. The increase is as a result of the increase in non-underlying and exceptional items (largely amortisation of acquired intangible assets and share based payment charges) that are not tax deductible.

The net deferred taxation liability was £1.2m (FY19: asset £0.1m).

Dividend

The Board's intention is to re-instate dividend payments at the earliest sensible opportunity and will review its position once the outturn for FY21 is known.

The Board's dividend policy remains to distribute up to 70% of profit after tax (PAT) to shareholders, typically one third following its half year results and two thirds after the full year results are known. During FY20, the Board proposed an interim dividend of 2.9p (FY19: 2.6p) per share, which was subsequently cancelled on 24 March 2020 to conserve cash within the business, as a result of the uncertainty arising from the impact of COVID-19.

Acquisitions

During the year we completed four acquisitions. The table below summarises the split of consideration between cash and shares, the net impact on cash during the year together with expected future cash payments from unpaid contingent consideration on all past acquisitions. Cash consideration is shown net of any cash in the acquired business.

Acquisition – consideration summary	**Cash**	Share value
	£m	£m
Initial consideration		
Persona Associates	**-**	0.1
t-three Consulting	**0.6**	1.6
Gateley Tweed	**0.9**	1.0
Gateley Vinden	**1.2**	3.0
	2.7	5.7
Contingent consideration – FY21		
Persona Associates	**0.1**	-
Kiddy & Partners	**0.1**	0.1
	0.2	0.1
Contingent consideration – FY22		
t-three Consulting	**0.3**	0.4
International Investment Services	**0.1**	-
	0.4	0.4

Balance sheet

The Group has adopted IFRS 16 Leases during the year, applying the modified retrospective approach, and therefore has not restated comparatives for previous reporting period. Details of the impact on the income statement and balance sheet as a result of the adoption of IFRS 16.

The Group net asset position has increased by £14.1m (FY19: £7.5m) to £44.8m (FY19: 30.6m), due to the following movements:

Finance Director's Review (continued)
Balance sheet (continued)

There was an £8.0m increase in intangible assets and goodwill to 18.4m (FY19: £10.4m), following the acquisitions made during the year. Intangible assets of £6.1m (FY19: 2.0m) have been created from current and prior acquisitions, such as client relationships, brand and computer software. The balance relates to goodwill of £12.3m (FY19: 8.4m) arising from acquisitions.

The Board has considered carefully the impact of COVID-19 on the future forecasts used in assessing the value in use of the cash generating units to which the goodwill and intangibles relate and determined that despite short term reductions such forecasts are more than sufficient to justify the carrying value of goodwill. Therefore, as at 30 April 2020, the Board concluded that the goodwill and intangible assets do not require impairment.

There was a £4.1m increase in total current assets, resulting from £3.5m additional trade and other receivables available for collection (including £2.2m from acquired businesses during FY20), a £1.0m increase in contract assets (unbilled revenue including £0.3m from acquired businesses during FY20), a £0.4m decrease in deferred tax assets and a £0.1m increase in cash at the bank.

Total liabilities increased by £0.1m, before IFRS 16 lease liabilities, as the planned repayment of total debt was offset by an increase in contingent consideration and the deferral of employment taxes of £3.6m and VAT of £1.2m prior to the year end. Conserving cash resources, following the impact of COVID-19 on the UK economy, became a priority as the year end approached.

Total net debt, excluding IFRS 16 debt, decreased to £0.9m from £3.2m due to strong cash generation and the holding back of payroll taxes and VAT referred to above.

Debt at the year-end comprised unsecured term loans of £3.1m (FY19: £5.7m), whilst loans to former partners of acquired businesses totalled £0.6m (FY19: £0.5m) and are repayable within the next 12 months. In April 2020 the Group agreed with its lending banks to restructure its term loan repayments from £1.5m repayable within the next 12 months, followed by a further £1.6m quarterly to September 2023, to the revised profile of £0.7m within the next 12 months, followed by £1.0m during FY22 and FY23 and finally £0.4m in FY24.

Working capital and cash flow

In December 2019 the Group increased its overdraft facilities from £8m to £12m. Following the impact of COVID-19 the Group moved swiftly to review its short-term borrowing facilities, which it increased from £12m to £20m. Subsequently, the Group has agreed to gradually reduce its total overdraft facilities with effect from 1 September 2020 from £20m down to £10m, together with its term loan facility of £3.1m which remains in place. Total overdraft facilities available will reduce to more historical levels of £16m on 28 February 2021, and to £10m at 30 April 2021 and remain at that level until 30 September 2021. The Group is seeking to provide longer-term certainty by increasing its term loan facilities from £3.1m at 30 April 2020 up to £10m, which it aims to have in place by 31 October 2020.

At the year end, unbilled revenue recognised in the Group's statutory accounts from time recorded on non-contingent work totalled £11.7m or 10.6% of revenue recognised over the last 12 months, compared to 10.3% at the end of FY19, where the billing cycle is annually most active ahead of the Group's April year end.

The Group was on track to show a significant improvement in debtor days prior to the end of FY20. However, as COVID-19 caused a slowdown in our clients' ability to keep up debt repayments, cash collections slowed, resulting in Group debtor days rising to 102 days compared to 100 days in FY19.

Cash generated from operations (post cashflow from IFRS 16 leases) was £11.7m (FY19: £12.1m), which represents 98.5% (FY19: 92.7%) of profit after taxation.

	2020	2019
	£'000	£'000
Net cash generated from underlying operating activities	**15,229**	15,166
Tax paid	**(2,767)**	(3,075)
Cash outflow from IFRS 16 leases (rental payments excluded from operating cash flows under IFRS 16)	**(801)**	-
Free cash flow	**11,661**	12,091
Underlying profit after tax	**11,723**	13,041
Cash conversion	99.5%	92.7%

Finance Director's Review (continued)
Working capital and cash flow (continued)

Capital expenditure increased to £4.4m (FY19: £4.0m). Cash outflow from financing activities of £8.0m was similar to outflows of £9.5m during FY19, as cash from dividend payments reduced. The Group continues to operate with a low level of gearing and fixed term debt.

Summary

The end of our fifth year as an AIM listed public company was not what we expected, due to COVID-19. However, our balanced and resilient business, strong people culture and the strengthening strategy through Platform enhancements makes Gateley an exciting place in which to work. Our business is carefully managed and financially transparent, and we have delivered growth through numerous economic cycles. Since the year end, we have laid the foundations to navigate the impact of COVID-19 on the business, using government schemes where appropriate. As we adjust to how our cost base has changed, through new ways of working, we will capitalise on new opportunities to make the business even more resilient. There is an obvious opportunity to maximise operational gearing. We are determined to embrace this and to improve our margin performance further. Our gradually improving performance since the end of FY20 is pleasing and gives us confidence for FY21 and beyond.

Neil Smith
Finance Director
28 September 2020

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 professional consultancy services. The Group sells its services through 23 business lines, grouped into five operating segments. Dependent on a client's requirements, any given instruction 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 eleven offices across the UK, as well as an office in Dubai. Gateley also maintains informal, non-exclusive, relationships with a number of law firms (30+) around the world, enabling it to provide clients access to a global legal solution.

Gateley became an Alternative Business Structure ("ABS") with effect from 1 January 2014. Non-lawyers are permitted to own and invest in ABS law firms. The Board believes a combination of the new ABS structure and admission to trading on AIM provides a platform for the continued profitable growth and future diversified development of the business. It enables the business to differentiate itself from its competition through an enhanced service-offering and unique career opportunity, to diversify its revenue streams through the acquisition of additional complementary legal and professional consultancy services businesses and finally to incentivise its people offering wider and earlier ownership to staff of a more modern, dynamic 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 consultancy service businesses offering complementary services
- Building out the Group's Platforms which comprise clusters of complementary group services presenting a broader and more compelling offering;
- 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;
- We will continue to provide enhanced cross-selling opportunities through collaborative working via our group wide Platforms
- 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.

Acquisitive growth

Gateley believes that it can strengthen its business by broadening its service offering through the acquisition of complementary legal and consultancy 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:

Strategic Report (continued)
Acquisitive growth (continued)

- 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

See Finance Director's report on pages 11 to 16 for a summary of key financial highlights during the year.

Management uses a number of financial and Non-GAAP alternative performance measures to assess the performance of the Group which are detailed below.

Financial Measures

- Revenue up 6.1% (2019: 20.2%) to £109.8m (2019: £103.5 m)
- Profit before tax down 6.9% (2019: up 8.9%) to £14.8m (2019: £15.9m)
- Profit after tax down 10.0% (2019: up 10.6%) to £11.7m (2019: £13.0m)
- Operating profit margin 14% (2019: 15.4%) – Operating profit as a percentage of revenue
- Basic Earnings per share (EPS) down 12.6% (2019: up 7.3%) to 10.34p (2019: 11.83p)
- Total dividend declared down 100% to nil (2019: up 14.3% to 8.0p)

Alternative Performance Measures (APMs)

- Operating profit before non-underlying charges up 3.9% to 18.7m (2019: £18.0m). Operating profit before non-underlying charges excludes income or expenses that relate to amortisation, share based payment charges and non-underlying and exceptional items, see reconciliation on page 16. 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;
- Operating profit margin before non-underlying charges 17% (2019: 17.4%) – Operating profit before non-underlying charges as a percentage of revenue;
- Revenue per pound of salary cost £1.73 (2019: £1.65): Employees are the driving force behind revenue earned and also the largest operating expense within the Group. Therefore this measure is vital in monitoring the ratio between the two;
- Revenue days 102 (2019: 100): 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 80% (2019: 85%): Utilisation represents an average of the total hours billed as a percentage of total budgeted hours for each employee. The measure is used by management to ensure efficient people management across the various segments and an early indication of group activity levels;
- Gearing ratio 8.5% (2019: 20.0%): 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 £0.9m (2019: £3.2m): Net debt is calculated by subtracting the cash balance from the 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.

Strategic Report (continued)

Earnings per share (EPS)

Basic EPS was 10.34p (2019: 11.83p). Diluted EPS was 10.14p (2019: 11.61p). Adjusted, fully diluted EPS was 12.45p (2019: 13.15p).

Cash flows

Net cash generated from operating activities was £12.5m (2019: £12.1m).
The Group's net debt position as at 30 April 2020 was £0.9m (2019: £3.2m).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Finance Directors review, together with the financial position of the Group, its cash flows, liquidity position and borrowing facilities including projected compliance with covenants. Financial projections have been prepared to April 2022 which show positive earnings and cash flow generation and projected compliance with banking covenants at each testing date. The COVID-19 situation has created an unprecedented and constantly changing challenge to all businesses. The process of monitoring the impact of the pandemic on the Group's financial performance and liquidity is ongoing. The Group has applied sensitivities informed by the performance of the group since the onset of the pandemic, including the Group's time recording activity, fee generation and cash collections from March 2020 and July 2020 into its current financial projections based on various downside scenarios to illustrate the potential impact from a loss of utilisation in the Group's personnel during home working, a loss of capacity from staff being unable to work due to sickness, a reduction in client activity by service line and business segment and constraints in the Group's ability to grow headcount or onboard new clients during 2020, 2021 and 2022 outside of those already contracted.

This process included a reverse 'stress test' used to inform downside testing which identified the break point in the Group's liquidity. Whilst the sensitivities applied do show an expected downside impact on the Group's financial performance in future periods, in all scenarios modelled the Board have identified the appropriate mitigating actions in order for the Group to maintain a robust balance sheet and liquidity position. In addition, the Board have also considered mitigating actions such as lower capital expenditure, reductions in personnel and overhead expenditure and other short-term cash management activities within the Group's control as part of their assessment of going concern.

Furthermore, as an extra safeguard to support the Group's liquidity position in light of the ongoing pandemic the Board has worked closely with its supportive banks in order to find the right balance between overdraft and term loan facility levels rather than seek restrictive term loan facilities available under government coronavirus large business interruption loan schemes. As at 30 April 2020 the Group moved swiftly to review its short-term borrowing needs which it increased from £12m to £20m due to the uncertainty of the impact of COVID-19. Subsequently, the Group has now agreed to gradually reduce its total overdraft facilities with effect from 1 September 2020 from £20m down to £10m, together with its term loan facility of £3.1m which remains in place. Total overdraft facilities available will reduce down to more historic levels of £16m on 28 February 2021 and then finally to £10m on 30 April 2021 and remain at that level until 30 September 2021. The Group is seeking to provide longer term certainty by increasing its term loan facilities from £3.1m at 30 April 2020 up to £10m which it aims to have in place by 31 October 2020.

The Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

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.

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

Potential Risk	Details of Risk	Mitigating Factors
Economic impact of COVID-19 Pandemic	At the time of writing the COVID-19 pandemic has created an unprecedented and constantly changing challenge to all businesses with no clear end point. Whilst Gateley has a relatively low risk, high visibility business model, which is adaptable to homeworking, we believe the risks to the Group posed by the COVID-19 pandemic are as follows: Liquidity risk • Elements of the potential disruption could impact the Group's ability to convert unbilled time into fees as client activity is affected by the pandemic which could slow down collection of cash as forecast; • Slow-down in business development activity may reduce future forecast cash flow, however this would likely be mitigated by a slow-down in recruitment activity. Risk of loss of efficiency • The short-term disruption of moving people from 11 offices to working from home; • Lower productivity at home and potential increase in level of claims from work undertaken during this period due to poorer connectivity, less communication between team members and possible family distractions; • Initial disruption impacting clients causing delays in concluding ongoing work and commencing new work due to change in their working practices. Risk of loss of projected capacity • Team members being incapacitated or having to care for other family members; • The slow-down in recruitment which is likely to be partially offset by lower attrition; • We may also lose capacity when we revert to office working which is likely to be on a phased basis; Risk in winning and mobilising new projects; • Cancelled promotional events and no face to face meetings with clients may cause a decrease in instructions although this is mitigated by strong personal relationships and the increased use of web based communication channels.	The Group considers that it is well positioned to withstand the effects of the COVID-19 pandemic and any resultant downturn. This assessment is made by virtue of the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse well spread client base. The balance between transactional services and litigation services effectively hedges the position of the business and whilst lockdown restrictions initially impacted clients the gradual return to working environments has eased this impact. The Group has already taken steps to preserve the liquidity of the business including cancelling the interim dividend, cancelling bonuses, temporary pay reductions, reducing non-essential expenditure and taking advantage of government initiatives to ensure it conserves cash until greater certainty of the medium to long term impact of the pandemic is known. The company remains confident that other mitigating actions are available alongside alternative sources of funding should further steps need to be taken. In the first quarter post the financial year end the reduction on efficiency was minimal as staff quickly adapted exceptionally well to home working. Our Learning and Development and IT teams have been extremely active in ensuring staff are supported in the use of IT and the new ways of working whilst our Marketing team have expanded the use of social media and webinar platforms to reach out to existing and new clients in order to protect against any decline in client activity.

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

Potential Risk	Details of Risk	Mitigating Factors
Economic impact of COVID 19 Pandemic (continued)	• Some clients and sectors slowing down due to social distancing and government restrictions in contracting new projects; • Practical challenges in planning and starting projects that have historically used physical presence in areas such as Human Capital consultancy or land and building inspections. Risk in IT & security • A possible breach of IT security through remote working, although significant groundwork has been put in place by the business over a number of years to mitigate this risk. Chance: High Impact: High Change in risk: New risk	
Economic impact of 'Brexit'	The United Kingdom stopped being a member of the European Union on 31 January 2020 with minimal impact on the economy. However, with an exit agreement to be finalised the impact of Brexit continues to be unclear. 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 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.

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

Potential Risk	Details of Risk	Mitigating Factors
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'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. 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 applied across the non-legal parts of the business where applicable. 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 undertaken 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 Group's and/or 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. The Group has a cyber insurance policy in place to help to mitigate this risk
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.	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.

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

Potential Risk	Details of Risk	Mitigating Factors
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 share holding of 10% or more) in Gateley Plc, (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 Plc 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.
	The SRA also regulates the use and disclosure of client information. The Group is exposed to the risk of employees engaging in misconduct, including the improper use or disclosure of confidential client information. Employee misconduct could result in considerable harm to the Group's reputation, as well as regulatory sanctions and financial damage. 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.

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

Potential Risk	Details of Risk	Mitigating Factors
Employees	Well trained and experienced employees are essential for the delivery of excellent professional services. The market for such employees remains competitive and the loss of or failure to recruit and retain such employees could impact on the Group's ability to deliver professional services and financial performance. A failure to implement effective succession planning throughout the business could also adversely affect financial performance. The geographical spread of management and the development of new offices and operations could compromise effective communication and responsiveness impacting the Group's strategic goals. Chance: Medium Impact: High Change in risk: No change	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 which are believed to be highly competitive. Employee contracts include appropriate provisions to protect the business where possible. 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 A comprehensive training programme is in place for all staff providing management, leadership, technical and skills training. The Board and the Boards of the subsidiary companies are responsible for the implementation of succession plans for each of the businesses and investment continues to be made in the recruitment of appropriate staff where required. Use of internal communications systems are continuously reviewed and developed to meet staff needs. The Group has a vision statement which sets out the core values and behaviours expected of staff.
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.

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

Management have considered the principal risks and uncertainties faced by the Group and have added this year the risk of COVID-19 on the business this year.

Section 172(1) Statement
The Board members consider that they have acted in the way most likely to promote the success of the Group for the benefit of its members. In doing so the Directors have considered to key stakeholders and other matters set out in s172(1) of the Act when making decisions in the year, including:

- likely consequences of any decisions in the long term;
- interests of the Group's employees;
- need to foster the Group's business relationships with clients, suppliers, and others;
- impact of the Group's operations on the community and environment;
- Group's reputation for high standards of business conduct; and
- need to act fairly as between members of the Group.

The disclosures set out below are some examples of how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) when discharging their section 172 duties and the effect of that on certain decisions taken by them. More detail on how our Board operates can be found in the Governance Report on pages 37 to 52. Illustrations of how section 172 factors have been applied by the Board can be found throughout the Strategic Report. For example, details on how we have considered the impact of the Company's operations on the environment are detailed below. Details of stakeholder engagement, including clients and employees, can be found under Principle 3 of the Corporate Governance Statement, see pages 39 to 40.

Board decision made in the year	**Application of s.172**
Strategy: Acquisition of businesses during the year	Gateley (Holdings) Plc has made several acquisitions in the year. During the Board's consideration of each acquisition management presented its due diligence findings. The Board considered how each acquisition would fit in with the culture of the business and the long-term value creation strategy of the wider Group. In each case the acquired business demonstrated its alignment with the Gateley ethos and strong potential for growth.
Strategy: Cancellation of dividend	In response to the economic uncertainty resulting from the COVID-19 pandemic the Board made the decision to cancel the interim dividend due to shareholders, with no final dividend being declared. In reaching this decision the Board considered all key stakeholders including shareholders, employees and creditors. The Board considered it appropriate to preserve cash reserves to ensure the continued ability to pay suppliers and employees in the event of an economic downturn.
Governance: Appointment of Rod Waldie as CEO	The Board is committed to ensuring that it possesses the right balance of skills, experience and knowledge to perform its duties effectively and deliver strong continued growth. The Board has planned for the succession of Michael Ward as CEO over a number of years and implemented a gradual handover to Rod. In selecting Rod the Board considered the existing skillset and experience of internal and external candidates, individually and as a whole, and the culture of the Group. On 1 May 2020 Rod Waldie was appointed as CEO of the Group.
Finance: Approval of 2020/21 budget	The Group's business plan is to drive sustainable growth in the long term, which is in the interest of all stakeholders. The Board has paid close consideration to this objective in establishing and approving the 2021 year end budget. In the current economic climate this has involved close monitoring of the impact of COVID-19 on each sector in which the Group operates, ensuring no over reliance on a single market or client; ensuring the Group is best placed to continue delivering a high standard of client service through evolving to the new way of working and increasing focus on minimising our environmental impact.

Environmental actions statement
The Board believes good environmental practices, such as the recycling of paper waste and conservation of energy usage, will support its strategy by enhancing the reputation of the Group. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

UK energy consumption and Greenhouse Gas disclosure
The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Gateley (Holdings) Plc to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHGemissions have been

Strategic report (continued)
Environmental actions statement (continued)

independently calculated by Briar Associates Energy and Environmental consulting engineers.
Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held –this includes electricity, natural gas, and business travel in company-owned or grey-fleet vehicles. The table below details the regulated SECR energy and GHG emission sources for the current reporting period 1 May 2019 to 30 April 2020 and details a comparison against last year 1 May 2018 to 30 April 2019.

	2020	2019	Change
Energy (mWh)			
Natural Gas	**1,313**	1,285	2.18%
Electricity	**5,020**	5,171	(2.92)%
Transport	**311**	298	4.36%
Total energy (mWh)	**6,644**	**6,754**	**(1.63)%**
Emissions (tCO2e)			
Natural Gas	**241**	236	2.12%
Electricity	**1,421**	1,464	(2.94)%
Total SECR emissions	**1,662**	**1,700**	**(2.24)%**
Intensity metric			
£m turnover	**109.8**	103.5	6.1%
tCO2e per £m of turnover	**15.1**	16.4	(7.93)%
	0.4	0.4	

Gateley (Holdings) Plc is committed to reducing its environmental impact and contribution to climate change. During the reporting period, detailed building and transport energy audits were commissioned through Briar Associates Energy and Environmental Consulting Engineers to identify potential energy-saving opportunities.

While the opportunities identified are not significant, Gateley (Holdings) Plc takes its impact on the environment seriously and has since identified an Energy Manager to review environmental initiatives as appropriate, beginning with the creation of an energy-saving action plan to identify areas of the business where energy can be saved and implement measures and strategies to achieve these savings.

Data records and methodology
Metered kWh consumption taken from supplier or landlord invoices is reported where possible. An exception to this is the energy consumption at our London premises, which has been calculated using manual meter readings. Where no data was available, energy consumption has been estimated against CIBSE industry benchmarks from CIBSE Guide F. Equivalent GHG emissions have been calculated using conversion factors published by BEISin 2019 and reported using both location and market-based methods.

Transport emissions have been calculated based on mileage expense claim records, applying the average UK split between petrol and diesel vehicles to estimate relative fuel usage. Mileage per fuel type was converted into equivalent GHG emissions using the most recent emissions factors published by BEIS in 2019, and then divided by the gross Calorific Value to deduce kWh consumption.

Social matters
We believe that running a profitable and growing business, which creates jobs and contributes to the economic success of the areas in which it operates, is a platform for good corporate social responsibility. We have a long-standing commitment to support our staff in engaging with their local communities and charities. This social awareness is present throughout the business, from our employees to our clients, our professional connections and the suppliers we use. Our continued contribution through the commitment of our people continues to improve lives and build communities.

Strategic report (continued)

Sustainability
To deliver strong, sustainable shareholder returns over the long-term, the operation of a profitable business is a priority and that means investing for growth. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations which provide a framework for both managing risk and maintaining its position as a good 'corporate citizen'.

Charities and communities
We have a high level of engagement within our local communities. Each year, we sponsor business, sports and community awards. Our business has benefited greatly from winning numerous awards and we feel it's right to help other businesses reap the rewards of such accolades. In addition, we sponsor a variety of local club, business and sports related events across the country. We believe this brings many benefits to the local community and beyond. Our staff vote annually to choose local office charities to support throughout the year with fund raising activities engaging staff, clients and communities in a number of enjoyable events.

Developing our people
The Group continues to create opportunities for staff at all levels of the Group. We have a strong track record as an employer of choice in the provision of legal graduate traineeships and apprenticeship schemes highlighting the Group's motivation to 'grow our own'. Trainees work alongside qualified professionals in completing a period of recognised training (often known as a training contract) giving individuals supervised experience in legal practice. This is the final stage of the process of qualification as a solicitor where they refine and develop their professional skills.

As an employer of non-lawyer consultants and our trusted and valuable support staff we offer both internal and external routes to qualifications within their chosen sector and expertise.

We have a dedicated internal training team on hand to oversee the development of our people. The team provides soft skills and professional qualifications guidance to enhance staff careers and develop our staff at all levels.

Diversity and inclusion
We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation. We have established four internal networks to support our people:

Unity - Unity recognises, celebrates and supports employees from all different cultures, religions, backgrounds and those with disabilities. Our Unity network group highlights and celebrate events across all our offices to ensure we have an environment where all employees have room to breathe and feel comfortable bringing their full selves to work.

Thrive – Our Thrive network group supports the health and wellbeing of all employees to promote high levels of performance both physically and mentally across the group. Thrive runs a series of events and training programmes throughout the year to raise awareness and to inspire our people to take care of themselves and those around them.

Inspire - The focus of our Inspire network group has been set up to nurture, develop and provide support to all of our talent with a particular focus on career milestones and enabling our people to carve the careers they want successfully.

Pride - The Gateley Pride network group to provides a welcoming, supportive, safe and confidential space for staff affected by sexual orientation and gender identity issues to share experiences, ideas or concern.

Modern slavery
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 adopted a specific modern slavery policy which covers our appointment of suppliers. 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.

Strategic report (continued)

Anti-bribery policy
We value our reputation for ethical behaviour and upholding the utmost integrity and we comply with the FCA's clients' best interests rule. We understand that in addition to the criminality of bribery and corruption, any such crime would also have an adverse effect on our reputation and integrity. Gateley (Holdings) Plc has a does not tolerate bribery and corruption and we ensure all our employees and suppliers are aware of our approach as to limit our exposure to bribery by:

- Setting out clear anti-bribery and corruption policies;
- Providing mandatory training all employees;
- Encouraging our employees to be vigilant and report any suspected cases of bribery in accordance with the specified procedures;
- Escalating and investigating instances of suspected bribery and assisting the police or other appropriate authorities in their investigations;
- Gender Pay Gap reporting.

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires all employers with 250 or more employees in the UK to publish details of their gender pay gap. Its aim is to achieve greater transparency about gender pay difference. The analysis is based on data as at 5 April of each year and shows the differences in the average pay between men and women. The Group has submitted its data on gender pay to the government and published these details on our website.

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

Employee consultation
The Group places considerable value on the involvement of its employees and has continued to keep them informed regularly on matters directly affecting them and Group wide developments. This is achieved through informal discussions between management and other employees at a local level after Board meetings which are held across our office network, in annual briefing presentations to each office location and through the formation of committees and Boards at different levels across the Group together with an active social events calendar. The Group further encourages employee involvement in the performance of the business through participation in share schemes, including the SAYE and CSOPs schemes. Our internal digital communication platform, refreshed in 2019, is now a hub of activity and communication across the Group and used extensively for social interaction as well as internal training, policy updates, cross selling activity and recognition of success from around the Group.

Political donations
The Group made no political donations in the year (2019: £nil).

Approval
The strategic report contains certain forward-looking statements, which are made by the Directors in good faith based on the information available to them at the time of their approval of this annual report. Statements contained within the strategic report should be treated with some caution due to the inherent uncertainties (including but not limited to those arising from economic, regulatory and business risk factors) underlying any such forward-looking statements. The strategic report has been prepared by Gateley (Holdings) Plc to provide information to its shareholders and should not be relied upon for any other purpose.

Pages 17 to 29 constitute the strategic report, which has been approved by the Board of Directors and signed on its behalf by:

Neil Smith
Finance Director
28 September 2020

Report on remuneration: voluntary disclosure

The Board submits its Directors' remuneration report for the year ended 30 April 2020. Although not subject to the reporting regulations of fully listed companies in the UK, the Board believes this disclosure is key to the readers understanding of the business. The Remuneration Committee has taken account of these regulations in the preparation of this report. This report sets out:

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

The 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.

The Committee meets formally at least twice a year and has responsibility for setting the Group'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 and oversight from the Plc Board including the Executive 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 long term incentive awards to senior management. 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.

Activities during the year

The main activities undertaken by the Committee during the year included:
- implementing a new long term incentive plan and granting awards under the plan;
- determining salary increases and incentive outcomes for the Executive Directors;
- setting the remuneration arrangements for the new CEO, Rod Waldie, who was appointed to the position with effect from 1 May 2020.

Remuneration policy

The remuneration policy is designed to support an effective pay-for-performance culture which enables the Group to attract, retain and motivate Executive Directors and senior management with the necessary experience and expertise to deliver the Group's objectives and strategy.

A new long term incentive plan (LTIP) was introduced during the year to replace the previous Stock Appreciation Rights Scheme (SARs). Whilst the initial issue of LTIP's under the new scheme in February was subsequently cancelled, a new issue was made post year end in July 2020.

The Committee considers that the new LTIP structure:

- appropriately incentivises the Executive Directors and senior management to deliver value creation over the longer term;
- aligns the interests of the Executive Directors and senior management with those of shareholders;
- is a simpler arrangement to communicate to stakeholders compared to the previous Stock Appreciation Rights Scheme;
- provides a clear line of sight for Executive Directors and senior management;
- enables the Committee to manage share plans dilution levels more effectively.

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

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.
Long Term Incentive Plan (LTIP) Designed to incentivise participants to perform at the highest levels, and to deliver genuine performance related pay, with clear line of sight and 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 be exercisable for six months following the vesting date. The Committee has the right to apply malus provisions to reduce, cancel or impose further conditions on unvested awards in specified circumstances.	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 will be subject to an adjusted fully diluted earnings per share performance measure.

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 Group introduced the SAR Scheme to assist in the recruitment, incentivisation and retention of Executive Directors and senior employees. Under the rules of the SAR Scheme, share options may be granted to participants which normally become capable of exercise from the third anniversary of the date of grant until six months thereafter subject to continued employment. Of the Executive Directors, only NA Smith participates in the SAR Scheme. No further SARs have been granted since October 2018 due to the introduction of the new LTIP as detailed above.	On exercise, participants will receive the growth in value of the share options between the date of grant and the date of exercise in excess of the hurdle rate. The hurdle rate is currently set at 115.765% of the market value of the underlying shares on the date of grant.
Pension and benefits The Executive Directors have chosen not to participate in a company funded pension scheme nor receive a cash allowance in lieu thereof. The Executive Directors do not receive any form of taxable benefits other than private health scheme benefits.	

Orderly market agreement

The Group has introduced a new five-year orderly market agreement (the "New Agreement") with its Partners (the "Locked-in Shareholders") which, inter alia, places certain restrictions on the sale of ordinary shares in the Company ("Ordinary Shares").

The New Agreement became effective on 8 June 2020 following the expiry of the current lock-in arrangements, which were put in place at the time of the Company's admission to AIM in June 2015 (the "Admission").

Pursuant to the New Agreement, each Locked-in Shareholder and his/her associates, which include their spouse and children under the age of 18 to whom any Ordinary Shares have been transferred ("Associates"), that held Ordinary Shares as at Admission will be restricted to selling a maximum of 10% per annum of the aggregate number of the Ordinary Shares that they held on Admission for a period of five years from 8 June 2020.

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 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. 49.5% (2019: 53%) of the Group's issued share capital was held by employees as at 30 April 2020.

Report on remuneration: voluntary disclosure (continued)

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 entered into 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. Suki 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. 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.

Summary of Directors' remuneration for the year

The following table represents the Directors' remuneration for the years ended 30 April 2020 and 30 April 2019:

	Salaries and fees	Bonus	Share Options *	Total 2020	Salaries and fees	Bonus	Share Options **	Total 2019
	£'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	36	-		36	36	-	-	36
Michael James Ward	260	-		260	220	110	-	330
Peter Gareth Davies	225	-		225	183	100	-	283
Neil Andrew Smith	190	-	43	233	175	90	99	364
	787	**-**	**43**	**830**	690	300	99	1,089

* Includes SAR awards exercised during the year and £4,000 that represents the charge per share of options granted in the year to 30 April 2018

** Includes SAR awards exercised during the year and £6,000 that represents the charge per share of options granted in the years to 30 April 2017 and 30 April 2018

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

Salary increases for the year

Salary increases awarded during the year reflect the Committee's intention for Executive remuneration to be competitively positioned for the commencement of the 2021 financial year. Upon appointment to CEO on 1 May 2020 the Remuneration Committee has agreed for R R Waldie to assume the same salary level as M J Ward. R R Waldie's salary for the year to 30 April 2020 was £180,000 per annum with an entitlement to the merit pool bonus.

Bonuses for the year

The Committee considered it appropriate not to award bonuses to Executive Directors for the year ended 30 April 2020 in light of the impact of the COVID-19 pandemic on underlying financial performance and to help retain cash in the business.

Long term incentives vesting in respect of the year

Awards granted under the SAR Schemes that have vested and became capable of exercise during the financial year are listed below. All awards below were issued to NA Smith.

Number of reference shares under the 2016 SAR 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[2]
150,000	£1.39	£1.650	23,819	£39,301

[1] Being the share price on the date of grant of £1.20 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 SAR award.

Long term incentives granted during the year

No awards were granted under the SAR Scheme during the year ended 30 April 2020.

Awards were granted to Executive Directors and selected senior employees under the LTIP on 24 February 2020 based on Earnings Per Share performance targets. The Committee subsequently agreed to cancel the awards on the basis that the Earnings Per Share performance targets (measured over the three year period ending 30 April 2022) were no longer considered achievable given the impact of the COVID-19 pandemic. The fair value of the cancelled awards is deemed to be nil.

Long term incentives granted during the year commencing 1 May 2020

The Committee subsequently reassessed the long term incentives and new LTIP awards were granted on 22 July 2020.
The LTIP awards were granted to the same employees in the same proportions as the February 2020 LTIP grant. However, approximately 28% more awards were granted overall to enhance incentivisation during the difficult and challenging economic conditions encountered due to the impact of the COVID-19 pandemic.

The awards are subject to an adjusted fully diluted earnings per share performance measure as described in the table below. The targets are considered appropriately stretching taking into account the current economic environment.

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

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%

Adjusted fully diluted earnings per share is calculated based on Profit of the Group 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 IFRS 2 share-based payment charges relating to all share schemes
- cost and/or income from exceptional items
- the tax impact of adjustments above

LTIP awards granted on 24 February to NA Smith totalled 12,500 but were subsequently cancelled to be replaced by awards totalling 15,974. No awards were granted to MJ Ward, PG Davies and RR Waldie as they are deemed to be sufficiently incentivised by their existing shareholdings.

The Committee does not intend to grant further LTIP awards during the year.

Directors' Interests

Directors' shareholdings at the year end were as follows:

	10p ordinary shares		10p ordinary shares	
	Number of shares	**Percentage Holding**	Number of shares	Percentage Holding
	At 30 April 2020		At 30 April 2019	
Nigel Terrence Payne	**70,918**	**0.06%**	55,926	0.05%
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	**2,216,754**	**1.88%**	2,466,754	2.23%
Peter Gareth Davies	**2,215,739**	**1.88%**	2,481,204	2.24%
Neil Andrew Smith	**383,313**	**0.33%**	480,846	0.43%

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

Under the SAR Scheme, participants are entitled to shares equivalent to the growth in value above the exercise price. The following Directors held share options under the SAR Scheme as at 30 April 2020:

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

[1] Being the share price on the date of grant of £1.58 multiplied by the hurdle rate of 115.765%

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 Gateley Vinden) and human capital consultancy services (via Kiddy & Partners Limited and t-three).

The Group sells its services through 23 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 eleven 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 sixth year post Admission to AIM, the Board has re-considered the 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.

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 look after our clients' businesses as if they were our own;
- Attracting new talent wishing to be part of a pioneering law-led 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.

Corporate governance statement (continued)
Organic growth strategy (continued)

- Continuing to extend Gateley's relationships with the UK's leading house builders particularly
- 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 continued to increase and is now approximately 1,131 at the date of this report. Recruitment has once again been active during the year at all levels as 18 apprentices joined in September 2019 to the continued recruitment of senior professionals (including 11 new laterally hired partners joining 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) ; Kiddy & Partners (human capital consultants specialising in assessment, talent management and leadership development); International Investment Services (inward investment company) and in the legal sector, GCL Solicitors. In the 2020 financial year we acquired Persona Associates (one of the UK's leading land referencing consultancies; t-three (specialists in people, leadership development and behavioural change); Gateley Tweed (multi-jurisdictional advice on reputation, media and privacy) and Gateley Vinden (a specialist business offering corporate advisory, dispute resolution and consultancy to the built environment, property and construction markets).

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 a range of employee share schemes that ensure all staff have the opportunity to acquire shares and participate in the financial success of the 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.

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.

Corporate governance statement (continued)
Principle 2 (continued)

Throughout the year, the Chairman is in regular contact with institutional shareholders and the Group has appointed an investor relations officer who seeks feedback on a regular basis from shareholders and potential shareholders. Gateley's CEO (since 1 May 2020 Rod Waldie and previously Michael Ward), Finance Director (Neil Smith) and Investor Relations Partner (Nick Smith) present to the city analysts and institutional investors following the interim and annual results announcements as well as on an ad hoc basis (where requested by fund manager). The Group also encourages its brokers to interact with shareholders and provide feedback from those discussions so that the Group can respond accordingly. Shareholder communication is answered, where possible or appropriate, by Directors, the Group's Financial PR advisors or the Group's brokers.

The Group 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 Group's positioning and prospects, which is available on the Group's website.

The Group also endeavours to maintain a dialogue and keep shareholders informed through its public announcements and Group 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 the services it provides and the manner in which it carries on its business.

The Annual General Meeting of the Group, normally attended by all Directors, provides the Directors with the opportunity to report to shareholders on current and proposed operations and developments, and 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 Group announces the detailed results of sharehlder voting to the market 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 Group'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 Group's internal intranet system was the subject of significant development in 2019 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 Group's share option scheme giving them a stake in the Group's long-term success. Regular employee engagement surveys are conducted to inform many business decisions, particularly in relation to and use these to inform many of our decisions, particular in relation to retention and recruitment.

We hold an annual state of the firm address 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.

Corporate governance statement (continued)
Principle 3 (continued)

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 a client engagement programme STELLAR, to better understand our clients' experience of the service we provide. Initially only small number of clients who benefitted from this extra level of attention and support but the programe is gradually being extended to others. STELLAR' 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 deploy a number of client management tools and processes that we have developed from best practice 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 Group works closely with its advisors to ensure it operates in accordance with the market regulations.

The CEO and FD have regular meetings with the Group'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.

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 Rod Waldie CEO, Michael Ward Executive Director/Compliance Officer Legal Practice ("COLP") and' Neil Smith FD/ Compliance Officer Finance and Administration ("COFA") 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

Corporate governance statement (continued)
Principle 4 (continued)

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. The Risk Committee works with the Operations Board and other specialist managers in the business (e.g. MLRO, Lexcel Officer, Head of Learning & Development and Head of Facilities) 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) manages the internal audit function within the organisation. Audits have been undertaken in relation to each area of risk identified in the business and consideration has been 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 2020 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 Group 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. Each of the consulting business has a management board with reports to the Strategic 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 Group. The Board notes that the Company Secretary is not independent. 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.

From 1 May 2020 there are seven Directors on the PLC Board following the appointment of Rod Waldie as CEO: three independent Non-Executive Directors and four Executive Directors. The Non-Executive Chairman of the Board is Nigel Payne with Joanne Lake being the Senior Independent Director.

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

Corporate governance statement (continued)
Principle 5 (continued)

to present to or advise the Non-Executive Directors – for example the IT Director, Information Security Officer, Group HR Director and Group Marketing Director 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 Group'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. Following his appointment as CEO on 1 May 2020, Rod Waldie will step back from his fee earning role in the business to enable him to carry out his role as CEO on a full time basis.

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 Group 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 2020 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 2019/2020:

1 May 2019 to 20 April 2020	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM 2019
Number of meetings	7	2	1	1	1
Nigel Payne	6	1	1	1	1
Joanna Lake	6	2	1	1	1
Suzanne Thompson	6	2	1	1	1
Michael Ward	6	1*	-	-	1
Peter Davies	7	-	-	-	1
Neil Smith	7	2	1*	-	1

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.

Corporate governance statement (continued)
Principle 5 (continued)

For the financial year ending 30 April 2020 the Strategic Board comprised nine individuals including the CEO, COO, Group FD, Group HR Director and five 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 annually 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 Group. Directors are aware of their duty to promote the Group'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 Group. 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 Group.
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 Group.

Corporate governance statement (continued)

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

The Group 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

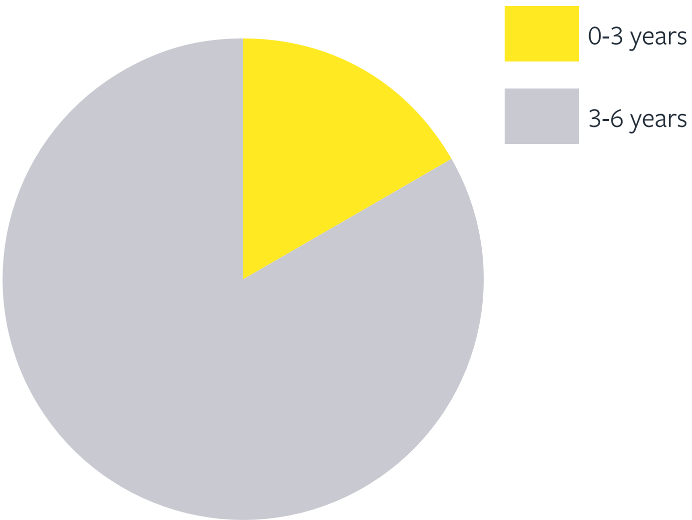
Corporate governance statement (continued)
Principle 6 (continued)

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 https://investors.gateleyplc.com/home/board-of-directors/.

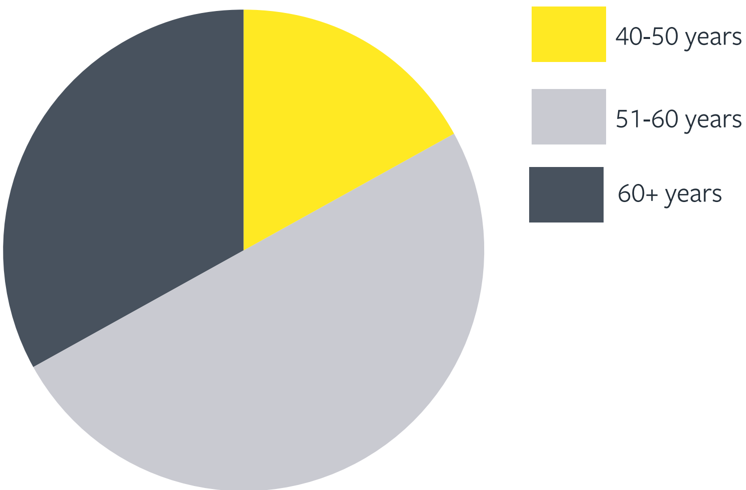
The Executive Directors participate in all of the regulatory training programmes of the Group and the Non-Executive Directors are invited to participate as appropriate.

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)

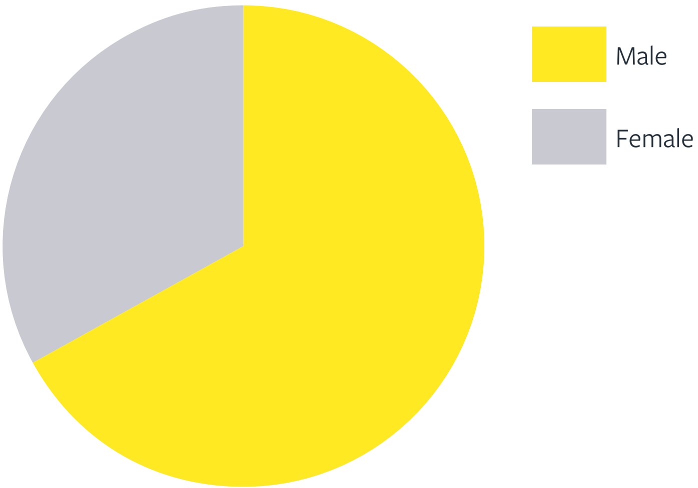


Age



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 Group's development. However the Board will keep this under review and may consider independent external evaluation reviews in due course as the Group 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. 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 and non-legal parts of the business are required to comply. Following the acquisition of GCL Solicitors, Gateley Plc has sought and received CQS and LMS accreditations.

The Group has established formal risk management processes and continues to develop its 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 Group. 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 Group's strategic aims and ensures that necessary resources are in place in order for the Group 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 Group. 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 Group'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 Group 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 Group'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 Group'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 Group'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 equality 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 Group 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, nformation Security Officer, Tax Evasion Officer, 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 the Gateley Group 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. Details of these Committees and their functions can be found on the Group's website www.gateleyplc.com.

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 Group. The Investor Relations section of the Group'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 Group's Announcements, its Financial Calendar, Corporate Governance information, the Group'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 Group'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 Group'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 29 September 2019 Neil Smith and Joanne Lake 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.

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 Group'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 (previously Michael Seabrook) and Joanne Lake. The Committee is responsible for monitoring the size and composition of the Board and the other Board committees. It is also responsible for identifying suitable candidates for Board membership and will monitor the performance and suitability of the current Board on an on-going basis.

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 succeeded Michael Ward as CEO with effect from 1 May 2020, was 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 its brokers research services to support its engagement with private shareholders. The Group has also engaged with other brokers and advisor with a focus on delivering more frequent, quality communications with investors from an number of alternative research analysts.

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 Group are, where appropriate, the same as those in Gateley Plc.

The operational functions (professional practice, finance, IT, HR, training, marketing,, 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 take appropriate action to prevent modern slavery and human trafficking from occurring in their business.

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 2019 and ending 30 April 2020, can be found on its website, www.gateleyplc.com

On behalf of the Board

Nigel Payne

Nigel Payne
Chairman
28 September 2020

Board of Directors

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

Nigel Payne, aged 60, Non-Executive Chairman
Nigel has extensive experience of listing companies, fund raising on the public markets and acting as either Chairman or Non-Executive Director of public and private companies. In addition to his Gateley responsibilities as Chairman, Nigel is also presently a Non-Executive Director of AIM quoted GetBusy plc, as well as being the Non-Executive Chairman of Green Man Gaming (Holdings) plc, the Non-Executive Chairman of Football Index Group Limited, a Non-Executive Director of Ascot Racecourse Betting and Gaming Limited and Non-Executive Director of Kwalee Limited.

Previously Nigel was the CEO of Sportingbet plc, one of the world's largest internet gaming companies. Nigel has also previously been the Non-Executive Chairman of AIM quoted EG Solutions plc, the Non-Executive Chairman of AIM quoted Stride Gaming Plc, the Non-Executive Chairman of AIM quoted Hangar8 Plc, the Non-Executive Chairman of AIM quoted ECSC plc and a Non-Executive Director of AIM quoted Gama Aviation Plc.

Rodrick Waldie, aged 52, Chief Executive Officer
Rod was appointed to the position of Chief Executive Officer on 1 May 2020. He has been a key member of the Group's Strategic Board since joining the business via the acquisition of the Manchester office of Halliwells LLP in 2010. Prior to his appointment as CEO, Rod was the Senior Office Partner of the Manchester office and led the Group's national Property services team. He has been involved in the successful integration of a number of Gateley's post IPO acquisitions.

Rod has over 25 years experience as a Real Estate lawyer. He has considerable experience in real estate investment acquisitions, and disposals, estate management, development and landlord and tenant. Clients include off-shore investors, on-shore real estate companies and developers, real estate asset management companies, high net-worth individuals, retail and leisure operators and specialist providers of supported living accommodation.

Peter Davies, aged 62, 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 Group'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 44, Finance Director and Company Secretary
Neil has more than 25 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 non-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.

Michael Ward, aged 61, Executive Director
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 Senior Partner from 2001 to 2015 when he became CEO. Mike is a former President and Treasurer of the Birmingham Law Society and a former President of the Greater Birmingham Chamber of Commerce.

Joanne Lake, aged 56, 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 also Non-executive Chairman of AIM quoted wealth management group, Mattioli Woods plc, Non-executive Deputy Chairman of main market listed land promotion, property development and construction group, Henry Boot PLC and a Non-executive Director of AIM quoted non-standard finance provider, Morses Club PLC. 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.

Board of Directors (continued)

Suzanne Thompson, aged 53, Non-Executive Director
Suzanne (Suki) specialises in cultural change and marketing transformation, pioneering new wellbeing programmes linked to commercial outcomes, 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. Suki is an entrepreneur and transformational business leader. Business launches include Let's Reset, The Oystercatchers and Bunker Gin.

Centaur Media acquired Oystercatchers in September 2016 and she remains Chair of the business and Exec Director of the Xeim Group. She is the Founder and CEO of Let's Reset, the cultural change company.

Suki was a Board Trustee of Macmillan Cancer Support and is an Addidi Angel Investor for Small Businesses. She is a long standing member of WACL, MGGB and Allbright. Suki also holds an honorary Doctorate from Coventry University for services to Entrepreneurship and International Business. She was awarded Small Business Entrepreneur of the Year and is the Author of Let's Reset and Creative Influence.

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 April 2020.

Principal activities

The principal activities of the Gateley Group during the year were the provision of commercial legal services together with complementary consultancy services including acting as independent trustees to pension schemes, the provision of specialist tax incentive advice, the supply of specialist property consultancy services and the supply of specialist human capital management.

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 66.

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 7 to 10 and the Finance Director's review on pages 11 to 16. The Group's key performance indicators (KPIs) are set out on pages 11 to 16. The strategic report, which includes a description of the principal risks and uncertainties facing the Group, is set out on pages 17-29.

Dividends

The Directors do not propose to recommend a final dividend (2019: £5,986,483). As a result no final dividend (2019: 5.4p per share) will be paid, meaning no dividend will have been paid for the year (2019: total dividend 8.0p). In 2019 the final dividend was not 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 2020	**Percentage holding 2020**	Number of shares 2019	Percentage holding 2019
Nigel Terrence Payne	70,918	0.06%	55,926	0.05%
Joanne Carolyn Lake	26,300	0.02%	26,300	0.02%
Suzanne Francis Alison Thompson	10,000	0.01%	10,000	0.01%

Directors' report (continued)
Dividends (continued)

Roderick Richard Waldie				
Michael James Ward	2,216,754	1.88%	2,446,754	2.23%
Peter Gareth Davies	2,215,739	1.88%	2,481,204	2.24%
Neil Andrew Smith	**383,313**	**0.33%**	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 31 July 2020:

Name	Number of ordinary shares	% of issued share capital
Liontrust Asset Management	**12,077,513**	10.27%
Unicorn Asset Management Limited	**7,365,000**	6.26%
Miton Asset Management	**7,179,420**	6.10%

Financial risk management objectives and policies
The Group uses various financial instruments including cash, trade debtors and trade creditors. It is the Group's policy not to enter into complex financial instruments. Such instruments give rise to liquidity risk, interest rate risk, credit risk and foreign exchange risk. More detail on financial instruments is given in note 28 to the financial statements.

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

Directors' 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.

Directors report (continued)
Directors' responsibilities statement (continued)

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.

Employees
Details of how the Group's policy and approaches to employee engagement, diversity and inclusion and disabled employees can be found in the strategic report.

Engaging with stakeholders
The Directors have identified the key stakeholders of the business, and documented their engagement with these groups throughout the year along with how they have been considered in the making of key decisions within the year.

The Group conducts regular client surveys to better understand and improve the clients' experience and service received.
We seek to build strong, long term relationships with our suppliers working alongside them as business partners for the benefit of all.
The Group works closely with its advisors to ensure it operates in accordance with the market regulations.

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

Streamlined Energy & Carbon Reporting
Under The Companies Act 2006 (Strategic Report and Director's Report) Regulation 2018, Gateley (Holdings) Plc have disclosed their annual UK energy consumption within the Strategic Report.

Future developments
The Board plans to continue to drive growth within the existing business and through acquisitions within both the legal and non-legal sectors, supporting this with further investment in technology and recruitment of quality personnel.

Subsequent events
LTIP option issue
On the 22 July the Company issued LTIP options over 1,405,766 shares to certain senior employees and executive directors based on performance conditions commencing on 1 May 2020. The number of options granted were allocated to the same employees in the same proportions as the February issue however approximately 28% more awards were issued to those employees so as to enhance the incentivisation of these awards during the difficult and challenging economic conditions encountered due to the impact of COVID-19.

CSOP option issue
On the 7 July 2020 the Company issued CSOP options over 976,797 shares to associates, senior associates, legal directors, equivalent positions in Gateley Group consultancy companies and senior management positions in the support teams.

Auditor
The Company and Grant Thornton UK LLP have agreed that the Company will not propose the reappointment of Grant Thornton UK LLP as auditor to the Company at the Company's AGM for the year ended 30 April 2021, in order to allow both businesses to pursue other commercial relationships. The Board has initiated an audit tender process in order to identify a suitable replacement auditor for the Group and we expect to announce the appointment of our new auditor at our forthcoming AGM.

By order of the Board

R.R. Waldie

Rod Waldie, Chief Executive Officer
28 September 2020

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 2020, 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 2020 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Grant Thornton

Overview of our audit approach

- Overall materiality: £760,000 which represents approximately 4.75% of the group's normalised profit before taxation before exceptional items;
- Key audit matters were identified as revenue recognition for unpaid revenue and accrued income, the accuracy of intangible assets, the transition to IFRS 16 and going concern;
- 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

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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition (unpaid and accrued revenue) Revenue (in respect of client matters) is recognised in accordance with IFRS15 'Revenue from Contracts with Customers'. Under ISA 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Unpaid and accrued revenue represents a higher level of risk of transactions not being valid in comparison to revenue which has already been recovered, due to the significant judgements and estimates required by management including assumptions about future events, and the identification of, any other costs that might arise and the impact of any changes in scope of work. As such, we identified revenue recognition for unpaid and accrued revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	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.; • Evaluating management's assessment, in accordance with the requirements of IFRS 15, that it is not highly probable that there will be a significant reversal of contingent revenue recognised • 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 recovery of the balance of unpaid revenue to post year end billing and cash receipts, and where billing has not yet occurred, challenging matter managers on the expected recovery, confirming unpaid revenue is recorded in the correct period and at the correct amount and is supported by time costs incurred; • assessing whether the disclosures within the financial statements are appropriate and in line with IFRS 15. The Group's accounting policy on revenue recognition is shown in note 1.16 to the financial statements and related disclosures are included in note 4.. **Key observations** Based on our audit work, we did not identify any material misstatements in the revenue recognised in the year to 30 April 2020.
Accuracy of intangible assets During the year the group made four acquisitions; Persona Associates Limited, T-Three Group Limited, Gateley Tweed and Gateley Vinden.	Our audit work included, but was not restricted to: • evaluating the group's accounting policies for the valuation of intangible assets for appropriateness in accordance with requirements of the financial

Key Audit Matter – Group	How the matter was addressed in the audit – Group
In accordance with IFRS3 'Business Combinations' the group measures goodwill at the acquisition date as the fair value of consideration transferred less the net recognised fair value amount of identifiable assets acquired and liabilities assumed. Goodwill and intangibles of £10.0m million were recognised as a result of the acquisitions made this year 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. 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. . We therefore identified valuation of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	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 1.10 to the financial statements and related disclosures are included in notes 16 and 17. **Key observations** Based on our audit work, we found that the assumptions and judgements used in management's measurement of acquired intangibles were reasonable and that the associated amounts recognised were materially accurate.
Accuracy, completeness and presentation of the application of IFRS 16 IFRS 16 'Leases' has been adopted in the financial statements for the year ended 30 April 2020, The right of use asset recognised on transition was £24.4m with a lease liability of £27.2m. A number of judgements have been applied and estimates made in determining the impact of the standard. In order to compute the transition impact of IFRS 16, a data extraction exercise was undertaken by management. The incremental borrowing rate ("IBR") method has been adopted where the implicit rate of interest in a lease was not readily available. Our key audit matter was focused on the following areas of risk: - specific assumptions applied to determine the IBR for each lease are inappropriate; - the underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate; - leasing arrangements within the scope of IFRS 16 are not identified or properly included in the calculation of the transitional impact Due to the significant financial statement impact of IFRS 16, as well as the high level of estimation required in determining the appropriate accounting treatment, we identified the implementation of IFRS 16 as a significant	Our audit work included, but was not restricted to: • assessing the design effectiveness of the key controls in place throughout the transition process; • using the work of an auditor's expert in assessing the appropriateness of the IBR applied; • testing the accuracy of the underlying lease data used in management's calculation by agreeing significant lease terms to original lease agreements; • obtaining supporting contractual information for transactions considered to be potentially indicative of unrecorded lease liabilities and testing whether they met the definition of a leasing arrangement under IFRS 16; • checking the integrity and mechanical accuracy of the IFRS 16 calculations for each lease through recalculation of the expected IFRS 16 adjustment;

Key Audit Matter – Group	How the matter was addressed in the audit – Group
risk, which was one of the most significant assessed risks of material misstatement.	• testing the reconciliation between the group's operating lease commitments and the IFRS 16 assessment to evidence completeness; • assessing that the accounting policy applied and calculations were made in accordance with IFRS16 requirements; and • assessing the disclosures in the financial statements to determine whether they are appropriate and sufficient for the requirements of the new accounting standard. The group's accounting policy for IFRS 16 is shown in note 2 and related disclosures are included in note 30. **Key observations** Based on our audit work, we found the valuation assumptions, including the discount rates used by management, to be balanced. We found no material errors in the underlying IFRS 16 calculations.
Going concern As stated in the 'The impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. Our regulators have stated that in this environment they expect going concern to be viewed by auditors as a heightened and/or significant risk area requiring more extensive work to obtain the required audit evidence. Accordingly as this event could adversely impact the future trading performance of the group and the parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the reliability of management's forecasting by comparing the historic accuracy of actual financial performance to the forecast information; • Obtaining management's forecasts prepared to assess the potential impact of Covid-19. We evaluated the assumptions applied, including the reduction in revenue, the depleted workforce and the resulting effect on working capital during the estimated period of Covid-19, for reasonableness and determined whether they had been applied accurately. We also considered whether the assumptions are consistent with our understanding of the business; • Assessing management's determination of the impact of the mitigating factors available to them to restrict the cash impact of the pandemic. This assessment included the corroboration of mitigating actions taken by management to relevant documentation and assessment of their application in the revised forecasts for accuracy; • Performing sensitivity analysis on management's revised forecasts to determine the reduction in EBIT that would lead to elimination of the headroom in their original cash flow forecasts and assessment and corroboration of the further mitigating actions identified by management in the revised forecasts; and • Assessing the adequacy of the going concern disclosures included within the Accounting Policies of the Financial Statements. **Key observations** Based on the procedures performed, we have identified no issues regarding management's assessment of the impact

Key Audit Matter – Group	How the matter was addressed in the audit – Group
	of Covid-19 on liquidity requirements and forecast revenue. We have noting to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

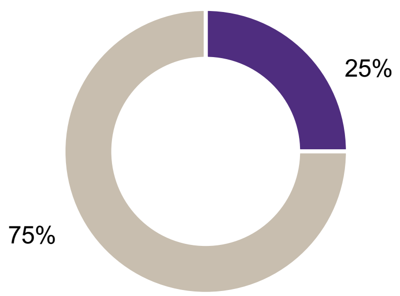
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

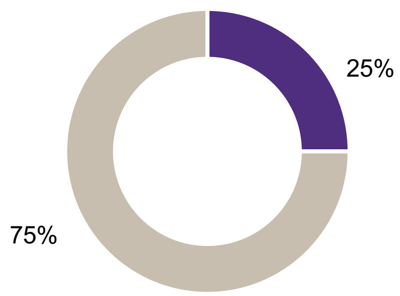
Materiality measure	Group	Parent
Financial statements as a whole	£760,000, which is approximately 4.75% of the group's normalised profit before tax before exceptional items. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of directors to monitor the financial performance of the group. Materiality for the current year is lower than the level that we determined for the year ended 30 April 2019 as a result of a change in the benchmark used for our materiality measure from adjusted profit before tax to normalised profit before tax before exceptional items.	£352,000, which is approximately 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 2019 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	£38,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£17,600 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



▪ Tolerance for potential uncorrected mis-statements ▪ Performance materiality

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:

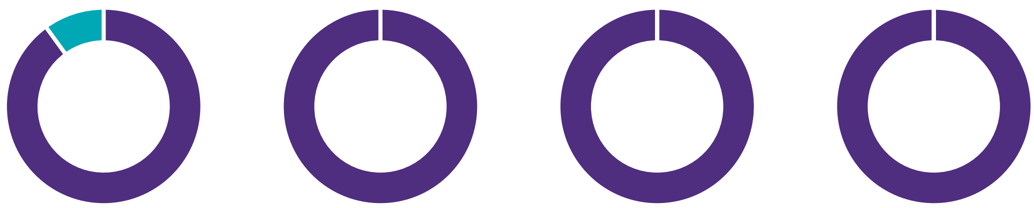
- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. This was evaluated by considering each component's significance as a percentage of the group's total assets, revenues and profit before taxation;
- the financial statements of the parent company, Gateley (Holdings) Plc, were subject to a full-scope audit;
- full-scope audit procedures on the financial information of Gateley Plc, the most significant trading subsidiary of the group;
- 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 significant components, which were subject to full-scope audit procedures, include 95% of revenue and 74% of total assets of the group; and
- analytical procedures were performed on the financial information of the remaining 14 group components. All components subject to audit and analytical procedures have been performed by the group engagement team.

KAM 1 – Revenue recognition – unpaid and accrued revenue

KAM 2 – Accuracy of intangible assets

KAM 3 – Accuracy, completeness and presentation of the application of IFRS 16

KAM 4 – Going concern



▪ Full scope ▪ Analytical procedures

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 **X,** 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
28 September 2020

Consolidated statement of profit and loss and other comprehensive income for the year ended 30 April 2020

	Note	2020	2019
		£'000	£'000
Revenue	4	**109,838**	103,471
Other operating income	5	**665**	313
Personnel costs, excluding IFRS 2 charge	8	**(63,531)**	(62,757)
Depreciation – Property, plant and equipment	14	**(1,083)**	(1,122)
Depreciation – Right-of-use asset*	14	**(3,455)**	-
Impairment of trade receivables and contract assets	20/21	**(631)**	(1,304)
Other operating expenses*, excluding non-underlying and exceptional items		**(23,142)**	(20,609)
Operating profit before non-underlying and exceptional items	7	**18,661**	17,992
Total non-underlying operating and exceptional items	7	**(3,300)**	(2,122)
Total non-underlying operating and exceptional items	7	**(3,300)**	(2,122)
Operating profit	7	**15,361**	15,870
Investment income received	6	138	-
Financing income	10	523	523
Financing expense*	10	(1,266)	(448)
Profit before tax		**14,756**	15,945
Taxation	11	**(3,033)**	(2,904)
Profit for the year after tax attributable to equity holders of the parent		**11,723**	13,041
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss Foreign exchange translation differences - Exchange differences on foreign branch		29	(25)
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		11,752	13,016
Statutory Earnings per share			
Basic	12	10.34p	11.83p
Diluted	12	10.14p	11.61p

* The adoption of IFRS 16 in the 12 months to 30 April 2020 resulted in an increase in depreciation of £3.455m and finance costs of £0.84m. Other operating expenses reduced by £4.070m. See note 30.

The results for the periods presented above are derived from continuing operations.
The accompanying notes on pages 71 to 117 form an integral part of these financial statements.

Consolidated statement of financial position at 30 April 2020

	Note	2020	2019
		£'000	£'000
Non-current assets			
Property, plant and equipment	14	**1,873**	2,017
Right of use asset	14	**22,879**	-
Investment property	15	**164**	164
Intangible assets & goodwill	16	**18,438**	10,430
Other intangible assets	18	**303**	289
Other investments	19	**229**	85
Total non-current assets		**43,886**	12,985
Current assets			
Contract assets	20	**11,684**	10,671
Trade and other receivables	21	**39,997**	36,535
Deferred tax asset	24	**19**	428
Cash and cash equivalents	26	**2,923**	2,887
Total current assets		**54,623**	50,521
Total assets		**98,509**	63,506
Non-current liabilities			
Other interest-bearing loans and borrowings	22	**(2,369)**	(3,076)
Lease liability	30	**(22,109)**	-
Other payables	23	**(922)**	(983)
Deferred tax liability	24	**(1,208)**	(388)
Provisions	25	**(461)**	(339)
Total non-current liabilities		**(27,069)**	(4,786)
Current liabilities			
Other interest-bearing loans and borrowings	22	**(1,437)**	(3,044)
Trade and other payables	23	**(20,169)**	(23,727)
Lease liability	30	**(3,347)**	-
Provisions	25	**(252)**	(291)
Current tax liabilities		**(1,399)**	(1,074)
Total current liabilities		**(26,604)**	(28,136)
Total liabilities		**(53,673)**	(32,922)
NET ASSETS		**44,836**	30,584
EQUITY			
Share capital	27	**11,761**	11,086
Share premium		**9,153**	6,775
Merger reserve		**(9,950)**	(9,950)
Other reserve		**6,815**	1,770
Treasury reserve		**(417)**	(1,057)
Translation reserve		**27**	(2)
Retained earnings		**27,447**	21,982
TOTAL EQUITY		**44,836**	30,584

These financial statements were approved by the directors on 28 September 2020 and were signed and authorised for issue on their behalf by:

R.R. Waldie

Roderick R Waldie
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078
The accompanying notes on pages 71 to 117 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 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**
At 1 May 2019, as previously reported	**11,086**	**6,755**	**(9,950)**	**1,770**	**(1,057)**	**21,982**	**(2)**	**30,584**
Adjustment from adoption of IFRS 16 (net of tax)	-	-	-	-	-	(725)	-	(725)
Restated balance at 1 May 2019	**11,086**	**6,755**	**(9,950)**	**1,770**	**(1,057)**	**21,257**	**(2)**	**29,859**
Comprehensive income:								
Profit for the year	-	-	-	-	-	11,723	-	11,723
Exchange rate differences	-	-	-	-	-	-	29	29
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**11,723**	**29**	**11,752**
Transactions with owners recognised directly in equity:								
Issue of share capital	675	2,398	-	5,045	-	-	-	8,118
Recognition of tax benefit on gain from equity settled share options	-	-	-	-	-	374	-	374
Purchase of own shares at nominal value	-	-	-	-	-	(163)	-	(163)
Sale of treasury shares	-	-	-	-	1,915	-	-	1,915
Purchase of treasury shares	-	-	-	-	(1,275)	-	-	(1,275)
Dividend paid	-	-	-	-	-	(6,007)	-	(6,007)
Share based payment transactions	-	-	-	-	-	821	-	821
Deferred tax on equity settled element of share based payment charge	-	-	-	-	-	(558)	-	(558)
Total equity at 30 April 2020	**11,761**	**9,153**	**(9,950)**	**6,815**	**(417)**	**27,447**	**27**	**44,836**

Consolidated statement of changes in equity (continued)

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 and the difference between actual and nominal value of shares issued by the Company in the acquisition of trade and assets.

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 71 to 117 form an integral part of these financial statements.

Consolidated cash flow statement for the year ending 30 April 2019

	Note	**2020**	2019
		£'000	£'000
Cash flows from operating activities			
Profit for the year after tax		**11,723**	13,041
Adjustments for:			
Depreciation and amortisation	14/16/18	**5,913**	2,528
Financial income	10	**(523)**	(523)
Financial expense	10	**1,266**	448
Impairment of Goodwill	16	**619**	-
Equity settled share-based payments	8	**821**	655
Profit on disposal of property, plant and equipment	7	**-**	(3)
Loss on disposal of other intangible assets Loss on disposal of other intangible assets	18	**282**	-
Profit on sale of investment	6/19	**(138)**	-
Tax expense	11	**3,033**	2,904
		22,996	19,050
Increase in trade and other receivables		**(1,730)**	(3,946)
(Decrease)/Increase in trade and other payables		**(6,120)**	37
Increase in provisions		**83**	25
Cash generated from operations		**15,229**	15,166
Tax paid		**(2,767)**	(3,075)
Net cash flows from operating activities		**12,462**	12,091
Investing activities			
Acquisition of property, plant and equipment	14	**(857)**	(1,010)
Acquisition of other intangible assets	18	**(329)**	(276)
Cash received on disposal of property, plant and equip-ment		**-**	3
Cash received on sale of investments		**208**	-
Acquisition of other investments		**(214)**	-
Contingent consideration paid - acquisition of subsidiary		**(625)**	(236)
Consideration paid on acquisitions, net of cash acquired	17	**(2,657)**	(2,526)
Net cash used in investing activities		**(4,474)**	(4,045)
Financing activities			
Interest receivable	10	**523**	523
Interest and other financial income paid	10	**(426)**	(448)
Lease repayments		**(801)**	-
Receipt of new bank loan		**-**	2,970
Repayment of term bank loans	22	**(2,573)**	(2,278)
Repayment of loans from former members of GCL Solicitors & Directors of IIS	22	**(402)**	(904)
Funds from former members of Gateley Tweed	22	**30**	-
Funding by EBT of SARS shares		**-**	(1,863)
Proceeds from sale of own shares		**642**	767
Acquisition of own shares		**-**	(109)
Cash received for shares issued on exercise of SAYE/CSOP/SARS options		**1,062**	-
Dividends paid	13	**(6,007)**	(8,118)
Net cash used in financing activities		**(7,952)**	(9,460)
Net increase/(decrease) in cash and cash equivalents		**36**	(1,414)
Cash and cash equivalents at beginning of year		**2,887**	4,301
Cash and cash equivalents at end of year	26	**2,923**	2,887

The accompanying notes on pages 71 to 117 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 3.

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group company are expressed in GBP, which is the functional currency of the Company, and the presentational currency for the Group.

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
See full explanation on page 19 of the Strategic Report.

Having reviewed the Group's forecasts, which includes an analysis of both short term cash flow forecasts and longer term cash flow forecasts, the risk and uncertainties surrounding the current and future demand for legal services, and other reasonably possible variations in trading performance, mitigating actions available to management and the possible impact of Covid-19 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in those facility agreements.

Sensitivity analysis has been performed in respect of specific scenarios which could negatively impact our future performance such as lower levels of revenue growth, lower than forecast receipts of cash, and reduced levels of gross margin expansion. In addition, the Directors have also considered further mitigating actions such as lower capital expenditure and other short-term cash management activities within the Group's control. On this basis, the Directors have a reasonable basis to conclude that the Group is forecast to continue to trade in line with existing financing facilities for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

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's primary consideration is 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.

Notes (continued)

1 Basis of preparation and significant accounting policies (continued)

1.3 Basis of consolidation (continued)

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.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

Audit exemption of subsidiaries

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

Name	Registered number
Gateley UK LLP	OC315778
Gateley EBT Limited	09576648
Gateley Capitus Limited	03324995
Gateley Hamer Limited	03948095
Kiddy & Partners Limited	11379755
International Investment Services Limited	08597472
Persona Associates Limited	02371248
T-Three Consulting Limited	03959623
T-Three Group Limited	06495180
T-Three Holdings Limited	04579021
Gateley Vinden Limited	03830233
Matsa Holdings Limted	08293396
Thomas Alexander Holdings Limited	02280956
TVP Holdings Limited	06548795

The outstanding liabilities at 30 April 2020 of the above named subsidiaries have been guaranteed by the Company pursuant to s479A to s479C of the Act. In the opinion of the directors, the possibility of the guarantee being called upon is remote.

1.4 Foreign currency

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

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

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

1.5 Classification of financial instruments issued by the Group

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

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.5 Classification of financial instruments issued by the Group (continued)

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.

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.

(c) 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 , 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 initially recognised at their transaction value and carried at amortised cost under IFRS 9.

In line with IFRS 9, the Group recognises as disclosed in note 20 and 21 any 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 broad range of information including past events, current conditions and forecasts of the future cash flows of the asset 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 consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

iv) 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

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.6 Non derivative financial instrument (continued)

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.

iii) Contingent consideration
Contingent consideration is initially recognised and carried at the fair value. Any interest payable on the balance is reflected in the value of the liability and charged monthly to the Statement of profit and loss as it arises.

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

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.

Depreciation is calculated to write off the cost of property, plant and equipment less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. Estimated residual values are revised annually.

The useful lives over which these assets are depreciated are:

Leasehold improvements	over the term of the lease
Equipment	33.3% straight line
Fixtures and fittings	20% straight line
Right-of-use assets	Useful life of the lease (between 1 and 10 years)

1.8 Leases
The Group leases offices, equipment and vehicles. Rental contracts are for periods of between 1 and 10 years. Lease terms are negotiated on a lease by lease basis and contain a variety of terms and conditions.

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (being those assets with a value less than £5,000). For short term and low value leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term assumed reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

Right-of-use assets are recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

Subsequent to initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method). The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Interest on the lease liability is recognised in the Statement of Comprehensive Income.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The Group did not make any such adjustments during the periods presented.

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

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

1.10 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.

Notes (continued)

1 Basis of preparation and significant accounting policies (continued)

1.10 Intangible assets and goodwill (continued)

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.

Brand value
Certain acquisitions have retained their trading name due to the value of the brand in their specific market place.
Brand value is amortised over a period of three or five years based on the Directors assessment of the future life of the brand, supported by trading history.

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 software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

1.11 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.

1.12 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 it is impaired. Management assess impairment of financial assets based on a broad range of information, including past events, current conditions and forecasts of the future cash flows of the asset that can be estimated reliably.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.12 Impairment excluding investment properties (continued)

amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Under IFRS 9 the Group recognises expected credit losses (ECL's) on receivables through application of the simplified method. The ECL's are determined using historic credit loss experience adjusted for forward-looking factors and specific provisions based on management knowledge and expertise. Whilst the longevity and impact of the COVID 19 pandemic is unknown, management have considered the potential defaults on receivables as a result and reflected these in the ECL's calculated.

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.

1.13 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 plans.

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.

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

1.14 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.

1.15 Professional indemnity provisions

A provision is recognised 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. Expected reimbursements are recognised once they become receivable. The liability and the associated reimbursement asset are shown separately in the financial statements. Where outflow of resources is considered probably and reliable estimates can be made, provision is made for the cost (including related legal costs) of settling professional negligence claims brought against the Group by third parties and disciplinary proceedings brought by regulatory authorities. Amounts provided for are based on management's assessment of the specific circumstances in each case. No separate disclosure is made of the detail of such claims and proceedings, as to do so could seriously prejudice the position of the Group. In the event the insurance companies cannot settle the full liability, the liability will revert to the Group.

1.16 Revenue recognition

IFRS 15 Revenue from contracts with customers

Under the standard, revenue is 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 the Group's 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 as this is the point at which the performance obligation is considered to have been met. The standard requires both contract assets and liabilities being recognised. Whilst IFRS 15 requires that when an entity has an unconditional right to consideration then at this point the contract asset would become a trade receivable regardless of whether a bill has been issued. However, the Group does not consider the right to be unconditional until the point of billing at which point the fee amount has been agreed and confirmed with the customer. Therefore, these unbilled amounts are recognised as contract assets as opposed to 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.

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, generated through the subletting of office space, is recognised in line with IFRS 16, on a straight line basis over the lease term.

Other income includes the recognition of government supported income from its Coronavirus Job Retention scheme. Income is recognised in the same period as the corresponding employee costs.

1.17 Short term and low value lease payments

Payments made on short term and low value leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease in prior year comparatives and where current year leases meet the short-term lease criteria under IFRS 16.

Notes (continued)
1 Basis of preparation and significant accounting policies (continued)
1.18 Financial income and expenses (continued)

1.18 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.

1.19 Taxation

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

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

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

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

1.20 Non-underlying and exceptional 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, these expenses are treated as non-underlying items as they are either non-cash or non-recurring in nature.
- Amortisation 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.

1.21 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.
- Impairment charges in respect of intangible fixed assets: these costs are treated as exceptional due to their one off nature.
- 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 7 to the Financial Statements.

1.22 Ordinary dividends

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

Notes (continued)

2 Accounting developments

New and amended IFRS that are effective for the current year

In the year, the Group adopted one new IFRS, issued by the International Accounting Standards Board (IASB) that is effective for an annual period that begins on or after 1 January 2019 (and has been endorsed for use within the EU). IFRS 16 replaces IAS 17 'leases'.

IFRS 16 leases
The Group leases offices, equipment and vehicles. Rental contracts are for periods of between 1 and 10 years. Lease terms are negotiated on a lease by lease basis and contain a variety of terms and conditions.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term.

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' (where the value of the leased asset is below £5,000) and 'short' term leases (where the lease term is 12 months or less) where lease payments are recognised on a straight-line basis over the lease term.

The Group has applied IFRS 16 using the modified retrospective approach to all leases recognising the cumulative effect against opening reserves at 1 May 2019. Therefore the comparative figures are as previously reported under IAS 17. The Group has applied this approach subject to the transition provisions as set out below:

- the use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous at 1 May 2019 and reducing the right-of-use asset value by that amount;
- initial direct costs have been excluded from the measurement of the right-of-use asset; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On the Statement of Financial Position, a new category of fixed asset (right-of-use) has been created to recognise the value of right-of-use assets, whilst the full liability of leases has been recognised within both current and non-current liabilities. Over the life of the leases, the right-of-use asset will be depreciated and interest will be charged on the liability; these charges will replace the cost of operating leases which has previously been charged as part of administrative expenses. On the Statement of Cash Flows, payments of leases are treated as financing activities; these payments previously formed part of operating cash flow.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

In respect of IFRS16 leases, each lease is considered as a single transaction in which the asset and liability are linked so that there is no net temporary difference at inception and subsequently deferred tax is recognised on the net temporary difference arising on settlement of the liability and the amortisation of the right of use asset.

Operating leases under IAS 17, except 'low value' and 'short-term' leases
The lease liability is measured and the present value of the remaining lease payments at 1 May 2019, discounted at the lessee's incremental borrowing rate at that date.

The right-of-use asset is either
- measured as if IFRS 16 had been applied from commencement of the lease, but using the lessee's incremental borrowing rate at 1 May 2019 to discount future payments; or
- measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 May 2019.

This measurement has been made on a 'lease by lease' basis.

Notes (continued)
2 Accounting developments (continued)

'Low value' leases
When the value of an underlying asset (if new) at 1 May 2019 is £5,000 or less, the Group has continued to recognise the lease payments associated with those leases on a straight line basis over the lease term.

'Short term' leases
Where the lease ends before 30 April 2020, the Group has continued to recognise the lease payments associated with those leases on a straight line basis over the lease term

The impact of IFRS 16 is detailed further in note 30.

The following accounting policies were applied to leases in the year ended 30 April 2019:
Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the statement of profit and loss in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the statement of profit and loss on a straight line basis over the lease term.

During the year ended 30 April 2019, operating lease rentals of £3,429,000 were charged to other operating charges.

New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early to the Group:

Revised IFRS		Effective date
IFRS 3	Business Combinations	1 January 2020

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3 Critical accounting judgements and key sources of estimation uncertainty

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.

Management does not consider there to have been and critical accounting judgements made in the financial year.

Estimates
Impairment assessment of trade receivables (note 21) and unbilled revenue (note 20)

The carrying amount of trade receivables on client assignment is held at selling price less lifetime estimated credit losses (ECLs). The inclusions of the ECLs contributes to reducing the risk relating to the amounts of debts that are recoverable or not recoverable.
ECLs 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 professional judgement to account for any forward looking information on specific clients.

Notes (continued)
3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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

	Increase/(decrease) in value of trade receivables
	£'000
+1% increase in specific provision in ECL	(379)
-1% decrease in specific provision movement in ECL	379

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

Management have also applied the same expectation of credit losses for trade receivables to contract assets to assess the recoverability of unbilled revenue recognised in the consolidated accounts

Management have performed sensitivity analysis on the expectation of recoverability applied to the contract assets balance:

	Increase/(decrease) in value of contract as-sets
	£'000
+1% increase in ECL rate	120
-1% decrease in ECL rate	(120)

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

Unbilled revenue on client assignments (note 20)
The valuation of unbilled revenue involves detailed understanding of contractual terms with clients, 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 assessments 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 estimates 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.

Valuation of intangibles (note 16)
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 16. 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.

Impairment of goodwill (note 16)
Goodwill is separately disclosed 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 ('CGUs'). The value of goodwill is assessed at each year end to ensure that the carrying value in each CGU is still reflective of the underlying values calculated on day one. The assessment of any impairment requires significant judgement from management in estimating future performance and any associated impairment.

Notes (continued)

4 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 a mixture of legal and consultancy services to clients. With effect from 1 May 2020 all service lines are managed through two separately reporting lines renamed Gateley Legal and Gateley Consultancy.

The following summary describes the operations of each reportable segment as reported up to 30 April 2020 and also the new service lines:

Reportable segment	**Legal service lines** (Gateley Legal)	**Consultancy service lines** (Gateley Consultancy)
Banking and financial services	Asset Finance Banking Restructuring	Gateley Vinden
Corporate	Corporate Private client/Family Taxation	International Investment Services
Business services	Commercial Commercial Dispute Resolution/Litigation Shipping Gateley Tweed (reputation, media and privacy law)	Gateley Vinden
Employment, Pensions and Benefits	Employment Pensions	Entrust Kiddy & Partners International Investment Services t-three
Property	Real Estate Residential Development Construction Planning	Gateley Capitus Gateley Hamer/Persona Gateley Vinden

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

	2020	2019
	£'000	£'000
United Kingdom	**104,911**	95,319
Europe	**2,748**	3,351
Middle East	**454**	547
North and South America	**533**	3,457
Asia	**289**	206
Other	**903**	591
	109,838	103,471

The Group has no individual customers that represent more than 10% of revenue in either the 2020 or 2019 financial year. 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 liabilities of £0.04m (2019: Net assets of £0.2m) are located in the Group's Dubai subsidiary. Revenue generated by the Group's Dubai subsidiary to customers in the UAE totalled £0.5m (2019: £0.7m) as disclosed above as due from the customers in the Middle East.

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

2020								
	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 from services transferred at a point in time	6,495	6,956	3,628	1,611	15,699	34,389	579	34,968
Segment revenue from services transferred over time	10,206	12,845	8,927	12,020	29,372	73,370	1,500	74,870
Total Segment revenue	16,701	19,801	12,555	13,631	45,071	107,759	2,079	109,838
Segment contribution (as reported internally)	6,538	7,616	4,992	4,876	21,317	45,339	2,079	47,418
Costs not allocated to segments:								
Other operating income								665
Investment income								138
Personnel costs								(7,523)
Depreciation and amortisation								(5,913)
Other operating expenses								(17,361)
Share based payment charges								(821)
Exceptional costs								(1,104)
Net financial expense								(743)
Profit for the financial year before taxation								14,756

Notes (continued)
4 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 from services transferred at a point in time	7,704	5,638	4,461	498	12,946	31,247	1,079	32,326
Segment revenue from services transferred over time	9,275	11,274	8,975	10,594	30,479	70,597	548	71,145
Total segmental 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

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 engagements 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. £12.7 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.

Contract assets
Under IFRS 15 the Group recognises any goods or services transferred to the customer before the customer pays consideration, or before payment is due, as a contract asset . These assets differ from accounts receivables. Accounts receivable are the amounts that

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

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 amounts have not yet been 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. Contract assets are subject to impairment under IFRS 9.
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 and t-three Consulting Limited as a result of their billing structure. The amounts recognised 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, 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.

Practical expedients under IFRS 15
Under IFRS 15 companies are required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period. However, only a small proportion of revenue contracts in issuance are for fixed amounts, rather the company has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the business' performance completed to date. Therefore, the Group considers it impractical to estimate the potential value of unsatisfied performance obligations and has elected to apply the practical expedient available under IFRS 15.

5 Other operating income

		2020	2019
		£'000	£'000
Rental and service charge income		**216**	313
COVID 19 Job retention scheme income		**416**	-
Exchange gain		**17**	-
Cash incentives – Bank account switching income		**16**	-
		665	313

6 Investment income

		2020	2019
		£'000	£'000
Income from sale of investment – Business Collaborator Limited		138	-

Notes (continued)

7 Expenses and auditor's remuneration

Included in operating profit are the following:

		2020	2019
		£'000	£'000
Depreciation on tangible assets		**1,083**	1,122
Depreciation on right-of-use asset		**3,455**	-
Short term and low value lease payments		**84**	116
Operating lease costs on property		**-**	3,313
Other operating income – rent received		**(216)**	(258)
Foreign exchange losses		**(29)**	25
Profit on sale of fixed assets		**-**	(3)
		2020	2019
Non-underlying items		**£'000**	£'000
Amortisation of intangible assets (see notes 16 and 18)		**1,375**	1,406
Share based payment charges – Gateley Plc		**821**	655
Share based payment charges – Kiddy & Partners		**534**	-
		2,730	2,061
Exceptional items			
Acquisition costs		**107**	61
Impairment of software development costs		**463**	-
		570	61
Total non-underlying and exceptional items		**3,300**	2,122

Acquisition costs represent professional fees in respect of the acquisition of t-three Consulting Limited and The Vinden Partnership Limited (2019: GCL Solicitors LLP).

Share based payment charges in Gateley Plc represent charges in accordance with IFRS 2 in respect of unexercised SAYE, CSOP, SARS and LTIP schemes (See note 9).

Share based payment charges in Kiddy & Partners represent bonuses awarded to staff based on profit related performance conditions settled 50% in cash and 50% in shares are the prevailing market value at the time of issue (See note 8 and 9)

Impairment of software development costs relates to internally generated costs capitalised in previous years, released due to the cessation of the related IT project to install a new practice management system. (See note 18)

Notes (continued)
7 Expenses and auditor's remuneration (continued)

Auditor's remuneration

		2020	2019
		£'000	£'000
Fees payable to the Companies auditors in respect of audit services:			
Audit of these financial statements		143	68
Audit of financial statements of subsidiaries of the Company		15	22
		158	90
Amounts receivable by the Company's auditor and its associates in respect of:			
Other assurance services		33	33
Tax advisory services		7	-
Tax compliance services		45	11
		85	44

8 Personnel costs

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

		Numbers of employees	
		2020	2019
Legal and professional staff		706	610
Administrative staff		341	297
		1,047	907

The aggregate payroll costs of these persons were as follows:

		2020	2019
		£'000	£'000
Wages and salaries		55,696	54,341
Social security costs		6,280	7,289
Pension costs		1,555	1,127
		63,531	62,757
Non-underlying items (see note 7)			
Share based payment expense – Gateley Plc		821	655
Share based payment expense – Kiddy and Partners		534	-
		64,886	63,412

Details of the Directors' remuneration and share interests are given in the Summary of Directors' remuneration for the year within the Directors' Remuneration Report on page 33.

Notes (continued)

9 Share based payments

Group
At the year end the Group has four share based payment scheme in existence.

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.

During the year 844,695 SAYE 16/17 options vested out of a potential 853,598 new shares issued via a block listing in order to fully satisfy all possible options. 853,598 new 10p shares with a nominal value of £85,360 where issued on 1 October 2019. The accrued IFRS2 charge of £243,984 has been released against other reserves.

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.

During the year 711,163 CSOP 16/17 options became exercisable. 588,504 options were exercised by 30/4/2020 leaving 122,659 options still to exercised. New shares were created in order to fully satisfy all exercisable options. 711,163 new 10p shares with a nominal value of £71,116 where issued on 6 February 2020. The accrued IFRS2 charge of £122,095 has been released against other reserves.

Long Term Incentive Plan ('LTIP')
The Group has introduced during the year an LTIP for the benefit of Executive Directors and Senior management. Awards under the LTIP may be in the form of an option granted to the participant to receive ordinary shares on exercise dependent upon the achievement of profit related performance conditions.

Performance conditions
Options granted under the LTIP are only exercisable subject to the satisfaction of the following performance conditions which will determine the proportion of the option that will vest at the end of the three-year performance period. 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 2023	Amount Vesting %
Below 5%	0%
5%	25%
Between 5% and 10%	Straight line vesting
Above 10%	100%

The options will generally be exercisable after approval of the financial statements during the year of exercise. The performance period for any future awards under the LTIP will be a three-year period from the date of grant. Vested and unvested LTIP awards are subject to a formal malus and clawback mechanism.

Grant of equity share options under the LTIP
Certain senior employees and executive directors were initially granted options on 24 February 2020 based on performance conditions commencing on 1 May 2019. These options were cancelled on 17 July 2020 as a result of the impact of COVID-19 on the achievement of those performance conditions. The fair value of the cancelled options is deemed to be nil as a result of the impact of COVID-19 on the Group. The Committee has subsequently reassessed the use of this incentive scheme and granted new options on the 22 July 2020

Notes (continued)
9 Share based payments (continued)

based on performance conditions commencing a year on 1 May 2020. The number of options granted were allocated to the same employees in the same proportions as the February issue however approximately 28% more awards were issued to those employees so as to enhance the incentivisation of these awards during the difficult and challenging economic conditions encountered due to the impact of COVID-19.

Stock Appreciation Rights Scheme ('SARS')
The 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.

No awards were granted under the SAR Scheme during the year ended 30 April 2020 or 30 April 2019.

During the year 10,225,000 SARS 16/17 options (2019: 6,650,000 SARS 15/16 options) vested resulting in the issue of 1,623,648 (2019: 2,425,024) new 10p shares with a nominal value of £162,365 (2019: £242,502) issued on 8 October 2019 (2019: 17 July 2018). The accrued IFRS2 charge of £847,770 (2019: 325,000) has been released against other reserves.

The resultant number of shares granted from the exercise of SARS are detailed below:

	Reference shares in issue at exercise date	Price at grant date including hurdle	Price at exercise date	Growth	Growth value	Number of shares at exercise price
	Number	**£**	**£**	**£**	**£'000**	**Number**
Year ended 30 April 2019						
SARS 15/16	6,650,000	1.100	1.731	0.631	4,198	2,425,024
Year ended 30 April 2020						
SARS 16/17	10,225,000	1.390	1.630	0.240	2,454	1,512,883

The below table shows the estimated number of shares to be issued under the remaining SARS scheme in issue based on the Company's share price at the balance sheet date of £1.565:

	Reference shares in issue at exercise date	Price at grant date including hurdle	Price at exercise date	Growth	Growth value	Number of shares at exercise price
	Number	**£**	**£**	**£**	**£'000**	**Number**
SARS 17/18	6,750,000	£1.83	£1.57	(£0.26)	-	-

Notes (continued)
9 Share based payments (continued)

The annual awards granted under all schemes are summarised below:

	Weighted average remaining contractual life	Weighted average exercise price	Originally granted	Lapsed at 30 April 2019	At 1 May 2020	Granted during the year	Lapsed during year	At 30 April 2020
			Number	Number	Number	Number	Number	Number
SARS								
SARS 17/18 - 3 October 2017	0.4 years	£1.83	7,050,000	(300,000)	6,750,000	-	-	6,750,000
SAYE								
SAYE 17/18- 15 September 2017	0.4 years	£1.33	556,296	(60,632)	495,664	-	(80,246)	415,418
SAYE 18/19 – 21 September 2018	1.4 years	£1.27	620,335	(19,874)	600,461	-	(53,537)	546,924
SAYE 19/20 – 30 September 2019	2.4 years	£1.28	-	-	-	819,626	(48,839)	770,787
			1,176,631	(80,506)	1,096,125	819,626	(182,622)	1,733,129
CSOPS								
CSOPS 17/18 – 3 October 2017	0.4 years	£1.65	581,162	(92,114)	489,048	-	(33,330)	455,718
CSOPS 18/19 – 24 October 2018	1.5 years	£1.44	812,131	(22,916)	789,215	-	(45,832)	743,383
			1,393,293	(115,030)	1,278,263	-	(79,162)	1,199,101

Fair value calculations
The award is accounted for as equity-settled under IFRS 2. The fair value of awards which are subject to non-market based performance conditions is calculated using the Black Scholes option pricing model. This model has been used as an approximation of the binomial model for valuing the SARS granted, the Directors consider the difference to be immaterial. The inputs to this model for awards granted during the financial year are detailed below:

	CSOP	CSOP	SAYE	SAYE	SAYE	SARS
Grant date	24/10/18	15/9/17	30/9/19	21/12/18	3/10/17	3/10/17
Share price at date of grant	£1.44p	£1.65p	£1.64	£1.585p	£1.66p	£1.58p
Exercise price	£1.44p	£1.65p	£1.27p	£1.27p	£1.33p	£1.83p
Volatility	24%	24%	35%	24%	24%	24%
Expected life (years)	3.3	3.3	3.3	3.3	3.3	3.3
Risk free rate	1%	1%	1%	1%	1%	1%
Dividend yield	4.5%	4%	4%	4.5%	4%	4%
Fair value per share						
Market based performance condition	£0.16p	£0.19p	£0.37p	£0.27p	£0.33p	£0.12p
Non-market based performance condition/no performance condition	-	-		-	-	-

Notes (continued)
9 Share based payments (continued)

Expected volatility was determined by using historical share price data of the Company since it listed on 8 June 2015. The expected life used in the model has been based of managements expectation of 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 non-underlying items, is £821,000 (2019: £655,000).

During the year an expense disclosable under IFRS 2 in relation to a cash and share settled bonus award was made to certain employees based on performance of Kiddy & Partners Limited for the year ended 30 April 2019 totalling £534,000. 76,636 shares were issued in satisfaction of 50% of the gross value of the awarded bonus.

10 Financial income and expense

Recognised in profit and loss

	2020	2019
	£'000	£'000
Financial income		
Interest income	**523**	523
Total finance income	**523**	523
Financial expense		
Interest expense on bank borrowings measured at amortised cost	**(426)**	(448)
Interest on lease liability	**(840)**	-
Total financial expense	**(1,266)**	(448)
Net financial (expense)/income	**(743)**	75

11 Taxation

	2020	2019
	£'000	£'000
Current tax expense		
Current tax on profits for the year	**3,121**	3,297
Under provision of taxation in previous period	**295**	121
Total current tax	**3,416**	3,418
Deferred tax expense		
Origination and reversal of temporary differences	**(234)**	(268)
Under provision on share-based payment charges	**(149)**	(246)
Total deferred tax expense	**(383)**	(514)
Total tax expense	**3,033**	2,904

Notes (continued)
11 Taxation (continued)

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:

	2020	2019
	£'000	£'000
Profit for the year (subject to corporation tax)	**14,756**	15,945
Tax using the Company's domestic tax rate of 19% (2019:19%)	**2,804**	3,030
Expenses not deductible for tax purposes	**83**	(1)
Under provision of taxation in previous period	**295**	121
Under provision on share-based payment charges	**(149)**	(246)
Total tax expense	**3,033**	2,904

On 26 October 2015 the UK corporation tax rate was reduced to 19% (effective from 1 April 2017). As a result of the March 2020 Budget the UK corporation tax rate remains at 19% for the years beginning 1 April 2020 and 1 April 2021. The deferred tax liability at 30 April 2020 has been calculated based on these rates.

12 Earnings per share

Statutory earnings per share

	2020	2019
	Number	Number
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**113,404,283**	110,207,707
Shares deemed to be issued for no consideration in respect of share based payments	**2,195,444**	2,072,862
Weighted average number of ordinary shares for calculating diluted earnings per share	**115,599,727**	112,280,569

	2020	2019
	£'000	£'000
Profit for the year and basic earnings attributable to ordinary equity shareholders	**11,723**	13,041
Non-underlying and exceptional items (*see note 7*)		
Operating expenses	**3,300**	2,122
Tax on non-underlying and exceptional items	**(627)**	(403)
Underlying earnings before non-underlying and exceptional items	**14,396**	14,760

Earnings per share is calculated as follows:

	2020	2019
	Pence	Pence
Basic earnings per ordinary share	**10.34**	11.83
Diluted earnings per ordinary share	**10.14**	11.61
Basic earnings per ordinary share after non-underlying and exceptional items	**12.69**	13.39
Diluted earnings per ordinary share after non-underlying and exceptional items	**12.45**	13.15

Notes (continued)

13 Dividends

	2020	2019
	£'000	£'000
Equity shares:		
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
Final dividend in respect of 2019 (5.4p per share) – 15 October 2019	6,007	-
	6,007	8,118

The Board has not proposed a final dividend be paid in respect of the year ended 30 April 2020 (2019: 5.4p).

14 Property, plant and equipment

	Leasehold improvements	Equipment	Fixtures and Fittings	Right-of-use assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 May 2018	226	4,432	4,297	-	8,955
Additions	5	643	362	-	1,010
Arising on acquisition after fair value adjustments	-	208	325	-	533
Disposal	-	(8)	-	-	(8)
As at 30 April 2019	**231**	**5,275**	**4,984**	**-**	**10,490**
IFRS 16 Right-of-use asset	-	-	-	24,360	24,360
Balance at 1 May 2019	231	5,275	4,984	24,360	34,850
Additions	-	745	112	4,831	5,688
Arising on acquisition after fair value adjustments	231	187	130	-	548
Disposal	-	-	-	(3,045)	(3,045)
As at 30 April 2020	**462**	**6,207**	**5,226**	**26,146**	**38,041**
Depreciation and impairment					
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 after fair value adjustments	-	273	166	-	339
Eliminated on disposal	-	(8)	-	-	(8)
Balance at 30 April 2019	**104**	**4,331**	**4,038**	**-**	**8,473**
Balance at 1 May 2019	104	4,331	4,038	-	8,473
Depreciation charge for the year	10	687	386	3,455	4,538
Arising on acquisition after fair value adjustments	213	139	114	-	466
Eliminated on disposal	-	-	-	(188)	(188)
Balance at 30 April 2020	**327**	**5,157**	**4,538**	**3,267**	**13,289**
Net book value					
At 30 April 2019	127	944	946	-	2,017
At 30 April 2020	**135**	**1,050**	**688**	**22,879**	**24,752**

Notes (continued)

15 Investment property

Fair value	£'000
Balance at 1 May 2018 and 30 April 2019	164
Balance at 1 May 2019 and 30 April 2020	**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 2020 at £164,000 (2019: £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. Rental income of £nil (2019: £7,500) was received during the year. Services charges of £3,000 (2019: £3,000) where incurred during the year.

16 Intangible assets and goodwill

	Goodwill	Customer lists	Total
	£'000	£'000	£'000
Deemed cost			
At 1 May 2018 and 30 April 2019	8,405	4,424	12,829
Arising through business combinations	4,543	5,426	9,969
Adjustment – Kiddy and Partners	(619)	-	(619)
At 30 April 2020	**12,329**	**9,850**	**22,179**
Amortisation			
At 1 May 2018	-	1,019	1,019
Charge for the year	-	1,380	1,380
At 30 April 2019	-	2,399	2,399
Charge for the year	-	1,342	1,342
At 30 April 2020	**-**	**3,741**	**3,741**
Carrying amounts			
At 30 April 2019	8,405	2,025	10,430
At 30 April 2020	**12,329**	**6,109**	**18,438**

Notes (continued)
16 Intangible assets and goodwill (continued)

Goodwill is allocated to the following cash generating units:

	2020	2019
	£'000	£'000
Property Group		
Gateley Capitus Limited	1,515	1,515
Gateley Hamer Limited	1,161	1,161
GCL Solicitors (acquisition of trade and assets)	2,900	2,900
Persona Associates Limited	40	-
Gateley Vinden Limited	1,972	-
	7,588	5,576
Employment , Pensions and Benefits Group		
Kiddy & Partners Limited	1,872	2,491
International Investment Services Limited	338	338
t-three Consulting Limited	955	-
	3,165	2,829
Business services Group		
Gateley Tweed (acquisition of goodwill)	1,576	-
	12,329	8,405

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.

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. Management have considered the likely impact of the COVID-19 pandemic on future cashflows in their assessment of impairment.

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 between 12 and 21% (2019: 10%) was applied in determining the recoverable amount. The discount rate is based on the Group's average weighted cost of capital of 10.18% and adjusted according to the risks attributable to each CGU.
- 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 current estimates of risks associated with trading conditions) and internal sources (existing management knowledge, track record and an in-depth understanding of the work types being performed).
  - Growth rates of between 5-18% (2019: 10-20%) are based on management's understanding of the market opportunities for services provided pertaining to the industry in which each CGU is aligned.
  - 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 historic experience and trends of client activity over a two to three year period and applied to future fee forecasts.
  - Cash flows have been typically assessed over a five-year period which management extrapolates cash using a terminal value calculation based on an estimated growth rate of nil%. The expected current UK economic growth forecasts for the legal services market is 2%.
- 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.

Notes (continued)
16 Intangible assets and goodwill (continued)

Sensitivities
The Group attributes a monetary value to the acquired goodwill 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 goodwill
	£'000
+1 % increase in growth rates	657
-1 % decrease in growth rates	(643)

17 Acquisitions

During the year the Group has completed four acquisitions, the table below summarises the consideration paid:

	Total
	£'000
Total fair value of identifiable assets and liabilities acquired	7,891
Goodwill	4,543
Total consideration	**12,434**
Satisfied by:	
Cash	5,978
Equity instruments	5,722
Contingent cash consideration payable	398
Contingent shares consideration payable	336
Total consideration	**12,434**
Net cash outflows arising on acquisition	
Cash consideration	(5,978)
Acquisition costs	(85)
Net cash acquired	3,321
Net cash outflow arising on acquisition	**(2,742)**

Acquisition of Persona Associates Limited

On 29 July 2019 Gateley (Holdings) Plc acquired the entire issued share capital of Persona Associates Limited, one of the UK's longest-established and leading land referencing consultancies, advising on some of the UK's largest infrastructure and regeneration projects. Persona provides expertise on statutory processes relating to long-term infrastructure projects involving Compulsory Purchase Orders, Development Consent Orders and Transport and Works Act Orders.

Notes (continued)
17 Acquisitions (continued)

The amounts recognised in respect of identifiable assets acquired and liabilities assumed are as set out in the table below:

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	Total
	£'000	£'000	£'000
Property, plant and equipment	11	-	**11**
Intangible asset relating to customer list and brand	-	187	**187**
Cash and short term deposits	229	-	**229**
Trade receivables	91	-	**91**
Total assets	331	187	**518**
Trade payables	(1)	-	**(1)**
Accruals and other payables	(74)	-	**(74)**
Deferred tax	-	(36)	**(36)**
Total liabilities	(75)	(36)	**(111)**
Total identifiable net assets at fair value	256	151	**407**
Goodwill arising on acquisition			**40**
Total consideration			**447**

Satisfied by:	
Initial cash consideration paid	231
Issue of 94,312 new 10p ordinary shares in Gateley (Holdings) Plc	154
Contingent cash consideration payable	62
Total consideration	**447**
Net cash outflow arising on acquisition	
Cash consideration	(231)
Net cash acquired	230
Net cash outflow arising on acquisition	**(1)**

The goodwill of £40,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on the seller successfully transferring across successfully all staff from the Horsham office into the Group's existing Guildford office. The contingent consideration totalling £62,500 was settled post 30 April 2020.

From the date of acquisition Persona has contributed £0.3m of revenue to the Group's Statement of Comprehensive Income. The profit contributed is not separately identifiable due to its trade and assets being incorporated into Gateley Hamer Limited from 1 February 2020.

Acquisition of the t-three Consulting Limited ("t-three")

On 12 December 2019 the Company acquired the entire issued share capital of t-three via the acquisition of the entire issued share capital of t-three Group Limited that owes 100% of the entire issued share capital of t-three Holdings Limited which in turn owes the entire issued share capital of t-three Consulting Limited. t-three offer services and products to businesses that enable them to develop their senior people and effect cultural change within the business itself. Its client base includes multinational companies, large public sector organisations and SMEs across the UK and worldwide.

Notes (continued)
17 Acquisitions (continued)

The amounts recognised in respect of identifiable assets acquired and liabilities assumed are as set out in the table below:

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	Total
	£'000	£'000	£'000
Cash	1,111	-	**1,111**
Intangible asset relating to customer list and brand	-	2,114	**2,114**
Trade receivables	670	-	**670**
Prepayments and accrued income	95	-	**95**
Total assets	1,876	2,114	**3,990**
Trade payables	(209)	-	**(209)**
Accruals and other payables	(517)	-	**(517)**
Deferred tax	2	(402)	**(400)**
Total liabilities	(724)	(402)	**(1,126)**
Total identifiable net assets at fair value	1,152	1,712	**2,864**
Goodwill arising on acquisition			**955**
Total consideration			**3,819**

Satisfied by:	
Initial cash consideration paid	1,598
Issue of 944,855 new 10p ordinary shares in Gateley (Hold-ings) Plc	1,567
Contingent cash consideration payable	327
Contingent shares consideration payable	327
Total consideration	**3,819**
Net cash outflow arising on acquisition	
Cash paid	(1,598)
Acquisition costs	(40)
Net cash acquired	1,110
Net cash outflow arising on acquisition	**(528)**

The goodwill of £955,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on t-three achieving at least 5% growth in revenue for the 12 months ending 30 September 2021 and 30 September 2022. Consideration is payable once revenue for the deferment periods has been agreed between both parties.

From the date of acquisition t-three has contributed £1.3m of revenue to the Group's Statement of Comprehensive Income together with after tax profit of £0.1m.

Notes (continued)
17 Acquisitions (continued)

Acquisition of goodwill in Gateley Tweed LLP (formerly Paul Tweed LLP) ('Gateley Tweed') and William Paul Tweed, Selena Mary Kerins, Victoria Louise Garrad, Callum Laing Nuttall, Thomas Oliver Durrant and Richard Julian Healey trading as Gateley Tweed

On 28 February 2020 the Company acquired the goodwill of Gateley Tweed LLP, a legal business specialising in reputation management, privacy and data protection issues, commercial litigation and brand protection. Paul Tweed LLP was a partner in William Paul Tweed, Selena Mary Kerins, trading as Tweed.

Although direct ownership of Tweed is not permitted due to local regulations both entities are related entities of Gateley Plc since the majority of the members of Gateley Tweed are also Board members of Gateley Plc. In substance it is controlled by Gateley Plc and so its results are included in the consolidation of Gateley (Holdings) Plc. In accordance with local governance agreements, Gateley Tweed LLP and Gateley Tweed (a partnership in Ireland) will be disclosed as subsidiary undertakings of Gateley Plc under section 1162(4) of the Companies Act 2006 and thus subsidiary undertakings of the Group by virtue of section 1162(5) of the Companies Act 2006.

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	Total
	£'000	£'000	£'000
Property, plant and equipment	17	-	**17**
Intangible asset relating to customer list and brand	-	523	**523**
Work in progress	113	-	**113**
Cash	123	-	**123**
Trade receivables	306	-	**306**
Prepayments and accrued income	154	-	**154**
Total assets	**713**	**523**	**1,236**
Amounts due to former partners	(631)	-	**(631)**
Trade payables	(38)	-	**(38)**
Accruals and other payables	(44)	-	**(44)**
Deferred tax	-	(99)	**(99)**
Total liabilities	**(713)**	**(99)**	**(812)**
Total identifiable net assets at fair value	-	424	**424**
Goodwill arising on acquisition			**1,576**
Total consideration			**2,000**

Satisfied by:	
Cash consideration paid	1,000
Issue of 529,520 new 10p ordinary shares in Gateley (Holdings) Plc	1,000
Total consideration	**2,000**
Net cash outflow arising on acquisition	
Cash paid	(1,000)
Net cash acquired	123
Net cash outflow arising on acquisition	**(877)**

The goodwill of £1,576,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition Tweed has contributed £0.2m of revenue to the Group's Statement of Comprehensive Income. The profit contributed is not separately identifiable due to its trade and assets being incorporated into Gateley Plc with effect from 28 February 2020.

Notes (continued)
17 Acquisitions (continued)

Acquisition of Gateley Vinden Limited (formerly The Vinden Partnership Limited) ('Vinden')

On 5 March 2020 Gateley (Holdings) Plc acquired the entire issued share capital of Gateley Vinden Limited (formerly The Vinden Partnership Limited) via the acquisition of the entire issued share capital of Matsa Limited, Thomas Alexender Holdings Limited and TVP Holdings Limited that held a 60% share in Vinden together with the remaining 40% ownership from Mr Peter Vinden. Vinden is a specialist business offering corporate advisory, dispute and consultancy to the built environment in the property and construction markets.

	Pre-acquisition carrying amount	Policy alignment and fair value adjustments	Total
	£'000	£'000	£'000
Property, plant and equipment	64	-	**64**
Intangible asset relating to customer list and brand	-	2,602	**2,602**
Work in progress	100	-	**100**
Cash	1,874	-	**1,874**
Trade receivables	845	-	**845**
Prepayments and accrued income	229	-	**229**
Total assets	**3,112**	**2,602**	**5,714**
Trade payables	(75)	-	**(75)**
Accruals and other payables	(251)	(284)	**(535)**
Current tax	(58)	-	**(58)**
Other tax and social security	(351)	-	**(351)**
Deferred tax	(5)	(494)	**(499)**
Total liabilities	**(740)**	**(778)**	**(1,518)**
Total identifiable net liabilities at fair value	2,372	1,824	**4,196**
Goodwill arising on acquisition			**1,972**
Total consideration			**6,168**

Satisfied by:	
Initial cash consideration paid	3,149
Issue of 1,602,564 new 10p ordinary shares in Gateley (Holdings) Plc	3,001
Contingent cash consideration payable	9
Contingent share consideration payable	9
Total consideration	**6,168**
Net cash outflow arising on acquisition	
Cash paid	(3,149)
Acquisition costs	(45)
Net cash acquired	1,858
Net cash outflow arising on acquisition	**(1,336)**

The goodwill of £1,972,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

A contingent consideration arrangement was entered into as part of the acquisition. This is contingent on Vinden achieving revenue in excess of that achieved in the financial year to 31 August 2020 of £4.657m. The sellers will receive £1 of contingent consideration for every £1 they exceed 2019's revenue up to a maximum consideration of £0.6m. Consideration is payable once revenue for the

Notes (continued)
17 Acquisitions (continued)

deferment periods has been agreed between both parties.

From the date of acquisition Vinden has contributed £0.9m of revenue to the Group's Statement of Comprehensive Income together with after tax profit of £0.2m.

18 Other intangible assets

	IT Development costs £'000	Computer software £'000	**Total £'000**
Cost			
Balance at 1 May 2018	-	46	**46**
Additions	237	39	**276**
At 30 April 2019	237	85	**322**
Additions	303	26	**329**
Disposals and write-offs	(282)	-	**(282)**
At 30 April 2020	**258**	**111**	**369**
Amortisation			
Balance at 1 May 2018	-	7	**7**
Charge for the year	-	26	**26**
At 30 April 2019	-	33	**33**
Charge for the year	-	33	**33**
At 30 April 2020	**-**	**66**	**66**
Net book amount at 30 April 2019	237	39	**289**
Net book amount at 30 April 2020	**258**	**45**	**303**

IT development costs incurred in the installation of the Group's replacement practice management system have been written off during the year as a result of the cessation of this project prior to full installation.

19 Other investments

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

	£'000
Fair value	
Balance at 1 May 2018	85
Additions	-
Balance at 30 April 2019	85
Additions	214
Disposals	(70)
Balance at 30 April 2020	**229**

Gateley Investments Limited held a 5% investment interest in the ordinary shares of Mantua Capital Limited for the value of £30,000. In July 2019 the company was liquidated and the investment held written off.

Gateley Plc held a 1% investment in the ordinary shares of Business Collaborator Limited for the value of £40,000. Gateley Plc sold their investment during the year generating investment income of £137,523.

Notes (continued)
19 Other investments (continued)

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

£213,733 – Gateley Plc holds a 3.7% investment in the ordinary shares in Incanthera Plc, acquired on 26 February 2020.As at 30 April 2020 the FV of the investment was £0.247 million. As required under IFRS 9 the Group holds other investments at fair value.

20 Contract assets and liabilities

	Contract assets	Trade receivables	Contract liabilities
	£'000	£'000	£'000
As at 30 April 2020	**11,684**	**36,848**	**(70)**
As at 30 April 2019	10,671	33,909	(147)

Contract assets
Contract assets consist of unbilled revenue in respect of professional services performed to date.

Contract assets in relation to non-contingent work are billed at appropriate intervals, normally on a monthly basis in arrears, in line with the performance of the services and engagement obligations. Where such matters remain unbilled at the period end the asset is valued on a contract-by-contract basis at its expected recoverable amount.

Contract assets in relation to contingent work are billed at a point in time once the uncertainty over the contingent event has been satisfied and all performance obligations satisfied, such that it is no longer contingent, these matters are valued based on the expected recoverable amount. Due to the complex nature of these matters, they can take a considerable time to be finalised therefore performance obligations may be settled in one period but the matter not billed until a later financial period. Until the performance obligations have been performed the Group does not recognise any contract asset value at the year end.

During the year, contract assets of £212,000 (2019: £152,000) were acquired in business combinations.

An impairment loss of £69,000 has been recognised in relation to contract assets in the year (2019: £295,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The contract asset loss is estimated at 0.6% (2019: 2.7%) of the balance.

Contract assets recognised under IFRS 15
Under IFRS 15 the Group is required to recognise contract assets, as detailed in note 1.16.

	2020	2019
	£'000	£'000
Contract asset value at 1 May 2019	**10,671**	10,672
Contract assets arising on acquisition	**212**	152
Contract asset value added in the year	**13,528**	32,185
Contract asset value realised in the year	**(12,727)**	(32,338)
Contract asset value at 30 April 2020	**11,684**	10,671

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

Notes (continued)
20 Contract assets and liabilities (continued)

Contract liabilities

When matters are billed in advance or on a basis of a monthly retainer, this is recognised in contract liabilities and released over time when the services are performed.

Contract liabilities recognised under IFRS 15
Under IFRS 15 the Group is required to recognise contract liabilities.

	2020	2019
	£'000	£'000
Contract liabilities at 1 May 2019	147	-
Contract liabilities arising on acquisition	-	294
Contract liabilities gained in the year	447	2,757
Contract liabilities credited to P&L in year	(524)	(2,904)
Contract liabilities at 30 April 2020	70	147

21 Trade and other receivables

	2020	2019
	£'000	£'000
Trade receivables	36,874	33,909
Prepayments	2,941	2,584
Other receivables including insurance receivables	182	42
	39,997	36,535

Trade receivables

Trade receivables are recognised when a bill has been issued to the client, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Trade receivables also includes disbursements. Bills are payable within thirty days unless otherwise agreed with the client.

All trade receivables are repayable within one year.

Movement in the allowance for doubtful receivables

	2020	2019
	£'000	£'000
Brought forward provision	(2,785)	(2,212)
Brought forward on acquisition	(94)	(14)
Provision utilised	474	450
Charged to statement of profit and loss	(961)	(1,205)
Provisions released	399	196
	(2,967)	(2,785)

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

The Group applies the simplified approach to providing for the expected credit losses under IFRS 9.

	Not passed due	Past due 0-30 days	Past due 31-120 days	Past due greater than 120 days	Total
Expected credit loss rate	0.04%	0.98%	3.76%	33.44%	
Estimated total gross carrying amount £'000	20,557	3,567	5,637	8,114	37,875
Lifetime ECL £'000	8	33	212	2,714	2,967

The carrying amount of financial assets (including contract assets but not including equity investments) recorded in the financial statements, which is net of any impairment losses, represents the Group's maximum expected 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 specifically impaired trade receivables are mostly due to customers experiencing financial difficulties.

An impairment loss of £562,000 has been recognised in relation to trade receivables in the year (2019: £1,009,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The trade receivables loss is estimated at 1.2% (2019: 1.9%) of the balance.

22 Other interest-bearing loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost, with the exception of loans to members that are held at fair value, are described below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 28.

	2020 Fair value	**Carrying amount**	2019 Fair value	Carrying amount
	£'000	**£'000**	£'000	£'000
Non-Current liabilities				
Unsecured bank loan	**2,369**	**2,369**	3,076	3,076
Current liabilities				
Unsecured bank loan	**708**	**708**	2,574	2,574
Loans from former members of GCL Solicitors LLP	**68**	**68**	425	425
Loans from director of IIS	**-**	**-**	45	45
Loans due to former partners of Gateley Tweed LLP (formerly Paul Tweed LLP)	**661**	**661**	-	-
	1,437	**1,437**	3,044	3,044

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 additional loans totalling £3 million were entered into. Post year end total term loan repayments were renegotiated, the June 2020 repayment was cancelled, with the remaining balance payable in quarterly repayments of £0.24m payable between September 2020 and September 2023. Interest is chargeable at 2.25% over LIBOR.

Notes (continued)
22 Other interest-bearing loans and borrowings (continued)

As at 30 April 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 April 2020	Current		Non-current	
	Within 6 months	6 to 12 months	1 – 5 years	Later than 5 years
	£'000	£'000	£'000	£'000
Unsecured bank loans	234	474	2,369	-
Loans from former owners of acquired businesses	699	-	-	-
Trade and other payables	5,583	-	-	133
Total	**6,516**	**474**	**2,369**	**133**

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

30 April 2019	Current		Non-current	
	Within 6 months	6 to 12 months	1 – 5 years	Later than 5 years
	£'000	£'000	£'000	£'000
Unsecured bank loans	1,287	1,287	3,076	-
Loans from former owners of acquired businesses	235	167	68	-
Trade and other payables	4,936	-	-	128
Total	**6,458**	**1,454**	**3,144**	**128**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

23 Trade and other payables

	2020	2019
	£'000	£'000
Current		
Trade payables	**5,490**	4,769
Other taxation and social security payable	**12,352**	6,437
Other payables	**93**	167
Contingent consideration	**360**	1,428
Accruals	**1,804**	10,779
Deferred income	**70**	147
	20,169	23,727

Non-current	**£'000**	£'000
Other payables	**133**	128
Contingent consideration	**789**	855
	922	983

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

£359,500 of current contingent consideration represents the earn-out sums payable to the sellers of Kiddy & Partners Limited (£279,000), Gateley Vinden Limited (£18,000) and Persona Associates Limited (£62,500).

£789,000 of non-current contingent consideration represents the earn-out sums payable to the sellers of International Investment Services (£135,000) and t-three Consultancy Limited (£654,000).

All contingent consideration is Level Three in the fair value hierarchy as there are no observable inputs. Amounts have been calculated based on the Group's expectation of what it will pay in relation to the earn-out clause of the relevant sale and purchase agreement discounted to present value. The earn-out targets are based on the annual results, or in the case of Persona a relocation of staff, of the acquired business. The fair value of the earn-out consideration is calculated based on the forecasted results, using EBIT growth rate ranges from 2-10%, to give an estimate of the final obligation capped at the maximum earn-out amount stated in the purchase agreement. Where contingent consideration is due over a period of more than one year the value of the consideration is discounted and recorded at the present value. Discount rate applied in determining the present value of contingent consideration 17.3%.

24 Deferred tax

Deferred tax assets and liabilities are summarised below:

Deferred tax asset
The deferred tax asset recognised in the consolidated statement of financial position represents the future tax impact of issued share based payments schemes that are yet to vest.

	Share based payments
	£'000
At 1 May 2019	**428**
Debited during the year to retained earnings	**(558)**
Credited during the year in the Consolidated income statement	**149**
At 30 April 2020	**19**

Deferred tax liability
The deferred tax liability recognised in the consolidated statement of financial position represents the future tax impact of the Group's benefit from customer lists obtained through acquisitions.

	Customer lists
	£'000
At 1 May 2018	**128**
Arising through business combinations – Kiddy & Partners and GCL Solicitors	**529**
Credited during the year in the Consolidated income statement	**(269)**
At 30 April 2019	**388**
Arising through business combinations – T-Three Consultancy Limited and Gateley Vinden Limited (formerly The Vinden Partnership Limited)	**1,031**
Credited during the year in the Consolidated income statement	**(211)**
At 30 April 2020	**1,208**

Notes (continued)

25 Provisions

Professional indemnity estimated claim cost

	2020	2019
	£'000	£'000
Brought forward		
Provisions made during the year	**630**	605
Provisions reversed during the year	**542**	100
At end of year	**(459)**	(75)
	713	630
Non-current		
Current	**461**	339
	252	291
	713	630

The Group from time to time receives claims in respect of alleged professional negligence which it defends where appropriate but makes provision for the best estimate of probable amounts considered likely to be payable as set out above. Inevitably, these estimates depend on the outcome and timing of future events and may need to be revised as circumstances change. A different assessment of the likely outcome in each case or of the probable cost involved may result in a different level of provision recognised. Professional indemnity Insurance cover is maintained in respect of professional negligence claims.

The professional indemnity estimated claim cost provision in 2019 represented amounts equal to the insurance excesses payable on outstanding claims against the Group. In 2020 the Group has grossed up its provision to represent the probable cost of claims made against the Group under its professional indemnity insurance cover, in line with IAS 37. A reimbursement asset (being the insurance receivable) is also recognised in note 21 above in respect of the anticipated amount recoverable from Group insurers minus the excess deductible under the terms of the Group insurance policy. The impact of this change to gross up provisions and assets was not material as at 30 April 2019 and hence a restatement was not deemed to be necessary.

26 Net debt

	2020	2019
	£'000	£'000
Cash and cash equivalents	**2,923**	2,887
Debt		
Total loans brought forward	**(6,120)**	**(4,959)**
Loans from former members	**(661)**	(469)
Extension to term loans in the year	**0**	(2,970)
Lease liability	**(25,456)**	-
Repayment of loans from former members	**402**	171
Repayment of term loans	**2,506**	2,107
Total loan carried forward	**(29,329)**	(6,120)
Brought forward from previous year	**(3,233)**	(658)
Movement during year	**(23,173)**	(2,575)
Net debt at the year end	**(26,406)**	**(3,233)**

Notes (continued)
26 Net debt (continued)

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long term borrowings	Short term borrowings	Lease liabilities	Total
	£'000	£'000	£'000	£'000
1 May 2019	5,650	470	326	6,446
Adoption of IFRS 16	-	-	27,210	27,210
Revised 1 May 2019	5,650	470	27,536	33,656
Cashflows:				
Repayments	(2,573)	(402)	(3,615)	(6,591)
Non-cash				
Fair value on acquisition	-	661	-	662
Termination of lease	-	-	(3,046)	(3,046)
New lease liability in the year	-	-	4,581	4,581
30 April 2020	3,077	729	25,456	29,262

	Long term borrowings	Short term borrowings	Lease liabilities	Total
	£'000	£'000	£'000	£'000
1 May 2018	4,959	-	456	5,415
Cashflows:				
Repayments	(2,279)	(904)	(130)	(3,313)
Proceeds	2,970	-	-	2,970
Non-cash				
Fair value on acquisition	-	1,374	-	1,374
30 April 2019	5,650	470	326	6,446

Notes (continued)

27 Share capital

Authorised, issued and fully paid

	2020	**2020**	2019	2019
	Number	**£**	Number	£
Ordinary shares of 10p each				
Brought forward	**110,860,789**	**11,086,079**	106,881,953	10,688,195
Issued on acquisition of GCL solicitors LLP	**-**	**-**	1,164,276	116,428
Issued on acquisition of Kiddy & Partners Limited	**-**	**-**	251,207	25,121
Issued as part of contingent consideration of Gateley Hamer Limited	**-**	**-**	138,329	13,833
Issued on acquisition of Persona Associates Limited	**94,312**	**9,431**	-	-
Issues on acquisition of t-three Consulting Limited	**944,855**	**94,486**	-	-
Issued as part of contingent consideration of Kiddy & Partners Limited	**389,608**	**38,961**	-	-
Issued on acquisition of Gateley Tweed LLP (Formerly Paul Tweed LLP)	**529,520**	**52,952**	-	-
Issued on acquisition of Gateley Vinden Limited (Formerly The Vinden Partnership Limited)	**1,602,564**	**160,256**	-	-
Issued on vesting of SARS	**1,631,588**	**163,159**	2,425,024	242,502
Issued on vesting of SAYE	**844,695**	**84,470**	-	-
Issued on vesting of CSOPS	**711,163**	**71,116**	-	-
At 30 April 2020	**117,609,094**	**11,760,909**	110,860,789	11,086,079

On 29 July 2019 the Group acquired the entire issued share capital of Persona Associates Limited in part for the issue of 94,312 10p ordinary shares.

On 1 October 2019 844,695 10p ordinary shares were issued upon vesting of the 2019 SAYE schemes to participants.

On 8 October 2019 1,631,588 10p ordinary shares were issued upon vesting of the 2019 SARS scheme to participants.

On 13 December 2019 the Group acquired t-three Consulting and dormant Group companies in part for the issue of 944,855 10p ordinary shares.

On 6 February 2020 711,163 10p ordinary shares were issued upon vesting of the 2016 CSOP scheme.

On 28 February 2020 the Group acquired the goodwill of Gateley Tweed (Formerly Paul Tweed LLP) in part for the issue of 529,520 10p ordinary shares.

On 6 March 2020 the Group acquired the entire issued share capital of Gateley Vinden Limited (formerly The Vinden Partnership Limited) and dormant group companies in part for the issue of 1,602,564 10 ordinary shares.

Notes (continued)

28 Financial instruments and related disclosures

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 refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables.

The Group continuously monitors the credit quality of customers and risk attributable to specific debts. The Group's policy is to deal only with credit worthy counterparties, with standard credit terms being 30 days. The credit terms as negotiated with customers are subject to close monitoring and internal approval. The ongoing credit risk is managed through regular review of ageing analysis.

Trade receivables across the Group have been assessed with regard to credit risk characteristics which vary across segmental reporting lines according to the nature of the industry, size and financial position of the counterparty. The Group also considers days past due in making this assessment as well as historical credit losses experienced within over a period of 12 month before 30 April 2020.

The expected loss rates derived from this assessment are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. 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.

Historic cash collection rates and the Group write-off of financial instruments do not show an 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 Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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.

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.

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.

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

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)

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):

	2020	2019
	£'000	£'000
Cash and cash equivalents	**2,923**	2,887
Contract assets	**11,684**	10,671
Trade receivables at amortised cost	**36,848**	33,909
Total financial assets	**51,455**	47,467
Trade and other payables	**(7,457)**	(15,862)
Contingent consideration at FVTPL	**(360)**	(1,428)
Short-term borrowings	**(1,437)**	(3,044)
Current financial liabilities	**(9,254)**	(20,334)
Long-term borrowings	**(2,369)**	(3,076)
Other payables due after more than one year	**(133)**	(128)
Contingent consideration at FVTPL	**(789)**	(855)
Total financial liabilities	**(12,545)**	(24,393)

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

Measurement of fair value of financial instruments
The Group performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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

Fair value measurement of contingent consideration
All contingent consideration relating to business combinations is Level 3 in the fair value hierarchy as there are no observable inputs. The fair value of contingent consideration is estimated using the present value technique, based on estimated future cash outflows discounted at 17.3% being the applicable weighted average cost of capital. Where the contingent consideration is due less in less than 12 months, no discount factor is applied. The estimated cash outflows before discounting reflect management's estimate of the earnout due based on the forecasted results, using EBIT growth rates ranging from 2-10%, capped at the maximum earn-out amount as stated in the purchase agreement. The earn-out targets are based on the annual results, or in the case of Persona a relocation of staff, of the acquired business. An increase in the forecasted revenues of 1% would result in an increase of £49,000 in contingent consideration, a decrease in the forecasted revenues of 1% would result in a decrease of £21,000 in contingent consideration due.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Contingent consideration
£'000	
Balance at 1 May 2019	**2,283**
Acquired through business combination	**734**
Amount recognised in profit or loss	**(619)**
Amount of earn-out paid	**(1,249)**
Balance at 30 April 2020	**1,149**
Total amount included in profit or loss	
30 April 2019	**-**
30 April 2020	**-**
Operating costs	**(619)**

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:

	2020 Increase/ (decrease) in profit and loss	2019 Increase/ (decrease) in profit and loss
	£'000	£'000
+1 % movement in interest rates	**57**	43
-1 % movement in interest rates	**(57)**	(43)

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

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

Foreign exchange rate sensitivity analysis

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

	2020	2019
	£'000	£'000
Net currency	**180**	279

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

29 Capital commitments

In 2019 the Group entered a contract with a provider of legal technology for the development of a new practice management system, LexisOne. Progress on development of that product was not forthcoming therefore the Group has now cancelled that contract and, post year end, entered into a new contract with Thomson Reuters for the installation of their market leading practice management system. The estimated cost of the contractual capital commitment is £1.1million and is expected to be incurred across the calendar years 2021 and 2022. There is no obligation at the year end.

30 Leases liabilities – IFRS 16

The weighted average incremental borrowing rate applied to lease liabilities recognised at 1 May 2019 is 3.56%. Incremental borrowing rates applied to individual leases ranged between 2.87% and 3.72%.

During transition prepayments of £103,000 and accruals of £2,228,000 were released against the right-of-use asset. £725,000 was adjusted against opening reserves as a result of applying the modified retrospective approach under IFRS 16. The table below sets out the impact on the Consolidated Statement of Financial Position as at 30 April 2020 and 1 May 2019:

	30 April 2020	30 April 2019
	£'000	£'000
Right-of-use asset		
Property	**22,879**	24,360
Lease Liability		
Greater than 1year	**22,109**	23,481
Less than 1 year	**3,347**	3,729
	25,456	27,210

The table below shows the impact on the Consolidated Statement of Comprehensive Income for 12 months to 30 April 2020 compared to reporting under IAS 17:

	12 months ended 30 April 2020
	£'000
Profit before tax under IFRS 16	**14,756**
Depreciation on right-of-use assets	**3,455**
Finance costs	**840**
	19,051
Rental cost under IAS 17	**(4,070)**
	14,981

Notes (continued)
30 Leases liabilities – IFRS 16 (continued)

Whilst the cash flows of the Group have not been affected by the adoption of IFRS 16 the headings under which cash impacts relating to leases have altered. During the period ended 30 April 2020 cash outflows from financing activities presented in the Consolidated Statement of Cash Flows increased by £3,625,000 for cash payments of the principal portion and £840,000 for cash payments of the interest portion of leases recognised within lease liabilities under IFRS 16. Cash generated from operations reflects the corresponding reduction of £4,465,000 of payments for leases previously classified as operating leases under IAS 17.

Differences between the operating lease commitments disclosed at 30 April 2019 under IAS 17 discounted at the incremental borrowing rate at 1 May 2019 and lease liabilities recognised at 1 May 2019 are shown below:

	£'000
Operating lease commitments at 30 April 2019	**26,089**
Impact of discounting	**(1,943)**
Leases not yet commenced	**-**
Short-term leases recognised as an expense	**-**
Long-term leases recognised as an expense	**(326)**
Impact of rent increases	**-**
Additional lease components recognised	**3,390**
Lease liability opening balance 1 May 2019	**27,210**

The table below shows lease liabilities maturity analysis - contractual undiscounted cash flows at 30 April 2020.

	£'000
Less than one year	**3,812**
One to five years	**15,530**
More than five years	**9,433**
	28,775

The table below shows amounts recognised in the Statement of Comprehensive Income for short term and low value leases as at 30 April 2020:

	Property	Equipment	Total
	£'000	£'000	£'000
Expenses relating to short-term leases	14	63	77
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	7	-	7
	21	63	84

The total minimum lease payments at 30 April 2019 under non-cancellable operating lease rentals were:

	30 April 2019
	£'000
Within one year	3,409
In the second to fifth year inclusive	10,799
After five years	11,881
	26,089

Notes (continued)
30 Leases liabilities – IFRS 16 (continued)

Operating lease payments represent rentals payable by the Group for office properties, motor vehicles and office equipment.

On 30 June 20 Gateley signed a reversionary lease on the London property. The cash flow effects of this are a £200k capital contribution and a rent saving in the first year of £250,000.

31 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 (2019: £120,000) and the amounts outstanding at the year-end are £80,000 (2019: £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 £38,839 (2019: £38,286) in respect of employee benefits services provided by Mattiolli Woods Plc. In addition, the Group received revenues of £152,237 (2019: £256,881) 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 4.19% (2019: 4.98%) of the voting shares of the Company.

The key management personnel comprise the Strategic Board on the basis that they make any final key decisions.

Short term compensation paid to key management personnel during the year totalled 2020: £2.012m (2019: £2.591m).

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

	2020	2019
	£'000	£'000
Wages and salaries	**1,745**	2,255
Social security	**241**	311
Pension costs	**-**	-
Share based payment charges	**26**	25
	2,012	2,591

32 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 £1,509,905 (2019: £1,146,098) and the outstanding balance at the year end was £42,294 (2019: £10,363).

33 Subsequent events

LTIP option issue – IFRS 2 charge

On the 22 July the Company issued LTIP options over 1,405,766 shares to certain senior employees and executive directors based on performance conditions commencing a year on 1 May 2020. The number of options granted were allocated to the same employees in the same proportions as the February issue however approximately 28% more awards were issued to those employees so as to enhance the incentivisation of these awards during the difficult and challenging economic conditions encountered due to the impact of Covid-19. Management have estimated the cost of this issue over the life of the option to result in a £1.59m IFRS 2 charge, based on the assumption 100% of the performance condition is achieved.

Notes (continued)
33 Subsequent events (continued)

CSOP option issue – IFRS 2 Charge

On the 7 July 2020 the Company issued CSOP options over 976,797 shares to associates, senior associates, legal directors, equivalent positions in Gateley Group subsidiary companies and senior management positions in our support teams. Management have estimated the cost of this issue over the life of the option to result in a £0.21m IFRS 2 charge.

Practice management replacement system

On the 15 May 2020 the Company signed a contract for services with Thomson Reuters for the supply and installation of 3E, a replacement practice management system. The estimated cost of the contract is £1.5million. The existing contract with Lexis Nexis has been cancelled.

Parent company statement of financial position at 30 April 2020

	Note	2020	2019
		£'000	£'000
Non-current assets			
Investments	5	**32,720**	20,085
Total non-current assets		**32,720**	20,085
Current assets			
Trade and other receivables	6	**2,228**	9,856
Cash and cash equivalents		**175**	243
Total current assets		**2,403**	10,099
Total assets		**35,123**	30,184
Non-current liabilities			
Other payables	7	**(789)**	(855)
Total non-current liabilities		**(789)**	(855)
Current liabilities			
Other payables	7	**(360)**	(1,428)
Trade payables	7	**(828)**	(30)
Total current liabilities		**(1,188)**	(1,458)
Total liabilities		**(1,977)**	(2,313)
Net assets		**33,146**	27,871
Equity			
Share capital	8	**11,761**	11,086
Share premium		**8,938**	6,483
Other reserves		**6,812**	1,770
Retained earnings		**5,635**	8,532
Total equity		**33,146**	27,871

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 2020 was £2,695,618 (2019: £8,996,553).

These financial statements were approved by the directors on 28 September 2020 and were signed and authorised on their behalf by:

R. R. Waldie

Roderick R Waldie
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078. The accompanying notes on pages 121 to 129 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 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:					
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**
At May 2019	11,086	6,483	1,770	8,532	27,871
Comprehensive income:					
Profit for the year	-	-	-	2,696	2,696
Total comprehensive income	**-**	**-**	**-**	**2,696**	**2,696**
Transactions with owners:					
Dividend paid	-	-	-	(6,007)	(6,007)
Issue of share capital	675	2,455	5,042	-	8,172
Cash from EBT for SARS shares	-	-	-	(407)	(407)
Share based payment transactions	-	-	-	821	821
Total equity at 30 April 2020	**11,761**	**8,938**	**6,812**	**5,635**	**33,146**

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 121 to 129 form an integral part of these financial statements.

Parent company cash flow statement for year ended 30 April 2020

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**2,696**	8,996
Increase in liabilities	**798**	117
Increase in trade and other receivables	**7,628**	(249)
Net cash flows from operating activities	**11,121**	8,864
Investing activities		
Consideration paid on acquisitions	**(5,978)**	(510)
Contingent consideration paid	**(625)**	(236)
Net cash used in investing activities	**(6,603)**	(746)
Financing activities		
Receipt of funds for issue of SARS shares	**1,421**	242
Dividends paid	**(6,007)**	(8,118)
Net cash used in financing activities	**(4,586)**	(7,876)
Net (decrease)/increase in cash and cash equivalents	**(68)**	242
Cash and cash equivalents at beginning of the year	**243**	1
Cash and cash equivalents at end of year	**175**	243

The accompanying notes on pages 121 to 129 form an integral part of these financial statements.

Parent company notes to the financial statements
For the period ended 30 April 2020

(forming part of the financial statements)

1 Basis of preparation and significant accounting policies

Gateley (Holdings) Plc (the "Company") is a company incorporated and domiciled in the UK under the Companies Act. The nature of the Group's operations and its principal activities are set out in the strategic report.

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

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12 below.

The individual financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the financial statements, the results and financial position of the company are expressed in GBP, which is the functional and presentational currency of the Company.

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

See full explanation on page 19 of the Strategic Report.

Having reviewed the Company's forecasts, which includes an analysis of both short term cash flow forecasts and longer term cash flow forecasts, the risk and uncertainties surrounding the current and future demand for legal services, and other reasonably possible variations in trading performance, and the possible impact of COVID-19 the Company expects to be able to operate within the Company's financing facilities and in accordance with the covenants set out in those facility agreements.

Sensitivity analysis has been performed in respect of specific scenarios which could negatively impact our future performance such as lower levels of revenue growth, lower than forecast receipts of cash, and reduced levels of gross margin expansion. In addition, the directors have also considered mitigating actions such as lower capital expenditure and other short-term cash management activities within the Company's control. On this basis, the directors have a reasonable basis to conclude that the Company is forecast to continue to trade in line with existing financing facilities for the foreseeable future.

Accordingly the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Parent company notes to the financial statements (continued)

1 Basis of preparation and significant accounting policies (continued)

1.3 Non derivative financial instruments (continued)

when the Company becomes party to the contractual provisions of the instrument.

i) Investments

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

Investments in subsidiary undertakings are stated, as fixed asset investments, at cost less amounts written off for impairment with any subsequent year adjustments stated directly into the profit and loss account. Investments are reviewed for impairment where events or circumstances indicate that their carrying amount may not be recoverable. In some instances investments are subject to contingent consideration, This is included in the cost of investment. The amount of contingent consideration due is assessed regularly by management based on actual and forecast performance. Any changes to contingent consideration due are recognised within the profit and loss account. 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 (except unbilled amounts for client work) are initially recognised at their transaction value and carried at amortised cost under IFRS 9.

In line with IFRS 9, the Company recognises any 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 broad range of information including past events, current conditions and forecasts of the future cash flows of the asset 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.

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 Company'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

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 scenario is likely to occur 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.

Under IFRS 9 the Group recognises expected credit losses (ECL's) on receivables through application of the simplified method. The amount of the provision recorded is based on a broad range of information including past events, current conditions and forecasts of the future cash flows of the asset . Whilst the longevity and impact of the COVID-19 pandemic is unknown, management have considered the potential defaults on receivables as a result and reflected these in the ECL's calculated.

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

Parent company notes to the financial statements (continued)
1 Basis of preparation and significant accounting policies (continued)
1.5 Taxation (continued)

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.

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, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early to the Group:

Revised IFRS		Effective date
IFRS 3	Business Combinations	1 January 2020

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2 Expenses
Audit fees in relation to the audit of these accounts of £10,000 (2019: £10,000) have been borne by Gateley Plc. The company does not have any employees (2019: Nil)

3 Investment income
Intercompany dividends to the company have been received from other group entities as detailed below:

	2020	2019
	£'000	£'000
Amounts owed from Gateley Hamer Limited – 14 March 2019	**-**	1,000
Amounts owed from Gateley Capitus Limited – 14 March 2019	**-**	1,000
Amounts owed from Gateley Plc – 14 March 2019	**-**	1,000
Amounts owed from Gateley Plc – 30 April 2019	**-**	6,000
Amounts owed from Gateley Plc – 31 October 2019	**2,750**	-
	2,750	9,000

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.

Parent company notes to the financial statements (continued)

5 Investments

	£'000
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**
At 1 May 2019	20,085
Share based payment charge	821
Adjustment to Kiddy & Partners Limited acquisition cost	(620)
Acquisition of Persona Associates Limited	447
Acquisition of t-three Consulting Limited	3,819
Acquisition of Gateley Tweed (formerly Paul Tweed LLP)	2,000
Acquisition of Gateley Vinden Limited (formerly The Vinden Partnership Limited)	6,168
Balance at 30 April 2020	**32,720**

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
Persona Associates Limited	England and Wales	100%	Dormant
t-three Consulting Limited*	England and Wales	100%	Human capital consultancy
t-three Group Limited	England and Wales	100%	Intermediate holding company
t-three Holdings Limited*	England and Wales	100%	Intermediate holding company
Gateley Vinden Limited	England and Wales	100%	Corporate advisory, dispute resolution and consultancy to the built environment in the property and construction markets
Matsa Holdings Limited	England and Wales	100%	Intermediate holding company
Thomas Alexander Holdings Limited*	England and Wales	100%	Intermediate holding company
TVP Holdings Limited*	England and Wales	100%	Intermediate holding company

Parent company notes to the financial statements (continued)
5 Investments (continued)

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 UK LLP**	England and Wales	100%	Legal services via a branch in Dubai
Gateley Tweed LLP***	Northern Ireland	n/a	Legal services in Northern Ireland
William Paul Tweed, Selena Mary Kerins, Victoria Louise Garrad, Callum Laing Nuttall, Thomas Oliver Durrant and Richard Julian Healey trading as Gateley Tweed***	Republic of Ireland	n/a	Legal Services in Ireland
Gateley Heritage LLP*	England and Wales	100%	Non-trading
Gateley (Manchester) LLP*	England and Wales	51%	Non-trading

* these investments are indirectly held at the year end.

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

*** These entities are related entities of Gateley Plc since the majority of its Members are also Board members of Gateley Plc. In substance they are controlled by Gateley Plc and so their results are included in the consolidated results of Gateley (Holdings) Plc. In accordance with local governance regulations, direct ownership in Gateley Tweed LLP and Gateley Tweed (a partnership in Ireland) is not permitted however both entities will be recognised as subsidiary undertakings of Gateley Plc under section 1162(4) of the Companies Act 2006 and thus subsidiary undertakings of the Group by virtue of section 1162(5) of the Companies Act 2006.

6 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts owed from Gateley Plc	**-**	8,856
Amounts owed from Gateley EBT Limited	**1,228**	-
Amounts owed from Gateley Hamer Limited	**1,000**	1,000
	2,228	9,856

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

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

Parent company notes to the financial statements (continued)

7 Other payables

	2020	2019
	£'000	£'000
Contingent consideration due in one year	360	1,428
Amounts owed to Gateley Plc	828	-
Amounts owed to Gateley EBT Limited	-	30
	1,188	1,458

Contingent consideration of £0.018m relating to estimated earn put payments are due to the vendor of Gateley Vinden Limited that will be settled 50:50 in cash and shares together. Contingent consideration of £0.0625m relating to contingent consideration due to the vendor of Persona Associates Limited that will be settled 50:50 in cash and shares. Contingent consideration of up to £0.278m in relation to estimated earn out payments are due to the vendors of Kiddy and Partners LLP is estimated to be settled 50:50 in cash and shares together.

All consideration is due in less than one year.

	2020	2019
	£'000	£'000
Contingent consideration due in more than one year	789	855

Contingent consideration of £0.135m relating to estimated earn out payments are due to the vendor of IIS that will be settled 15% in cash and 85% in shares. Contingent consideration of £0.654m relating to estimated earn put payments are due to the vendor of T-three Consulting Limited that will be settled 50:50 in cash and shares together.

All consideration is due after more than one year.

8 Capital and reserves

Authorised, issued and fully paid

	2020	2020	2019	2019
	Number	£	Number	£
Ordinary shares of 10p each				
At 1 May 2019	110,860,789	11,086,079	106,881,953	10,688,195
Issued on acquisition of GCL solicitors LLP	-	-	1,164,276	116,428
Issued on acquisition of Kiddy & Partners Limited	-	-	251,207	25,121
Issued as part of contingent consideration of Gateley Hamer Limited	-	-	138,329	13,833
Issued on acquisition of Persona Associates Limited	94,312	9,431	-	-
Issues on acquisition of t-three Consulting Limited	944,855	94,486	-	-
Issued as part of contingent consideration of Kiddy & Partners Limited	389,608	38,961	-	-
Issued on acquisition of Gateley Tweed LLP (Formerly Paul Tweed LLP)	529,520	52,952	-	-

Parent company notes to the financial statements (continued)
8 Capital and reserves (continued)

Issued on acquisition of Gateley Vinden Limited (Formerly The Vinden Partnership Limited)	**1,602,564**	**160,256**	**-**	**-**
Issued on vesting of SARS	**1,631,588**	**163,159**	**2,425,024**	**242,502**
Issued on vesting of SAYE	**844,695**	**84,470**	**-**	**-**
Issued on vesting of CSOPS	**711,163**	**71,116**	**-**	**-**
At 30 April 2020	**117,609,094**	**11,760,909**	**110,860,789**	**11,086,079**

On 29 July 2019 the Company acquired the entire issued share capital of Persona Associates Limited in part for the issue of 94,312 10p ordinary shares.

On 1 October 2019 844,695 10p ordinary shares were issued upon vesting of the 2019 SAYE schemes to participants.

On 8 October 2019 1,631,588 10p ordinary shares were issued upon vesting of the 2019 SARS scheme to participants.

On 13 December 2019 the Company acquired t-three Consulting and dormant group companies in part for the issue of 944,855 10p ordinary shares.

On 6 February 2020 711,163 10p ordinary shares were issued upon vesting of the 2016 CSOP scheme.

On 28 February 2020 the Company acquired the goodwill of Gateley Tweed (Formerly Paul Tweed LLP) in part for the issue of 529,520 10p ordinary shares.

On 6 March 2020 the Company acquired the entire issued share capital of Gateley Vinden Limited (formerly The Vinden Partnership Limited) and dormant group companies in part for the issue of 1,602,564 10 ordinary shares.

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

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

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

Parent company notes to the financial statements (continued)

9 Financial instruments and related disclosures (continued)

Market risk

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

Interest rate risk

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

Foreign currency risk

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

Fair value disclosures

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

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

Fair value hierarchy

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

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

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

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

	2020	2019
	£'000	£'000
Cash and cash equivalents	**175**	243
Group receivables	**1,523**	9,856
Total financial assets	**1,698**	10,099
Contingent consideration - FVTPL	**(1,149)**	(2,283)
Group payables	**(828)**	(30)
Current and total financial liabilities	**(1,977)**	(2,313)

The company itself does not have any exposure to interest or foreign exchange rates. The Group's exposure is detailed in note 28.

10 Share based payments

Details of the Group's share based payment schemes in operation are shown in note 9 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 31.

Parent company notes to the financial statements (continued)

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 is use calculation requires an estimate of the future cash flows expected to arise from a subsidiary or cash generating unit and the use of a suitable discount rate in order to calculate present value. Any change in estimates could result in an adjustment to recorded amounts. 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 terms loans and overdrafts. The value of the contingent liability at 30 April 2020 is £nil (2019: £nil)

14 Subsequent events

LTIP option issue
On the 22 July the Company issued LTIP options over 1,405,766 shares to certain senior employees and executive directors based on performance conditions commencing a year on 1 May 2020. The number of options granted were allocated to the same employees in the same proportions as the February issue however approximately 28% more awards were issued to those employees so as to enhance the incentivisation of these awards during the difficult and challenging economic conditions encountered due to the impact of COVID-19. Management have estimated the impact of this issue over the life of the option to result in a £1.59m IFRS 2 charge arises, which will increase cost of investments in the Company, based on the assumption 100% of the performance condition is achieved.

CSOP option issue
On the 7 July 2020 the Company issued CSOP options over 976,797 shares to associates, senior associates, legal directors, equivalent positions in Gateley Group subsidiary companies and senior management positions in our support teams. Management have estimated the impact of this issue over the life of the option to result in a £0.21m IFRS 2 charge arises, which will increase cost of investments in the Company.

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 30 October 2020 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 2020 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 2020, which is set out in the Company's annual report for the financial year ended 30 April 2020.

3. To appoint Roderick Richard Waldie (in accordance with article 23.1 of the Company's articles of association) as a director of the Company.

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

5. To reappoint Suzanne Frances Allison Thompson (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 MacIntyre Hudson 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 £3,920,303 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 30 January 2022) 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 £588,045 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 30 January 2022) 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 £588,045 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 30 January 2022) 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 11,760,909 (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 30 January 2022); 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: 7 October 2020

Registered office:
One Eleven Edmund Street
Birmingham
B3 2HJ

NOTES:

IMPORTANT NOTE REGARDING ATTENDANCE IN PERSON: Due to the ongoing COVID-19 pandemic and current government advice on non-essential travel and social distancing (as published at the date of this Notice), this will be a closed meeting and shareholders will not be permitted to attend the AGM in person. Consequently, shareholders are encouraged to exercise their votes by submitting their proxy as soon as possible and to appoint the Chairman as their proxy.

Entitlement to Attend and Vote

1. To be entitled vote at the Meeting (and for the purposes of the determination by the Company of the votes that may be cast in accordance with Regulation 41 of the Uncertified Securities Regulations 2001), only those members registered in the Company's register of members at close of business on 28 October 2020 (or, if the Meeting is adjourned, close of business on the date which is two business days before the adjourned Meeting) shall be entitled to vote at the Meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to vote at the Meeting.

Website Giving Information Regarding the Meeting

2. Information regarding the Meeting, including the information required by Section 311A of the Act, is available from https://gateleyplc.com/investors/

Attending in Person

3. This will be a closed meeting and shareholders will not be permitted to attend the AGM in person.

Appointment of Proxies

4. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting. You can appoint a proxy only using the procedures set out in these notes and the notes to the proxy form.
5. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
6. 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 indicate on your proxy submission how many shares it relates to.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of Proxy Using Hard Copy Proxy Form

8. A hard copy form of proxy has **not** been sent to you but you can request one directly from the registrars, Link Asset Services' general helpline team on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk or via postal address at Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. 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 included with the proxy form. For the purposes of determining the time for delivery of proxies, no account has been taken of any part of a day that is not a working day.

Appointment of a Proxy Online

9. You may submit your proxy electronically using the Share Portal service at www.signalshares.com. Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 48 hours (excluding non-working days) before the time of the meeting applies. Shareholders will need to use the unique personal identification Investor Code ("IVC") printed on your share certificate. If you need help with voting online, please contact our Registrar, Link Asset Services' portal team on 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider.. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Or via email at shareholderenquiries@linkgroup.co.uk

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Appointment of Proxies Through Crest

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/ public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 12.30 p.m. on 28 October 2020. For this purpose, the time of receipt will be taken to be the

time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

Appointment of Proxy by Joint Members

11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding, the first-named being the most senior.

Changing Proxy Instructions

12. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services as per the communication methods shown in note 9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of Proxy Appointments

13. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, at the address shown in note 9. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed, or a duly certified copy of such power or authority, must be included with the revocation notice. The revocation notice must be received by Link Asset Services no later than 48 hours before the Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate Representatives

14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued Shares and Total Voting Rights

15. As at 7 October 2020, the Company's issued share capital comprised **117,609,094** Ordinary Shares of £0.10 each. Each Ordinary Share carries the right to one vote at a General Meeting of the Company and, therefore, the total number of voting rights in the Company on 7 October 2020 is **117,609,094**. The website referred to in note 2 will include information on the number of shares and voting rights.

Questions at the Meeting

16. Under Section 319A of the Act, the Company must answer any question you ask relating to the business being dealt with at the Meeting unless:
    - answering the question would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

Website Publication of Audit Concerns

17. Under Section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Act (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act . Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

Documents on Display

18. Copies of the letters of appointment of the Directors of the Company and a copy of the Articles of Association of the Company will be available for inspection at the registered office of the Company from the date of this notice until the end of the Meeting.

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 £3,920,303, 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 £588,045, 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 £588,045, 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 11,760,909 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital as at 7 October 2020, 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).

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