Gateley (Holdings) Plc

Annual report and financial statements

Registered number 09310078

For the year ended 30 April 2022

Contents

Company information

Registration number	09310078	
Registered office	One Eleven Edmund Street Birmingham B3 2HJ	
Directors	RR Waldie	Chief Executive Officer
	V L Garrad	Executive Director
	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	MHA MacIntyre Hudson Rutland House 148 Edmund Street Birmingham B3 2FD	
Nominated advisor and broker	Liberum 5 Ropemaker Street London EC2Y 9LY	
Principal bankers	HSBC Bank Plc 6th Floor 120 Edmund Street Birmingham B3 2QZ	
	Lloyds Bank Plc 125 Colmore Row Birmingham West Midlands B3 3SF	
Registrars	Link Asset Services 6th Floor 65 Gresham Street London EC2V 7NQ	
Financial PR adviser	Belvedere Communications 25 Finsbury Circus London EC2M 7EE	
Website	www.gateleyplc.com	

Strong results, further growth and demonstrable resilience

Gateley (AIM: GTLY), the legal and professional services group, announces its audited preliminary results for the year ended 30 April 2022 ("FY22" or the "Period"), which continued the Group's pre and post IPO unbroken record of year-on-year revenue and profit growth, and out-performed market expectations set at the start of the year.

The Group delivered a strong financial performance in FY22, achieving significant organic growth and strengthening the business further through diversification and investment into new complementary service lines, while maintaining control on costs in the face of market specific and macro-economic headwinds. The balance sheet remains strong and the Group has significant headroom in its banking facilities to invest in further organic and acquisitive growth opportunities.

Financial Highlights

	FY22	FY21	**Change**
Group revenue	**£137.2m**	£121.4m	**+13.0%**
Group underlying operating profit before tax[1]	**£22.5m**	£20.5m	**+9.8%**
Group underlying profit before tax*	**£21.6m**	£19.3m	**+11.9%**
Group profit before tax	**£18.0m**	£16.3m	**+10.4%**
Group profit after tax	**£14.3m**	£13.2m	**+8.3%**
Basic earnings per share ('EPS')	**12.00p**	11.18p	**+7.3%**
Adjusted fully diluted EPS[2]	**14.31p**	13.17p	**+8.7%**
Net assets	**£72.9m**	£59.3m	**+22.9%**
Net cash[3]	**£10.4m**	£19.6m	**-9.2m**

1 *Underlying operating profit before tax and underlying profit before tax excludes share based payment charges, amortisation and exceptional items*
2 *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*
3 *Net cash excludes IFRS 16 liabilities*

- Group organic revenue growth was 10.9%, comprising 8.7% in legal services and 26.7% in consultancy services
- Total growth in consultancy revenues of 44.9%, as complementary consultancy services contributed £21.3m or 15.5% of total revenues (FY21: £14.7m or 11.5%)
- Adjusted underlying operating profit margin broadly maintained at 16.4% (FY21: 16.9%)
- Net assets increased by 22.9% to £72.9m
- "Gateley Agile" initiative, which builds on the flexible working introduced during the pandemic, continues to deliver cost savings, mitigating some inflationary pressure
- Personnel costs declined as a percentage of Group revenue to 63.0% (FY21: 63.8%)
- Proposed final dividend of 5.5p (FY21: 5.0p) taking total dividends for the Period to 8.5p (FY21: 7.5p)
- Group dividend policy remains to distribute up to 70% of our after-tax profits each year

Strategic Highlights

- Three earnings-enhancing acquisitions completed in the Period, expanding the Group's Property and Business Services Platforms
- Total headcount at 30 April 2022 of 1,368 (FY21: 1,081). Total headcount of professional staff increased by 23.6% from 767 to 948
- New Revolving Credit Facility of £30m agreed in April 2022, providing increased funding flexibility to support the Group's growth strategy

Current Trading and Outlook

- *Good pipeline of new work and current year activity levels are in-line with the board's expectations*
- Encouraging pipeline of acquisition growth opportunities
- Platform strategy progressing and delivering to plan with on-going integration of all acquired businesses and consequent widening and enhancement of client engagement in FY23 and beyond
- The board maintains its expectations for growth in FY23

Rod Waldie, CEO of Gateley, said:

"I am delighted with the Group's performance in FY22. We have delivered another set of strong revenue *and profit growth figures whilst continuing to strengthen our balance sheet.* Legal services generated solid organic revenue growth, comparing favourably with reported UK legal industry performance. Our consultancy service lines delivered impressive organic growth of 26.7% resulting in overall consolidated Group organic revenue growth of 10.9%.

I am particularly pleased that we completed three exciting consultancy acquisitions in the Period and achieved annualised consultancy revenue of over c.£32m as we continue to grow our complementary services, diversifying our offering and deepening our connections with our clients.

I thank our ever-expanding client base for their trust and support throughout FY22 and for giving us the opportunity to work with them on high quality mandates. We remain committed to our purpose of delivering results that delight our clients, inspire our people and support our communities. We have a good pipeline of work and maintain our expectations for growth in FY23, despite the well-reported inflationary pressures. We look forward to continuing to grow the Group, both organically and via acquisition."

Chairman's Statement

Summary of the year

I am delighted to welcome you to Gateley's Annual Report and Accounts for the year ended 30 April 2022, a successful year for Gateley in which the Group has continued its unbroken record of year-on-year revenue and profit growth.

With revenue increasing by 13.0% to £137.2m and underlying profit before tax increasing by 11.9% to £21.6m, Gateley has again demonstrated the resilience of its business model and diversification strategy. These strong results led to a 22.9% increase in Group net assets to £72.9m (FY21: £59.3m), and an increase of 8.7% in adjusted fully diluted earnings per share to 14.31p per share (FY21: 13.17p).

I am particularly proud that this year's strong performance has been delivered despite disrupted circumstances. With the economic recovery from COVID-19 somewhat compromised by inflationary pressures, with uncertainty as a consequence of the terrible events in Ukraine and with the onset of higher than usual wage inflation within the legal and indeed other service sectors, Gateley has navigated the year well and I could not be more pleased with the resulting benefits for all of our stakeholders.

Delivering our strategy

During the year, we have delivered on our strategic intent to further diversify the business, placing the Group in a strong position to deliver further profitable growth in the coming years.

In doing so, we have also expanded the breadth and depth of our offering with Group representation in four new geographies as part of the newly-acquired Smithers Purslow business.

Our staff have shown great adaptability to the constant changes throughout the past few years and their dedication towards the business, their colleagues and clients has been first class.

Within our consultancy businesses, overall headcount increased by 169.4% to 291 (FY21: 108) and fee-earner staff by 123.5% to 219 (FY21: 98). Together with three consultancy businesses acquired during the year, annualised revenues from this part of the Group now contribute revenues of over £32m, further diversifying our service offering and deepening our relationships with our clients in so doing.

As part of our present and future acquisition strategy, we committed to a three-year revolving credit facility of up to £30.0m to assist with acquisitions. This combined with our ever strengthening balance sheet places us in a good position to continue with acquisitions.

As we continue to grow and strengthen our business, the board remains committed to providing its people with the opportunity to own shares in the Company. We believe that employee share ownership secures a strong alignment with the Group's external shareholders, incentivises employees and is reflective of Gateley's long-established culture. At least 75% of current staff are existing share or option holders in the Company.

Responsible business

The board has made the introduction of Gateley's Responsible Business commitments a key strategic priority this year. Working together with The Purpose Coalition, an independent ESG consultancy who helped us develop our own set of levelling up goals, in August 2021, we published Gateley's Responsible Business report, for which we have received significant positive feedback.

The report outlines the plans and priorities that we are working to deliver over the coming years. They are set out under three broad categories being: People, Potential and Planet. I am delighted with the progress we have made in the year and how this important initiative has been readily embraced across the Group. We are committed to ensuring diversity, equality and inclusion across all three of these categories: our goal is to foster a positive work ethic, whilst remaining results and client focused, and demonstrate our commitment to doing the right thing for our people, our planet and developing potential wherever we can.

Chairman's Statement *(continued)*

Dividends

An interim dividend of 3p per share (FY21: 2.5p) was paid on the 31 March 2022 to shareholders on the register at the close of business on 18 February 2022. The board is pleased to propose a final dividend of 5.5p per share (FY21: 5p), giving a total dividend for the year of 8.5p per share (FY21: 7.5p), subject to approval at the forthcoming Annual General Meeting, which will be held on 20th October 2022. If approved, this final dividend will be paid in October to shareholders on the register at the close of business on 23 September 2022. The shares will go ex-dividend on 22 September 2022.

The board's dividend policy remains to distribute up to 70% of profit after tax to shareholders, typically one third following its half year results and two thirds after the full year results are known.

Summary and outlook

This year has been another strong year for Gateley. Our people have excelled in client delivery, they have continued to overcome every challenge presented to them, and have delivered further strategic progress for the business, combining to generate an excellent set of results for the benefit of all of our stakeholders.

As we focus on service line enhancing opportunities that meet our clients' needs and fulfil our strategy to build a broader professional services group, our acquisition pipeline remains strong, trading in the current year is in line with the board's expectations and we look forward to the future with confidence.

Nigel Payne

Chairman

12 September 2022

Chief Executive Officer's Review

Introduction

I am delighted by the Group's performance in FY22; another year in which global events created significant uncertainty, but nonetheless another year in which the Group produced an excellent result. We closed the Period ahead of market expectations whilst continuing our investment strategy, further strengthening our offering to clients and also our balance sheet.

We continue to operate and invest in a differentiated, resilient and growing business, which has been deliberately designed to perform, regardless of the economic environment, and FY22's results continue Gateley's unbroken record of year-on-year revenue and profit growth.

Since IPO in 2015, we have acquired ten complementary consultancy businesses which have broadened and diversified our offering and, as planned, enhanced our financial strength. We focus our Group on four strategic markets (our "Platforms"): Business Services, Corporate, People and Property, each of which now comprise a complementary mixture of legal and consulting businesses. Approximately 20% of annualised Group revenues are now consulting revenues, with significant additional diversification opportunities. Our balance sheet was further strengthened during the Period with year-end net assets and net cash of £72.9m (FY21: £59.3m) and £10.4m (FY21: £19.6m) respectively. As a result, we remain well-placed to weather any further storms, but also to continue our acquisition strategy.

The ongoing enhancement and strengthening of our business is why, in the seven years since flotation, we have been able to deliver compound annual revenue growth of 12.3%, compound profit before tax growth of 9.0% and, including the proposed final dividend proposed today, income to shareholders of 43.24 pence per share in aggregate.

Results overview

FY22 Group revenues grew by 13.0% to £137.2m (FY21: £121.4m). Agile working, a necessity during the pandemic, is now a key element of our operating model, enabling us to continue to deliver cost efficiencies. As pandemic restrictions were lifted, we were able to finalise the integration of the acquisitions that completed shortly before the pandemic impacted. Although our acquisition strategy is focused on driving additional revenue, cost efficiencies are a welcome by-product. The results yielded an increase of 10.4% in profit before tax to £18.0m (FY21: £16.3m). Underlying adjusted profit before tax increased by 9.8% to £22.5m (FY21: £20.5m) and profit after tax by 8.3% to £14.3m (FY21: £13.2m).

Our strong revenue performance is undoubtedly a result of the depth and breadth of our professional services offering.

Following on from the very strong second half performance in FY21, activity levels remained strong across the Corporate Platform, which grew by 12.7%, buoyed by the continuing strength of the UK M&A and Private Equity markets. The Property Platform grew by 15.7%, enhanced by greater market share and a widening range of mandates in our increasingly diverse property consultancy businesses, which generated 21.0% of Property Platform revenue. The People Platform saw a return to significant growth across both its legal and consultancy service lines, in which combined revenue grew by 20.8%. The Business Services Platform grew by 14.6% as we expanded our market share in existing workstreams and through the addition of Adamson Jones IP Limited, Patent and Trademark Attorneys.

Chief Executive Officer's Review *(continued)*

People and Culture

FY22 saw a return to more familiar recruitment levels as headcount increased by 287 during the Period. This includes 145 new colleagues who joined the Group as a result of the three acquisitions completed in the Period, Tozer Gallagher in July 2021, Adamson Jones in January 2022 and Smithers Purslow in April 2022. After a pause in recruitment in the initial stages of the Covid 19 pandemic, the market has hardened with many factors now influencing peoples' career decisions. The Gateley offering remains differentiated and attractive with a growing range of businesses across the Group. As the Group continues to expand, we are able to offer a broad range of career opportunities across our Platforms, which are underpinned by a unique identity and strong team culture.

We owe the success of our business to the quality and dedication of our teams. FY22 saw significant ongoing disruption caused by the pandemic, but our teams, supported by our earlier investments in technology and our "one-team" culture, met demand to deliver excellent client service and excellent results for the Group.

The Period also saw the beginnings of wage cost inflation across the UK legal industry, as strong client demand continued across the sector. Although this first impacted international firms in the City and whilst the highest, headline-grabbing salaries remain in that part of the market, gradually the trend spread across all UK legal markets. The result has and continues to be that legal businesses struggling to grow and/or whose financial and remuneration models are not sufficiently strong or flexible have lost people where they cannot meet salary expectations. We believe that economic headwinds are likely to temper future rates of wage cost increase, and in any event within Gateley our differentiated model and our ability to offer share ownership to all of our people continues to stand us in good stead.

Our continuing programme of service line diversification not only drives additional sales, but also creates skill set/talent pool diversification, adding operational and financial resilience for the Group and diluting the impact of trends affecting specific professional disciplines. Wage cost inflation seen in the legal sector in FY22 was less visible within our consultancy businesses and with approximately 23% of our professional staff qualified in disciplines other than law that too provided a degree of resilience and sheltering for the Group.

After external consultation, the Group has introduced a new Restricted Share Award Plan ("RSA") and also awarded a second vintage of awards under the existing Long Term Incentive Plan ("LTIP"). The RSA forms part of the Group's retention and incentivisation policy for emerging senior talent. It supports long-term share ownership for people who are promoted to Partner or Partner-equivalent roles. It is a continuation of the board's strategy to differentiate the position of a Partner or equivalent at Gateley from that of a Partner in traditionally structured professional services businesses.

Responsible businesses

Our Responsible Business commitment is a key strategic priority, which runs through the core of our organisation. Our first Responsible Business report, published in August 2021, outlined the objectives we committed to working towards during FY22 and beyond. These objectives flowed out of our work with The Purpose Coalition, the independent ESG consultancy who helped us develop our own set of levelling up goals. Other members of the Purpose Coalition include Amazon, bp, Compass Group, the BBC, Direct Line Group, Cisco and the NHS. In FY22 our objectives fell under three categories: People, Potential and Planet. I am delighted with the progress we made in the Period, with just a few of the highlights including:

People

- Maintaining our Glassdoor ranking, recognised as the only UK legal business to rank in the top 25 companies for senior leadership
- Maintaining our Investors in People standard
- Securing our Disability Confident employer status
- Launching our fifth internal diversity and inclusion network group; Ability, which raises awareness around neurodiversity and supporting colleagues with any disabilities

Chief Executive Officer's Review *(continued)*

Responsible businesses *(continued)*

Potential

- Continued support of Birmingham City University STEAMHouse, exploring other opportunities to add value to their start-ups
- Announcing our partnership with UA92 in Manchester, which aims to make higher education accessible to all, through its founding principles of accessibility, social mobility and inclusivity
- Becoming the UK's first Patron of 'Make Good Grow', a social enterprise founded on the principles of uniting good businesses with good causes
- Continuing our SportsAid partnership; providing financial and personal development support to ten of our country's brightest young sporting prospects

Planet

- Maintaining reductions in travel through the continued use of virtual meetings where appropriate
- Continued adherence to Group-wide "paper light" strategy
- Encouraging our people to submit their sustainability pledges and the positive actions we will take to protect our planet

Operational Review

By the start of the Period our teams had already demonstrated their ability to deliver via a more flexible, agile model. They had also, like so many other sectors of UK and international markets, confirmed their wish to maintain that flexibility even after the pandemic has passed. Those factors combined to create a management focus for driving ongoing efficiency. Under the "Gateley Agile" initiative we made a number of changes to premises, including the move to a smaller footprint in Reading, vacating our Leicester office as part of conflation of a number of services into one East Midlands offering located in our existing Nottingham office, and combining Gateley Tweed, Gateley Capitus and Gateley Legal into one Belfast office.

As pandemic restrictions were gradually lifted throughout the course of the Period we were able to increase our efforts towards fully integrating recently acquired businesses. Whilst we had of course done the best we could to continue integration programmes during the pandemic, our efforts in the early part of the Period were limited broadly to matters capable of being dealt with virtually. That created certain limitations, not just in physical terms where opportunities which existed to merge offices and reduce duplicated costs could not be implemented until the latter half of the Period, but also in people and cultural integration terms. By the end of the Period we were back on track with our integration programme.

Throughout the Period we continued to invest across the Group in growing and strengthening our teams. Overall headcount in the Group increased by 26.5% to 1,368 (FY21: 1,081). Legal services professional headcount growth was 9.0% to 729 employees (FY21: 669). The growth of our consultancy businesses' contribution in the Period was matched by continued investment and diversification into consultancy operations, with overall consultancy headcount increasing by 169.4% to 291 (FY21: 108) and fee-earner consultancy staff up by 123.5% to 219 (FY21: 98).

In H2 FY22, work commenced on the Phase 1 implementation of our new core IT "practice management" system. We identified over three years ago that our core systems needed replacing with new technology. That new technology was needed to provide improved management information within one financial system, to better support acquisitive growth and seamless integration in a more stable and robust IT system which can grow with us; and to create new processes to enable us to work as efficiently as possible for our clients. Phase 1 implementation, which resulted in over 80% of staff adopting the new system on 22 June 2022, is progressing well. We inevitably encountered some system interruptions in the days post-launch but these were all well-within expectations and, as such, represented no significant overall business interruption or disruption. The balance of all staff are expected to come onto the new system in one final phase during FY23.

Chief Executive Officer's Review *(continued)*

Our Acquisition Strategy

After deliberately pausing acquisition activity at the start of the pandemic, we considered that market conditions had stabilised sufficiently by the beginning of FY22 for us to recommence it. We completed three acquisitions during the Period, two onto our Property Platform and our first onto our Business Services Platform. During the Period we committed to a three-year revolving credit facility of up to £30.0m to assist with acquisitions. To date, we have only used this for the acquisition of Gateley Smithers Purslow and only drawn down £6.0m.

In July 2021 we acquired Tozer Gallagher, a leading practice of chartered quantity surveyors and construction consultants based in Manchester and London. The business specialises in built environment consultancy, fund monitoring services and surety advisory, and dovetails with the operations of Gateley Vinden, which was acquired in March 2020. The surety advisory expertise within Tozer Gallagher adds further strength to Gateley Vinden's business but also complements the specialist surety work undertaken by Gateley Legal's surety practice team. The internationally recognised experts within Gateley Legal's surety team have a proven track record in advising on contentious and non-contentious issues relating to any surety. Since acquisition and despite the pandemic to some extent frustrating immediate integration efforts, Tozer Gallagher has traded strongly.

In January 2022 we completed the acquisition of Patent and Trademark Attorneys, Adamson Jones; the first acquisition onto our Business Services Platform. The business has a broad range of technical expertise including biotechnology, engineering, pharmaceuticals and software and acts for clients from large multinational and national organisations, to universities and SMEs. The Adamson Jones team has 25 staff in offices in Nottingham and Leicester. The acquisition sets a solid foundation for the development, on the Business Services Platform, of complementary businesses with an IP and brands focus, working alongside the existing team within Gateley Legal, and enabling the Group to widen its scope in an area where it already has a well-established and continually growing client base. The business has traded well since acquisition and Adamson Jones staff have relocated into existing Gateley Group offices in the Midlands.

In April 2022 we completed the acquisition of Smithers Purslow, our largest acquisition to date and our seventh onto our Property Platform, currently our largest and most mature Platform. Smithers Purslow is a rapidly growing multi-disciplinary chartered surveying practice, comprising building and quantity surveyors and civil and structural engineers. Specialising in services to the property insurance claims market, it resolves high value claims for insurers, policy holders and their advisers. The business operates from ten regional offices across the UK and employs 130 staff. Its blue-chip client base includes insurance and utility companies, property managers and high net worth individuals. It complements existing expertise at Gateley Vinden and Tozer Gallagher, further enhancing the Group's already strong and growing Property Platform.

Our Platform Strategy

Prudent management and a strong balance sheet enable us to drive incremental value through acquisitions. As new businesses are added and integrated onto each Platform, we now see the model working exactly as we would expect, driving more revenue from existing clients, creating routes into new clients for other parts of the business to cross sell services and continually diversifying and strengthening revenue streams.

Gateley Hamer, our property consultancy specialising in Compulsory Purchase Orders, easements and wayleaves, infrastructure projects, land referencing and public inquiries produced another strong performance. The business again posted strong organic top line growth of 41.5% but also added another core service line in the shape of telecoms infrastructure.

Chief Executive Officer's Review *(continued)*

Our Platform Strategy *(continued)*

Pleasingly, positive momentum and a return to growth flowed through into our People Platform consultancies, Kiddy & Partners and t-three, during the Period. This was in part due to increased demand for services as client HR Directors and Heads of Talent saw development budgets, frozen during the pandemic, released once again to them. However, also of significant benefit was the successful integration of those two businesses into one assessment, development and cultural change-facing offering. Our integrated proposition and service offering went live in January driving excellent client feedback and securing significant new mandates .

Overall, our acquired consultancies performed strongly during the Period, contributing 15.5% to total Group revenues and supporting revenue growth in each of our four Platforms.

Current trading and outlook

The solid foundations on which our business is built have enabled the Group to deliver strong results in a period which was impacted widely by macro events. One of the key objectives of our IPO in 2015 was to move the business into a structure that would enable it to build a strong balance sheet and deliver the future investment needed to drive the business forward. We are delivering on this objective and will continue in this vein.

The business is continuing to demonstrate its resilience in the current financial year, with Q1 FY23 utilisation across the Group and against our historic averages supporting the board's positive outlook, and with current trading in-line with the board's expectations.

Our financial position is such that we will continue with our acquisitions programme. The pipeline is strong and opportunities are under consideration on each of our four Platforms.

We have confidence in our ability to perform well, even accepting current indicators for the wider economic environment, and continue to view the Group's prospects for year ahead and beyond positively.

R. P. Waldie

Rod Waldie

Chief Executive Officer

12 September 2022

Finance Director's Review

Financial overview

In FY22, the Group demonstrated strong growth in revenue and adjusted profit before tax ahead of consensus market expectations set at the start of the year, with revenue up 13.0% to £137.2m including organic revenue growth from legal service lines of 8.7% alongside exceptional organic growth of 26.7% from consultancy service lines.

The measures taken by the Group to embrace changes in working practices driven by the pandemic resulted in another year of lower costs as a percentage of revenue. We continue to explore further cost reduction initiatives, such as our ongoing premises strategy, as part of our "Gateley Agile" initiative, designed to help mitigate the widely reported upward increase in staff costs in the sector, and broader inflationary pressures.

We completed three acquisitions during the Period, which are integrating well. We have established a new revolving credit facility which was part used for our largest acquisition since listing, Gateley Smithers Purslow, and we remain well-placed with a strong balance sheet.

FY22 continues our long track record of delivering profitable annual results and attractive investment returns, which once again enable strong dividend growth through the proposed final dividend of 5.5p, taking total dividends to 8.5p in respect of the Period.

Revenue

Group total revenue grew by 13.0% (FY21: 10.5%) to £137.2m (FY21: £121.4m). Revenue from core legal service lines grew organically by 8.7% (FY21: 5.5%). In addition, total revenue from complementary consultancy businesses grew by 44.9% to £21.3m or 15.5% of total revenues (FY21: £14.7m or 11.5%), highlighting the on-going success of our Platforms diversification strategy.

Platform performance

At the start of FY22 the Group presented segmental reporting on our Group Platform structure.
As the Group has continued its headcount investment across each Platform, margin performance has fluctuated dependent upon the stage of Platform investment. We have increased staff numbers within our Business Services and Property platforms during FY22 to meet expected increases in demand in FY23. These investments have predominately driven decreases in their FY22 margins. However, despite our strategy of continual investment and the unique wage cost inflation seen in the legal sector, the Group has lowered its percentage of personnel costs to revenue in FY22 to 63.0% (FY21: 63.9%) and will continue to sensibly manage this key metric as market conditions evolve. Retention of staff remains key to the success of the Group which we believe is well served by our unique culture, business structure and the vast number of career opportunities in a growing, resilient Group which continues to deliver quality advice to a quality client base.
The table below represents this performance over the last two reported years along with each Platform's direct contribution towards our one profit view of the Group's performance.

	Business Services £m	**Corporate £m**	**People £m**	**Property £m**	**Total £m**
FY22					
Revenue	18.0	38.1	19.2	61.3	136.6
Segmental contribution	5.7	15.4	6.9	23.0	51.0
Contribution margin	31.7%	40.4%	35.9%	37.5%	37.3%
FY21					
Revenue	15.7	33.8	15.9	53.0	118.4
Segmental contributions	6.4	11.4	4.9	24.4	47.1
Contribution margin	40.8%	33.7%	30.8%	46.0%	39.8%
Revenue movement (%)	14.6%	12.7%	20.8%	15.7%	15.4%
Contribution margin change (%)	(9.1)%	6.7%	5.1%	(8.5)%	(2.5)%

Finance Director's Review *(continued)*

Platform performance *(continued)*

Business Services Platform

Our Business Services Platform revenues grew by 14.6%. It offers a broad balance of services across many clients and industries as well as continuing to support our transactional works streams. Its mix of services in both complex litigation and in more transactional-led commercial services are now being widened further through the acquisition of Patent and Trade Mark Attorneys, Adamson Jones. The addition of these IP and brands focused services, working alongside the existing team within Gateley Legal, will enable the Group to widen its scope in an area where it already has a well-established and continually growing client-base. This Platform was held back during the year on commercial and international-led litigation assignments of a contingent nature that have not achieved the fee levels we had hoped for due to Russia's invasion of Ukraine, where in both jurisdictions we held litigation mandates. We have maintained these international teams but shifted our geographical focus to new jurisdictions which have already generated an attractive pipeline of complex international litigation assignments.

Corporate Platform

Our Corporate Platform produced another strong performance generating revenue growth of 12.7% and a significantly stronger contribution margin. Our continued strength of relationships with Private Equity and M&A clients continues to serve the Group well as activity in this area remains strong in FY23. Our banking team within this Platform also posted another strong year of growth alongside our growing tax team. Recruitment to service demand across the Platform remains a challenge, however staff numbers have increased and we take a highly-skilled team into FY23 with confidence. Whilst corporate transactional activity within our client base currently shows no signs of relenting, traditional restructuring and recovery activities remained subdued during the Period, with upticks in activity post year-end as wider economic conditions impose challenges for UK businesses.

People Platform

This Platform grew by 20.8% due to the significant return of demand for services across our consultancy businesses, t-three and Kiddy & Partners ("Kiddy"), after the pandemic and also after the launch of their integrated service delivery model to corporate clients. Their focus on talent assessment and development and cultural change has proven to represent a strong sales proposition to a client base inevitably needing to adjust and change as a result of the pandemic. Our national private client team performed well alongside our more traditional, but established, employment legal and pension trustee led services. Contribution margins increased as a result of a return to greater activity using these established existing teams at a higher level of activity during FY22.

Property Platform

Our Property Platform reporting segment grew revenue strongly by 15.7% as we took advantage of opportunities generated by our most mature Platform. It operates at regional and national levels in the UK's commercial property, development and housing markets, which rely upon long-term specialist multi-disciplinary legal and consulting support. There was growth across both contentious and non-contentious service lines in areas such as construction disputes, plus we also saw strong growth in our specialist Gateley Hamer consultancy business which increased revenue by 42% during the year. We have recruited to meet FY23 demand in both existing and new service lines within Gateley Hamer, which is primarily why direct contribution has declined. Tozer Gallagher and Smithers Purslow have both enjoyed a strong first part year within the Group. Post year-end, Tozer Gallagher has exceeded revenue expectations which will lead to achievement of its earn-out and a further £0.1m of consideration being payable.

Finance Director's Review *(continued)*

Underlying operating profit before tax

The Group has recorded strong underlying operating profit before tax of £22.5m which has increased by 9.8% from £20.5m in FY21. Our strategy to maintain fee earner headcount in order to service increased client activity has been supported by our recruitment activity this year. Continuing robust demand in the UK's legal services industry has led to continued pressure in the legal recruitment market and, as previously highlighted, our underlying trading margins have decreased slightly to 16.4% (FY21: 16.9%).

We are not yet seeing this pressure relent as we move into FY23 and we have undertaken another comprehensive salary review in a continually changing professional services industry in order to remain competitive in the legal recruitment market. We have always operated an all-staff bonus scheme which typically amounts to c10% of our annual salary costs. We see such a scheme, in which performance is directly linked to the Group's performance, as a key management strategy, whereby staff are incentivised accordingly to drive Group performance but management is also able to retain a significant element of discretion in matching remuneration with Group "one profit" performance. We have not changed our strategy on this incentivisation tool, which sits alongside extremely attractive staff share plans and ensures the whole business is culturally aligned.

Underlying operating profit before tax excludes amortisation of intangibles, all share-based charges and exceptional acquisition related items. Underlying operating 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.

Extract of UK statement of comprehensive income	**2022** **£'000**	2021 £'000
Revenue	**137,249**	121,375
Operating profit	**18,987**	17,505
Operating profit margin (%)	**13.83**	14.42
Reconciliation to alternative performance measure: underlying operating profit before tax		
Operating profit	**18,987**	17,505
Non-underlying items		
Amortisation of intangible assets	**1,581**	2,073
Share based payment charge – Gateley Plc	**1,100**	956
Share based payment charge – Gateley Smithers Purslow Limited	**113**	-
Release of contingent consideration – International Investment Services Limited	**(135)**	-
Exceptional items		
Acquisitions costs	**373**	-
One off remuneration charge – Gateley Smithers Purslow Limited	**497**	-
Underlying operating profit before tax	**22,516**	20,534
Adjusted underlying operating profit margin (%)	**16.41**	16.92

Finance Director's Review *(continued)*

Personnel costs and operating expenses

Our total personnel costs increased by 11.7% (FY21: 21.9%) to £86.5m, due to the full-year cost of staff introduced to the business through acquisitions made during the year together with a return to recruitment in order to expand capacity to meet client demands. In total, seven (FY21: six) new legal Partners joined the business and we made eight (FY21: nine) internal promotions to legal Partner.

Average numbers of legal and professional staff rose by 3.9% (FY21: 9.1%) to 800 (FY21: 770), whilst support staff numbers increase marginally to 350 (FY21: 343). Personnel costs as a percentage of fees decreased to 63.0% of revenue from 63.8% in FY21, excluding share-based payment charges.

Operating expenses have increased in line with top line growth of the Group, including in specific areas such as travel, marketing and premises related spending following a partial return to office working, and due to the effects of current UK-wide inflation impacting running costs. Whilst other operating expenses increased by £2.6m or 12.4% to £23.6m (FY21: £21.0m), overheads remain well-managed as a percentage of revenue, as demonstrated by their decrease as a percentage of revenue from 17.3% in FY21 to 17.2% in FY22.

Earnings Per Share (EPS)

Basic EPS increased by 7.3% to 12.00p (FY21: 8.1% to 11.18p). Basic EPS before non-underlying and exceptional items increased by 10.6% to 14.66p (FY21: 4.5% to 13.26p). Diluted EPS increased by 5.5% to 11.71p (FY21: 9.5% to 11.10p). Diluted EPS before non-underlying and exceptional items increased by 8.7% to 14.31p (FY21: 5.8% to 13.17p).

Share option schemes

The board remains committed to providing its people with the opportunity to own shares in the Company, as further evidenced by the introduction of the new RSA during the year. Such share ownership promotes strong alignment with the Group's external shareholders, incentivises employees and is reflective of Gateley's long-established culture. At least 75% of current staff are existing share or option holders in the Group.

The awards, which vest on receipt, are made when an individual is promoted to Partner or an equivalent position. Awards are subject to a five-year non-dealing restriction and are forfeited should employment cease within that period. 1,267,560 shares were awarded on 27 April 2022 as part of one-off awards to people who were non-equity Partners at the date of Gateley's IPO in June 2015, with a further 100,000 shares being awarded shortly after the FY22 financial year-end to newly promoted Partner or Partner-equivalent since then.

The board also announced at the end of FY22, a second vintage of LTIP awards to certain Executive Directors and Senior Management over up to 1,115,000 Ordinary Shares of 10 pence each in the Company ("Ordinary Shares"). Awards under the LTIP vest at the end of a three-year period, dependent upon the achievement of profit related performance conditions and continuous employment.

Finance Director's Review *(continued)*

Share option schemes *(continued)*

Profits used to calculate underlying EPS each year are disclosed below:

	2022	2021	2020	2019
	£'000	£'000	£'000	£'000
Reported profit after tax	**14,279**	13,157	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 intangible assets	**1,581**	2,073	1,375	1,406
- Share-based payment adjustments	**1,213**	956	1,355	655
- Release of contingent consideration – International Investment Services Limited	**(135)**	-	-	-
- Impairment of software development costs	**-**	-	463	-
- Acquisition-related costs	**870**	-	107	61
Underlying profit after tax	**17,808**	16,186	15,023	14,850
Weighted average number of ordinary shares for calculating diluted earnings per share	**121,893,238**	118,508,833	115,599,727	112,280,569
Underlying adjusted fully diluted EPS	**14.61p**	13.66p	13.00p	13.23p

Taxation

The Group's tax charge for the Period was £3.8m (FY21: £3.2m) which comprised a corporation tax charge of £4.0m (FY21: £3.7m) and a deferred tax credit of £0.2m (FY21: credit of £0.5m).
The deferred tax charge arises due to a combination of credits in respect of the share schemes that have vested in past years and the release of deferred tax on brands. The total effective rate of tax is 20.8% (FY21: 19.3%) based on reported profits before tax. The increase is as a result of the decrease in the tax allowable benefit arising from the exercise of nil cost share options from levels experienced in previous years.
The net deferred taxation liability increased to £2.5m (FY21: £0.6m) as a result of the deferred tax charge arising from business combinations during the year.

Dividend

The Group paid an interim dividend of 3.0p per share on 31 March 2022 and proposes a final dividend at the Company's Annual General Meeting on 20 October 2022 of 5.5p (FY21: 5.0p) per share, which if approved, will be paid in late-October 2022 to shareholders on the register at the close of business on 23 September 2022. The shares will go ex-dividend on 22 September 2022. Our dividend policy remains to distribute up to 70% of our after-tax profits each year.

Finance Director's Review *(continued)*

Balance sheet

The Group's net asset position has increased by £13.6m (FY21: £14.5m) to £72.9m (FY21: £59.3m), due to the following movements:

There was a £13.4m increase in total current assets, resulting from £13.1m additional trade and other receivables through acquired businesses and the strong organic growth of the Group. Contract assets ("unbilled revenue") increased by £3.3m and cash at bank decreased by £3.5m as excess cash was redeployed into acquisitions and to support working capital required for continued growth.

Non-current assets increased by £14.5m, resulting from decrease of £2.4m from a change in property use and right of use asset values and an increase of £16.8m in intangible assets and goodwill following the three acquisitions made during the year.

The board has carefully considered 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 2022, the board concluded that the goodwill and intangible assets do *not require impairment.*

Total liabilities increased by £14.3m, due mainly to the drawdown of the RCF and creation of £5.7m of debt in connection with the acquisitions of Gateley Smithers Purslow together with the recognition of £5.4m of deferred consideration and £2.1m of deferred taxation on acquired intangibles, also in connection with the same acquisition.

Working capital and cash flow

During the year the Group agreed a new revolving credit facility with Bank of Scotland and HSBC UK. The facility provides total committed funding of £30m until April 2025, split equally between Bank of Scotland and HSBC UK. It replaces the Group's existing £8m overdraft facilities with Bank of Scotland and HSBC UK, with the dual bank club providing increased flexibility to the Group to support future growth and expansion via acquisition. Interest is payable on the loan at a margin of 1.95% above the SONIA reference rate.

The Group also has in place a litigation funding facility for an initial £20m of funding towards significant litigation cases, which has the ability to increase to £50m if required. To date the Group has not yet utilised this facility but has a number of large assignments currently being assessed for consideration in FY23.

Cash generation was once again good with net cash inflows from operating activities of £12.3m (FY21: £25.4m) representing 86.5% (FY21: 193.2%) of profit after tax. The Group ended the year with net cash of £10.4m (FY21: £19.6m), the result of continued strong trading and also management's sustained focus on cost efficiencies and costs management.

Finance Director's Review *(continued)*

Working capital and cash flow *(continued)*

Free cashflow during the year from operations (post cashflow from IFRS 16 leases) was £7.4m (FY21: £20.8m), which represents 51.7% (FY21: 158.2%) of profit after taxation. After conserving excess cash in FY21 as a result of decisions taken at the outset of the pandemic, FY22 has experienced the adverse effects caused by the timing of increases in cash movements from trade receivables as the business returned to growth and normal levels of trading related outgoings.

	2022 £'000	2021 £'000
Net cash generated from operations	**16,846**	29,457
Tax paid	**(4,497)**	(4,039)
Net interest paid	**(7)**	(240)
Cash outflow from IFRS 16 leases (rental payments excluded from operating cash flows under IFRS 16)	**(3,870)**	(3,847)
Purchase of property, plant and equipment	**(775)**	(503)
Purchase of other intangible assets	**(319)**	(10)
Free cash flow	**7,378**	20,818
Underlying profit after tax	**14,279**	13,157
Free cash flow (%)	**51.7%**	158.2%

At the year-end, unbilled revenue recognised in the Group's statutory accounts, from time recorded on non-contingent work, totalled £17.2m or 12.5% of revenue recognised over the year (FY21: £13.9m or 11.5%). Unbilled revenue represented 49 days in line with last year, of Pro-forma net revenue. Group debtor days have increased to 113 days compared to 104 days in FY21 of Pro-forma net revenue. Pro-forma net revenue includes revenue from acquisitions on a full year pro-forma basis. As the Group grows so has our volume of unpaid debts. This year especially the heightened activity levels of year billing and the growth of the Group through acquisition, alongside the position of the easter holidays, have all combined towards the increase in debtor days. We had a higher number of litigation and recovery assignments in particular at the year-end that have since been settled or are close to resolution that will generate settlement of certain outstanding debts. We have also made a good start to collections in FY23, despite the impact of the significant change in financial systems in June 2022.

Concert party update

Following consultation with The Takeover Panel ("the Panel"), it has been agreed that the concert party will be amended.

At the time of the IPO, it was agreed with the Panel that the Directors, Existing Shareholders and the Company's Employee Benefit Trust (once established), each as defined in Gateley's admission document published on 1 June 2015, were acting in concert in respect of Gateley.

The Company has now agreed with the Panel that the Gateley EBT along with the following individuals and their respective connected persons form the concert party in relation to Gateley pursuant to The Takeover Code:

Rod Waldie	Chief Executive Officer
Michael Ward	Executive Director
Neil Smith	Finance Director
Peter Davies	Chief Operating Officer and member of the Strategic Board
Callum Nuttall	Member of the strategic Board
Paul Hayward	Former member of the Strategic Board
Brendan McGeever	Former member of the Strategic Board

As at the date of this announcement, the concert party members, including the EBT, hold, in aggregate, 9.29 per cent. of the Company's voting share capital.

Finance Director's Review *(continued)*

Summary

Results for FY22 reflect another strong year for the Group. They include significant organic growth and a return to our acquisitions plan with the addition of some excellent new complementary service lines that further enhance Group revenue diversification. We have maintained control of costs despite both market specific and macro-economic conditions suggesting further headwinds are to come, and we have produced a strengthened balance sheet with significant facility headroom to further expand the group both organically and through acquisition. The Group is actively pursuing a strong pipeline of M&A opportunities.

Post year-end, we have enhanced our financial systems platform in order to drive greater efficiencies in the future and we continue to look at initiatives to balance off further increased cost pressures from wage and inflationary pressures.

Neil Smith

Finance Director

12 September 2022

Strategic report

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

The Chairman's Review, Chief Executive Officer's Review and Finance Director's Review, as set out on pages 6 to 20, form an integral part of the Strategic report.

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 26 business lines, grouped into four 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 twenty-one 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 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 service 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 law led 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

Strategic report *(continued)*

Acquisitive growth

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

- 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 13 to 20 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 13.0% (2021: 10.5%) to £137.2m (2021: £121.4m)
- Profit before tax up 10.4% (2021: 10.5%) to £18.0m (2021: £16.3m)
- Profit after tax up 8.3% (2021: 12.2%) to £14.3m (2021: £13.2m)
- Operating profit margin 13.8% (2021: 14.4%) – Operating profit as a percentage of revenue
- Basic Earnings per share (EPS) up 7.3% (2021: 8.1%) to 12.00p (2021: 11.18p)
- Total dividend declared up 13.3% to 8.5p (2021: 7.5p)

Strategic report *(continued)*

Overview for the year *(continued)*

Alternative Performance Measures (APMs)

- Operating profit before non-underlying charges up 9.8% to £22.5m (2021: £20.5m). 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 15. 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 and exceptional charges 16.4% (2021: 16.9%) – Operating profit before non-underlying and exceptional charges as a percentage of revenue.
- Revenue per pound of salary cost £1.59 (2021: £1.57): 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 113 (2021: 104): 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 83% (2021: 88%): Utilisation represents an average of the total hours billed as a percentage of total available 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 7.8% (2021: 0.0%): 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 cash £10.4m (2021: £19.6m): Net cash 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 cash and debt within the Group and ensure that this remains in line with the adopted business strategy.

Earnings per share (EPS)

Basic EPS was 12.00p (2021: 11.18p). Diluted EPS was 11.71p (2021: 11.10p). Adjusted, fully diluted EPS was 14.31p (2021: 13.17p).

Cash flow generated and net debt position

Net cash generated from operating activities was £12.3m (2021: £25.4m).

The Group's net cash position as at 30 April 2022 was £10.4m (2021: £19.6m).

Strategic report *(continued)*

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 borrowings. Financial projections have been prepared to October 2023 which show positive earnings and cash flow generation. The COVID-19 situation during the previous financial year created an unprecedented and constantly changing challenge to all businesses. Management successfully navigated the business through the impact of the pandemic on the Group's financial performance. The Group typically applies sensitivities (informed by the past experiences of the Group since the onset of the pandemic, including the Group's time recording activity, fee generation and cash collections) to any current financial projections based on various downside scenarios to illustrate the potential impact from a downturn in client activity or any increases in costs.

The Group's liquidity position has been enhanced during the year as the board has worked closely with its supportive banks in order to switch its funding line from an uncommitted overdraft facility to a three-year revolving credit facility, of which £6m was drawn down at 30 April 2022, with committed funding of £30m until April 2025. As at 30 April 2022 the Group has net cash of £10.4m and continues to sensibly manage *its cash position within permitted covenants relating to its new facility.*

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.

The Group expects to be able to operate within the Group's existing financing facilities for the foreseeable future and currently demonstrates significant debt capacity headroom based on its strong financial performance. 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.

Strategic report *(continued)*

Principal risks and uncertainties

The board monitors both existing and emerging risks. The operational Risk Committee identifies risks facing the business, recording these in the risk register and regularly assesses the status of these risks. Many of the risks faced by the Group are similar to those risks faced by any business but those considered to be key risks for the Group are detailed below. Due to the nature of the business and the markets in which it operates, many of the risks it faces are ongoing, proving relevant to more than one single year.

Potential Risk	Details of Risk	Mitigating Factors
Ongoing Economic impact of COVID 19 Pandemic and economic downturn	Whilst the COVID-19 pandemic has created an unprecedented and constantly changing challenge to all businesses since its onset in the UK around March 2020, Gateley has established over that period that COVID-19 carries a relatively low risk impact due to the nature of the Group's business model, its work streams and its ability to adapt to homeworking. We believe the risks to the Group posed by the COVID-19 pandemic are as follows: Liquidity risk • Elements of any potential future 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 fees and cash flow, however it is likely that this would be mitigated by a slow-down in recruitment activity. Risk of loss of efficiency • Disruption impacting clients causing delays in concluding ongoing 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 • Risk in winning and mobilising new projects	The Group has proven that it is well positioned to withstand the effects of the COVID 19 pandemic and any resultant downturn. This is due to the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse and well spread client base. The balance between transactional services and litigation services effectively hedges the position of the business. Whilst lockdown restrictions initially impacted clients the ability of clients and the Group to adapt to the home working environment has reduced the impact over time. The Group has demonstrated that it is prepared to take steps to preserve the liquidity of the business including cancelling dividends, cancelling bonuses, freezing pay and reducing non-essential expenditure. The Company remains confident that other mitigating actions are available alongside alternative sources of funding should further action be needed. In the last financial year the reduction on efficiency was minimal and staff have 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 Business Development 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
Ongoing Economic impact of COVID 19 Pandemic and economic downturn *(continued)*	• Some clients and sectors slowing down due to further social distancing and government restrictions • Practical challenges in planning and starting projects that have historically used physical presence in areas such a Human Capital consultancy or land and building inspections. Risk in IT & security • A possible breach of IT security through remote working, although significant activity has been undertaken by the business over a number of years to mitigate this risk Chance: Medium Impact: Low Change in risk: No change	
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 incur significant reputational and financial harm if such litigation is successful or if there is negative press coverage. 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	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 of each engagement on the Group's integrity and reputation. 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 and an IT disaster recovery plan that are reviewed as appropriate. The Group, and external partners assisting in the development and implementation of the new system have undertaken risk assessment and have concluded 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 at risk of cyber attack. The risk of cyber attack continues to increase not just within the legal and other professional services sectors but for all businesses operating via the internet across the world. The risk to the Group relates primarily to the risk of malicious hacking of the Group's systems with consequent risk to client data or of ransom attacks. Chance: High Impact: High Change in risk: No Change	The Group and the Risk Committee are aware of the increasing cyber risk. The risk cannot be avoided as IT systems are fundamental to the delivery of the Group's services. Accordingly the Group has an ongoing programme based on the adoption and continual improvement of IT security controls and business procedures to mitigate this risk. The Group regularly reviews and tests its security arrangements, for example implementing regular third party penetration tests, in order to identify and subsequently address possible weaknesses within the current systems. In June 2021 the Group experienced a cyber attack. Fortunately the attack was identified quickly, and significant disruption was avoided. A full review of the incident was carried out and enhancements to the Group's IT security arrangements are being and will continue to be implemented as part of the Group's ongoing programme to mitigate this risk.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Potential Risk	Details of Risk	Mitigating Factors
Professional liability and uninsured risks	The Group provides professional services, predominantly legal advice. Like all providers of professional services, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. The professional indemnity insurance held by the Group may not be adequate to indemnify the Group for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or are in excess of the insurance coverage could have a materially adverse effect on the Group's business and financial condition. Chance: Low Impact: Medium Change in risk: No change	The Group is advised by market leading insurance brokers and the Directors believe that it holds comprehensive professional liability insurance. Any claims are defended strongly by senior members of the business at all stages and external advice is sought where appropriate. The Group works hard to ensure its employees provide excellent advice and services to its clients, underpinned by quality processes and bespoke training programmes. In the opinion of the Directors the Group has a good claims history.
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 and are considered to be highly competitive. Employee contracts include appropriate provisions to protect the business where possible. A comprehensive training programme is in place for all staff providing management, leadership, technical and skills training. The board and the boards of the group 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 is 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.

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 for Firms. 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 the acquisition by any non-deemed approved lawyer of a restricted interest (a shareholding of 10% or more) in Gateley Plc, (which is an SRA Licenced Body) without the prior consent of the SRA 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 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	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. 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
Acquisition risk	The Group's strategy is for growth, both organically and by acquisition. Acquisitions may not always realise the benefits expected at the time of completion. A failure to successfully integrate acquisitions may impact on Group profitability. The availability of viable acquisition opportunities may decrease. Chance: Low Impact: Medium Change in risk: No change	The Group will consider complementary and earnings enhancing acquisitions as part of its overall growth strategy. Acquisitions may not always realise the benefits expected at the time of completion. Integration plans are formulated as part of the acquisition process and executed in anticipation of and following acquisition as appropriate. The board considers that the recent consolidation within the professional services market will continue and that as a result there will be continuing availability of businesses for acquisition.

Management have considered the principal risks and uncertainties faced by the Group for the year and not felt the need to add any risks to those disclosed last year. Management have removed the risk associated with the impact of 'Brexit' due to the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse and well spread client base.

Section 172(1) Statement

The Directors 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 paid regards 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 Corporate Governance Report at www.gateleyplc.com/investors/investor-relations/aim-rule-26/. Illustrations of how section 172 factors have been applied by the board can be found throughout the Strategic Report. For example, details of how we have considered the impact of the Company's operations on the environment are set out below.

Strategic report *(continued)*

Section 172(1) Statement *(continued)*

Board decision made in the year	Application of s.172
Strategy: Acquisition of businesses during the year	The Group 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: Dividend	The board has declared an interim dividend of 3.0p per share and proposes a final dividend of 5.5p per share. In reaching this decision the board considered all key stakeholders including shareholders, employees and creditors. The board determined closing cash reserves to be sufficient to ensure the continued ability to meet future employee and creditor liabilities based on the results of FY22.
Governance: Board effectiveness	The Group evaluates the performance and effectiveness of the board, its Directors and Chair each year to ensure the right balance of skills, experience and knowledge is maintained in order for each to perform their duties effectively and deliver strong continued growth.
Finance: Approval of 2022/23 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 FY23 year - end budget. In the current economic climate this has involved close monitoring of the impact of economic headwinds on each sector in which the Group operates, ensuring no over reliance on a single market or client; ensuring the Group is well placed to continue to deliver a high standard of client service through new ways 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.

The Group is committed to minimising its impact on the environment. During the year the Group has worked to identify and implement a number of initiatives to help reduce future waste and emissions. As part of these initiatives the Group has begun the process of appointing an Energy Manager to assist the business in the creation of an energy-saving action plan and improve the breadth of the Groups reporting.

Strategic report *(continued)*

Environmental actions statement *(continued)*

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 GHG emissions have been calculated using previously set guidance from an independent third party consultancy.

The data reported is for Gateley Plc. The parent company consumes less than 40MWh of energy per year and is, therefore, exempt from providing full disclosure in this report.

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 2021 to 30 April 2022 and shows a comparison against last year 1 May 2020 to 30 April 2021.

	2022	2021	Change
Energy (thousand kWh)			
Natural Gas	**1,290**	1,131	14%
Electricity	**2,555**	2,300	11%
Transport	**149**	122	22%
Total energy (thousand kWh)	**3,994**	3,553	**12%**
Emissions (tCO2e)			
Natural Gas	**301**	263	14%
Electricity	**596**	536	11%
Transport	**35**	29	21%
Total SECR emissions	**932**	828	**13%**
Intensity metrics			
£m turnover	**137.2**	121.4	13%
tCO2e per £m of turnover	**6.8**	6.4	**6%**
Average headcount	**1,150**	1,113	3%
tCO2e per employee	**0.8**	0.7	**14%**
Square footage (thousand sq.ft)	125	125	0%
tCO2e per square foot	**7.5**	6.6	**14%**

Gateley (Holdings) Plc is committed to reducing its environmental impact and contribution to climate change and has 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. During the year the Group has implemented changes including the introduction of an extensive paper light initiative contributing to a decrease in printing and paper waste; the provision of further recycling bins in our offices and a change to energy saving LED lights.

Strategic report *(continued)*

Environmental actions statement *(continued)*

COVID-19 Pandemic

The Group's 'normal' business operations were significantly impacted by the COVID - 19 pandemic with the majority of employees working from home for the majority of the financial year ending 30 April 2021. The Group has recognised the efficiencies and benefits of a hybrid working model, allowing employees to spread their working week between home and the office. Whilst the Group has seen an increase in its energy consumption and emissions as a result of the workforce returning to the office in the year, the implementation of hybrid working has meant that whilst emissions have seen an increase compared to prior year, they have not reached pre COVID amounts This policy has resulted in a significant decrease in the Group's actual emissions, however as this does not provide a true comparison of the year-on-year changes, the Group have undertaken an analysis of the 2021 financial year consumption to determine an illustration of the emissions should the Group have continues to operate as normal.

The Group intends to continue its approach to hybrid working meaning that future scope 2 emissions are not expected to increase with headcount. The finalisation and application of the energy saving plan is expected to assist the Group in achieving a further reduction in overall scope 2 emissions.

Data records and methodology

Metered kWh consumption taken from supplier or landlord invoices is reported where possible.

Scope 1,2 and 3 consumption and CO2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and kgCO2e emissions factors relevant for reporting years ending 30 April 2022 and 30 April 2021:

- Database 2020, Version 1.0

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 GHGemissions using the most recent emissions factors published by BEISin 2020, 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 work with. Our ongoing contribution through the commitment of our people to their local community continues to improve lives and build these communities.

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'.

Strategic report *(continued)*

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 clubs, 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 a national and local office charity 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 our 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.

For our non-lawyer employees we offer both internal and external routes to qualifications and accreditations within their chosen sector and area of expertise.

In order to oversee our people development we have a dedicated internal training team on hand with soft skills and professional course guidance to enhance staff careers and upskill our staff at all levels throughout the year.

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, paternity, gender identity or sexual orientation. We have four staff groups providing support to staff.

Unity - Unity recognises, celebrates and supports employees from all different cultures, religions, and backgrounds. Our Unity network Group highlights and celebrates 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. The Thrive committee 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 - 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 provides a welcoming, supportive, safe and confidential space for staff affected by sexual orientation and gender identity issues to share experiences, ideas or concern.

Ability - Ability is our most recent network set up to provide a focus on, and raise awareness of, disabilities to ensure that we are providing a welcoming, supportive and confidential space for colleagues across the Group to discuss issues of disability and to ensure enhanced awareness is reflected in a positive, inclusive and fulfilling working environment.

Strategic report *(continued)*

Modern slavery

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

Our slavery and human trafficking statement, made in accordance with section 54(1) of the Modern Slavery Act 2015 can be found on our website, www.gateleyplc.com.

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 recognise that in addition to the criminality of bribery and corruption, any such crime would also have an adverse effect on our reputation and integrity and we do not tolerate bribery and corruption in our business. We limit our exposure to bribery and corruption, we ensure all our employees are adequately trained and our suppliers are aware of our position, by:

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

Gender pay 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 and support provided. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to 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 2020, 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 recent successes from around the Group.

Strategic report *(continued)*

Political donations

The Group made no political donations in the year (2021: £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 6 to 36 constitute the strategic report, which has been approved by the Board of Directors and signed on its behalf by:

Neil Smith
Finance Director

12 September 2022

Report on remuneration: voluntary disclosure

Dear Shareholders,

I am pleased to introduce the Directors' Remuneration Report for the financial year ended 30 April 2022. This letter introduces the report, outlines the major decisions on Directors' remuneration during the year and importantly explains the context in which these decisions have been taken. Gateley (Holdings) Plc is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration are intended to reflect this approach. We welcome shareholder feedback on these matters and this Directors' Remuneration report will be put to an advisory vote at the forthcoming 2022 AGM.

Key reward principles

Remuneration at Gateley for Executives and the wider workforce is guided by the following principles:

- Support an effective pay for performance culture which enables the Group to attract, retain and motivate the very best talent, without paying excessively.
- Support the delivery of the business strategy and promote long term sustainable performance, whilst *ensuring that performance related pay does not encourage individuals to operate outside of the Group's* risk appetite.
- Reward outcomes should fairly reflect Group and personal performance, and take into account the experience of shareholders.

Bonus outcome for FY22

The Group continued to perform well throughout FY22, delivering strong growth in revenue and adjusted PBT ahead of consensus market expectations.

The continued hard work, dedication and loyalty from employees during the year has been paramount to the Group's performance. The Committee therefore considered it appropriate to award bonuses to employees in respect of FY22. This included awarding bonuses under the merit pool, in which the Executive Directors participate. The amounts paid are set out on page 43.

Introduction of a Restricted Share Award Plan

Following the uncertainty and difficult trading conditions created by the Covid19 pandemic during FY21, the Group refocussed on growth and the attraction, incentivisation and retention of talent during FY22.
As part of this, a Restricted Share Award Plan ("RSA") has been introduced, to support long-term share ownership for employees who are promoted to partner or partner-equivalent roles and to foster stewardship amongst this cohort.

Executive Directors currently participate in the Group's performance-based LTIP and are not eligible to participate in the RSA. N Smith was granted an LTIP award on 27 April 2022 and details are set out on page 44.

More generally, the board is committed to providing its people with the opportunity to own shares in the Company and continues to grant awards under the Save As You Earn scheme and the Company Share Option Plan. At least 75% of current staff are existing share or option holders in the Group.

Report on remuneration: voluntary disclosure *(continued)*

Review of Executive Director remuneration for Executive Directors and Senior Management

Since IPO, the Committee has been implementing a strategy of gradually aligning the remuneration for the Group's Executive Directors to market rates. Whilst progress has been made, it is acknowledged that the remuneration for the Executive Directors remains broadly below market rate for similar roles in similar sized AIM listed businesses. With this in mind, and in light of recent succession Plc Board changes (as announced on 3 May 2022), during FY23 the Committee will comprehensively review the remuneration levels for Executive Directors, as well as the incentive arrangements in place for Executive Directors and the broader Senior Management population undertake a remuneration benchmarking exercise. The purpose of the review is to ensure that the Executive Directors remuneration with effect from FY24 is aligned with market rates and the incentive arrangements in place continue to support our core reward principles, in order to retain the right skill set and experience within our leadership team to deliver the Group's *strategic objectives*.

I hope that you find the remainder of this report helpful and informative and I look forward to receiving feedback from you on the information presented.

Suki Thompson

Remuneration Committee Chair

Report on remuneration: voluntary disclosure *(continued)*

This report is for the year ended 30 April 2022. It sets out the detailed remuneration for the Executive and Non-Executive Directors of the Company. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. Gateley (Holdings) Plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, however the board believes this disclosure is key to the readers understanding of the business. The information is unaudited except where stated.

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 (Suki) 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: -

- Determining incentive outcomes for the Executive Directors for FY22;
- Determining salary increases for the Executive Directors for FY23;
- Granting awards under the Long Term Incentive Plan to certain Executive Directors and senior management;
- Implementation of the RSA and granting awards under the RSA to certain senior management.

Report on remuneration: voluntary disclosure *(continued)*

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.

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 in circumstances where the Group exceeds budgeted performance. If the pool operates the pool is distributed to participants based on their role, responsibility and contribution to the long-term business strategy.

Report on remuneration: voluntary disclosure *(continued)*

Remuneration policy *(continued)*

Element, purpose and operation	Opportunity and performance measures
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, as outlined on page 44.
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 operates a five-year orderly market agreement (the "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 Agreement became effective on 8 June 2021 following the expiry of the previous 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 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 are 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 2021.

Report on remuneration: voluntary disclosure *(continued)*

Remuneration policy *(continued)*

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, RSA 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. 46.5% (2021: 48.3%) of the Group's issued share capital was held by employees as at 30 April 2022.

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.

Together with the Executive, the Committee also examines the time that the Non-Executive Directors commit to the business ensuring that each Non-Executive has sufficient time to carry out their duties in light of their other business commitments. This exercise concluded that all of the Non-Executives have available and apply sufficient time to discharge their duties.

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 on 8 June 2015 and both were re-appointed for a third three year term which commenced on 1 October 2021. Suzanne (Suki) Thompson was originally appointed on 27 September 2017 and was re-appointed on 30 October 2020 for a second 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.

Report on remuneration: voluntary disclosure *(continued)*

Summary of Directors' remuneration for the year

The following table represents the Directors' remuneration for the years ended 30 April 2022 and 30 April 2021:

	Salaries and fees £'000	Bonus £'000	Share Options £'000	Total 2022 £'000	Salaries and fees £'000	Bonus £'000	Share Options £'000	Total 2021 £'000
Nigel Terrence Payne	56	-	-	56	40	-	-	40
Joanne Carolyn Lake	42	-	-	42	36	-	-	36
Suzanne Frances Allison Thompson	42	-	-	42	36	-	-	36
Roderick Richard Waldie[1]	300	212	-	512	260*	139	-	399
Michael James Ward[2]	144	45	-	189	162	116	-	278
Peter Gareth Davies[3]	180	112	-	292	225	113	-	338
Neil Andrew Smith	225	112	-	337	190	112	-	302
	989	**481**	**-**	**1,470**	949	480	-	1,429

1. As disclosed in the FY21 report on remuneration, the Committee agreed to increase RR Waldie's salary from £180,000 to £260,000 on his appointment as CEO (1 May 2020). RR Waldie waived his contractual entitlement to the increase for FY21 and remained on a salary of £180,000. This was consistent with the "one team approach" of a pay freeze implemented across the business as part of a series of prudent cost and cash management measures in response to the Covid19 pandemic. Had he not waived his contractual entitlement to the increase, RR Waldie's total remuneration for FY21 would have been £399,000. In real terms RR Waldie received £319,000 .
2. MJ Ward's salary was reduced from a full time equivalent of £260,000 to £180,000 with effect from 1 May 2021 following him stepping down as CEO. MJ Ward was contracted to work 4 days per week with effect from 1 November 2021 and has continued throughout FY22 to work 4 days per week.
3. PG Davies was contracted to work 4 days per week with effect from 1 May 2021. With effect from 1 May 2022 PG Davies was contracted to work 5 days per week.

Salary and fee increases for FY23

Details of FY22 salary and fee increases are set out in the FY21 report on remuneration.

The Committee agreed to increase RR Waldie's salary by 7.5% with effect from 1 May 2022 to £322,500. NA Smith's and PG Davies salaries increased by 6.6% with effect from 1 May 2022 to £240,000. MJ Ward's salary increased by 5.6%, to a full time equivalent of £190,000. The Committee took into consideration salary increases for the wider workforce when determining the Executive Directors' salary increases; the average increase for the wider workforce exceeded 7.5%.

With regard to Non-Executive Directors, NT Payne's annual fee increased to £72,000 with effect from 1 May 2022 and both JC Lake and SFA Thompson's annual fees increased to £48,000. These fee increases were considered appropriate reflecting the time commitment required in order for the Non-Executives to effectively carry out their duties.

Report on remuneration: voluntary disclosure *(continued)*

Bonus outcome for the year

The Group continued to perform well throughout FY22, delivering strong growth in revenue and adjusted PBT ahead of consensus market expectations. Key performance highlights are set out on page 4.

The continued hard work, dedication and loyalty from employees during the year has been paramount to the Group's performance. The Committee therefore considered it appropriate to award bonuses to employees in respect of FY22. This included awarding bonuses under the merit pool, in which the Executive Directors participate. No bonuses were awarded under the performance pool.

Long term incentives granted during the year

Awards were granted to certain Executive Directors and selected senior employees under the LTIP on 27 April 2022.

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 internal forecasts and the current economic environment.

Adjusted, fully diluted earnings per Share Compound Annual Growth Rate (CAGR) over the three year period ending 30 April 2025	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 27 April 2022 to NA Smith totalled 25,000 (with a face value at grant equal to £55,000 or circa 25% of salary, based on the mid-market closing share on the dealing day prior to grant (£2.20)). No awards were granted to MJ Ward, PG Davies or RR Waldie as they are deemed to be sufficiently incentivised by their existing shareholding.

Report on remuneration: voluntary disclosure *(continued)*

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 2022		At 30 April 2021	
Nigel Terrence Payne	**70,942**	**0.06%**	70,918	0.06%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Suzanne Frances Allison Thompson	**10,000**	**0.01%**	10,000	0.01%
Roderick Richard Waldie	**1,275,670**	**1.02%**	1,380,670	1.17%
Michael James Ward	**1,990,000**	**1.60%**	2,216,754	1.88%
Peter Gareth Davies	**1,983,357**	**1.59%**	2,215,739	1.88%
Neil Andrew Smith	**362,537**	**0.29%**	383,313	0.33%

The following Directors held share options under the LTIP Scheme as at 30 April 2022:

	Number of shares at 30 April 2022	Date of grant	Exercise price	Earliest exercise date
Neil Andrew Smith	15,974	22 July 2020	£nil	22 July 2023
Neil Andrew Smith	*25,000*	*27 April 2022*	*£nil*	*22 April 2025*

Board of Directors

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

Nigel Payne, aged 62, *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 the Non-Executive Chairman of Main Market quoted Braemar Shipping Services Plc, a Non-Executive Director of AIM quoted GetBusy Plc, as well as being the Non-Executive Chairman of Green Man Gaming (Holdings) Plc, 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 54, *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 64, *Chief Operating Officer (resigned 30 April 2022)*
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 concentrated on providing advice to the firm's house-builder clients. He is a member of the Law Society and a CEDR accredited mediator. He was involved in the management of Gateley LLP for over 20 years. He sits on the Strategic Board and Chairs the Operations Board.

Victoria Garrad, aged 48, *Chief Operating Officer elect (appointed 1 May 2022)*
Victoria was appointed to the Board as COO elect on 1 May 2022. She is an award winning employment lawyer with over 24 years' experience undertaking a mix of contentious and non-contentious work. Having joined the business in 1996 as a trainee solicitor, Victoria was promoted to partner in the legal services employment team in 2005. She has been a member of the Operations Board since 2011 and was appointed to the Strategic Board on 1 May 2017 to undertake the Group HRD role.

Neil Smith, aged 46, *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.

Board of Directors *(continued)*

Michael Ward, aged 63, *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 58, *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 digital services group, Made Tech Group Plc, Non-Executive Deputy Chairman of Main Market-listed land promotion, property development and construction group, Henry Boot Plc and Honeycomb Investment Trust Plc. Joanne is also Non-Executive Director of Main Market quoted Braemar Shipping Services 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.

Suzanne Thompson, aged 54, *Non-Executive Director*
Suki (Suzanne) is an entrepreneur and transformational business leader. Founder and CEO, Let's Reset she specialises in cultural change and marketing transformation, pioneering new performance based wellbeing programmes linked to commercial outcomes and new ways of working, post Covid. She has advised 80% of the FTSE 250, leading global communications networks and technology groups. Centaur Media acquired her previous marketing consultancy, Oystercatchers in September 2016 and she remains Chair of the business and Exec Director of the Xeim Group. Suki is also Non-Executive Director of AIM-quoted retail group, Unbound Group Plc.

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 2022.

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 62.

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 8 to 12 and the Finance Director's review on pages 13 to 20. The Group's key performance indicators (KPIs) are set out on pages 22 and 23. The strategic report, which includes a description of the principal risks and uncertainties facing the Group, is set *out on pages 6 to 36.*

Employee share trust

The Gateley Employee Benefit Trust (EBT) was established to facilitate the issue of the equity shares of Gateley (Holdings) Plc to Group employees under share based payment arrangements.

During the year ended 30 April 2022 the EBT purchased 187,033 shares in the company (2021: 222,724) at a cost of £75,854 (2021: £288,003).

Dividends

The Directors propose to recommend a final dividend of £6,850,800 (2021: £5,896,051), being 5.5p (2021: 5.0p) per share, be paid, giving a total dividend for the year of 8.5p (2021: 7.5p). The final dividend has not been included within creditors as it was not approved before the year end.

During the period the board became aware of a technical issue in respect of a number of historic dividends paid by the Company. Details are included in Note 12 to the consolidated financial statements. A circular will be sent to shareholders shortly and will be available on the Company's website at www.gateleyplc.com/investors/investor-relations.

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

	10p ordinary shares		10p ordinary shares	
	Number of shares 2022	**Percentage Holding 2022**	Number of shares 2021	Percentage Holding 2021
Nigel Terrence Payne	**70,942**	**0.06%**	70,918	0.06%
Joanne Carolyn Lake	**26,300**	**0.02%**	26,300	0.02%
Suzanne Frances Allison Thompson	**10,000**	**0.01%**	10,000	0.01%
Roderick Richard Waldie	**1,275,670**	**1.02%**	1,380,670	1.17%
Michael James Ward	**1,990,000**	**1.60%**	2,216,754	1.88%
Peter Gareth Davies	**1,983,357**	**1.59%**	2,215,739	1.88%
Neil Andrew Smith	**362,537**	**0.29%**	383,313	0.33%

***Directors' report** (continued)*

Substantial shareholdings

The Company was notified that the following were interested in 3% or more of the issued share capital of the Company as at 31 July 2022:

Name	**Number of ordinary shares**	% of issued share capital
Liontrust Asset Management	**14,040,039**	11.27%
BMO Global Asset Management (UK)	**6,443,461**	5.17%
Premier Miton Investors	**5,251,662**	4.22%
Unicorn Asset Management	**4,931,194**	3.96%

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 27 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 UK-adopted international accounting standards. 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 UK-adopted international accounting standards 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.

Corporate Governance Statement

Since September 2018 all AIM companies have been required to set out details of a recognised corporate governance code that the Board of Directors has chosen to apply, how they comply with that code, and where it departs from its chosen corporate governance code an explanation for doing so.

The board adopted the Quoted Companies Alliance ('QCA') Code. The Group's application of this code is detailed in the Corporate Governance Statement as detailed on the Group's website at www.gateleyplc.com/investors/investor-relations/aim-rule-26/. As required under AIM Rule 26, the information in this statement is updated annually.

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.

Directors' report *(continued)*

Subsequent events

There were no subsequent events to report.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of MHA MacIntyre Hudson as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

R. R. Waldie

Rod Waldie
Chief Executive Officer

One Eleven Edmund Street
Birmingham
West Midlands
B3 2HJ

12 September 2022

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MACINTYRE HUDSON

Independent auditors' report to the members of Gateley (Holdings) plc

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Gateley (Holdings) plc. For the purposes of the table on pages 54 to 55 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The Group financial statements, as defined below, consolidate the accounts of Gateley (Holdings) plc and its subsidiaries (the "Group"). The "Parent Company" is defined as Gateley (Holdings) plc. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion
We have audited the financial statements of Gateley (Holdings) plc for the year ended 30 April 2022.

The financial statements that we have audited comprise:

- the consolidated statement of profit and loss and other comprehensive income for the year ended 30 April 2022;
- the consolidated statement of financial position for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended;
- Notes 1 to 31 of the consolidated financial statements, including the accounting policies.
- the Parent Company statement of financial position for the year ended 30 April 2022;
- the Parent Company statement of changes in equity;
- the Parent Company cash flow statement;
- Notes 1 to 14 of the Parent Company financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

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 2022 and the Group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

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 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 ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the company's operations and specifically its business model.
- The evaluation of how those risks might impact on the company's available financial resources.
- An examination of budgets and forecasts and their basis of preparation.
- Liquidity considerations including examination of cash flow projections, considering sensitivities to the underlying assumptions on profitability and cash lock up, which drives the cash flow projections.
- Consideration of the funding facilities available to the Group and the market attitude to lending in the legal sector.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality	**2022**	**2021**	
Group	£950k	£800k	5% (2021: 5%) of underlying profit before tax and exceptional items
Parent	£460k	£380k	1% (2021: 1%) of gross assets
Key audit matters			
Group	• Accuracy and valuation of unbilled revenue • Existence/cut off of billed revenue		
Scope	Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement. We undertook full scope audits on the complete financial information of 2 components. For the remaining 17 components we performed a mixture of specified audit procedures and analytical procedures.		

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MACINTYRE HUDSON

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which 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.

Risk of fraud in revenue recognition – valuation of unbilled revenue	
Key audit matter description	Revenue (in respect of client matters) is recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to fraud arising from the improper recognition of revenue. There is judgement in the calculation of accrued income in terms of the recoverability of the time recorded. In addition, the uncertainties in the *economy as a result of the war in Ukraine, high inflation and the* increased cost of living may mean that the existing recovery rate used for the purposes of valuing unbilled revenue may no longer be appropriate. Contingent work in progress may be included in the year-end valuation of accrued revenue, when the contingent event has not occurred and therefore the revenue has not been earned in accordance with the requirements of IFRS 15.
How the scope of our audit responded to the key audit matter	*We evaluated 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 checked this has been appropriately applied. We agreed, on a sample basis, client engagement terms to ensure client matters are classified correctly between contingent and non-contingent and also to support the existence of revenue recognised in the period. We evaluated management's assessment, in accordance with the requirements of IFRS 15, that it is not probable that client matters classified as contingent at the year end, and valued at nil, will result in revenue being incorrectly recognised, including, but not limited to, testing billings post year end. For unbilled revenue recognised in the year we tested on a sample basis that entitlement to revenue had been obtained through proof of service being carried out and that time had been recorded pre year end confirming that the matter is live, and that unbilled revenue is recoverable. We reviewed the application of departmental recovery rates used to value unbilled revenue, assessing their appropriateness and challenging management on whether the effect of macroeconomic factors such as inflation on the expected recovery of unbilled revenue had been taken into account. We also reviewed post year-end actual recovery rates against the year-end recovery rates to review any significant movements.

	We tested the completeness and cut-off of unbilled revenue by a review *of time sheets posted after the year end to identify any material* unposted time. We assessed the adequacy of provisions against irrecoverable unbilled revenue by review of aged work in progress reports.
Key observations	We concluded that there was no material misstatement in the valuation of unbilled revenue, in accordance with IFRS15.

Risk of fraud in revenue recognition – existence/cut off of billed revenue	
Key audit matter description	Bills raised in the year may be fictious/erroneous or raised before time has been worked by the fee earners and the business may therefore not be entitled to the income. Bills may also be raised when work in progress should be written off as irrecoverable.
How the scope of our audit responded to the key audit matter	We reviewed a sample of sales invoices issued during the year to ensure that the service had been provided pre year end, confirming that entitlement to record the invoice as revenue had been reached. The evidence of services being provided included, but was not limited to, time records maintained by fee earners and client contracts. We reviewed the level of post year end credit notes being raised to identify significant credit notes being raised indicating erroneous recognition of revenue in the current year. For unbilled revenue recognised in the year, we tested on a sample basis that entitlement to revenue had been reached through proof of the relevant service being carried out pre year end.
Key observations	We concluded that revenue had been recorded appropriately. We did not identify any material errors in relation to cut-off.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £950k (2021: £800k) which was determined on the basis of 5% of the underlying profit before tax and exceptional items, as the primary measure on which the performance of the business is judged by its stakeholders.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at £665k (2021: £560k) which represents 70% (2021 – 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls, the impact of there being a number of non-significant components and the level of misstatements arising in previous audits

Materiality in respect of the Parent was set at £460k (2021: £380k) which was determined on the basis of 1% of gross assets. Gross assets was considered to be the most appropriate materiality metric on the basis that the Parent is not a trading entity and its primary purpose is to the hold investments.

Performance materiality for the Parent was set at £322k (2021: £265k) which represents 70% (2021 – 70%) of the above materiality levels.

Our audit work on the significant component of the Group, and for determining and evaluating the specific targeted procedures on other components, was executed at levels of materiality applicable to the individual entity which were lower than Group materiality.

We agreed to report any corrected or uncorrected adjustments exceeding £47.5k (2021: £40k) to the audit committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group comprises one main trading component, a Parent Company, which does not trade, and several smaller subsidiary entities. The Group engagement team carried out audits of the complete financial information of the following significant components of the Group:

- The Parent Company, Gateley (Holdings) plc
- Gateley plc

A desktop analytical review was performed on the other components that were not considered to be individually financially significant, and specific targeted procedures performed on material subsidiaries based on an assessment of the risk to the Group audit results.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Net assets/(liabilities)	Profit before tax
Full scope audit	2	83%	124%	94%
Analytical review and specific targeted procedures	17	17%	(24%)	6%
Total	19	100%	100%	100%

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MACINTYRE HUDSON

Reporting on other information
The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion of 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. 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.

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

- the information given in the strategic report and 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 by exception
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.

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
As explained more fully in the Directors' responsibilities statement, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included, the Companies Act 2006, the Financial Services and Markets Act 2000 and applicable tax legislation. In addition, we considered compliance with employee legislation, as fundamental to the group's operations;
- Reviewing press releases, and performing an online search of articles about the group in the financial press;
- Enquiry of management to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Enquiry of management around actual and potential litigation and claims;
- Enquiry of the audit and finance committee concerning actual and potential litigation and claims;
- Enquiry of management to identify any instances of known or suspected instances of fraud;
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud,
- Reviewing minutes of meetings of those charged with governance;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to provisions for claims incurred but not reported.

A further description of our responsibilities for the financial statements is located on the FRC'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.

Andrew M

Andrew Moyser FCA FCCA
(Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson, Statutory Auditor
Birmingham
12 September 2022

Consolidated statement of profit and loss and other comprehensive income
for the year ended 30 April 2022

	Note	2022 £'000	2021 £'000
Revenue	4	**137,249**	121,375
Other operating income	5	**-**	2,451
Personnel costs, excluding IFRS 2 charge	7	**(86,517)**	(77,460)
Depreciation – Property, plant and equipment	13	**(851)**	(1,045)
Depreciation – Right-of-use asset	13	**(3,783)**	*(3,751)*
Impairment of trade receivables and contract assets	19/20	**(866)**	(1,834)
Other operating expenses, excluding non-underlying and exceptional items		**(22,716)**	(19,202)
Operating profit before non-underlying and exceptional items	6	**22,516**	20,534
Non-underlying operating items	6	**(2,659)**	(3,029)
Exceptional items	6	**(870)**	-
		(3,529)	(3,029)
Operating profit	6	**18,987**	17,505
Financial income	9	**194**	176
Financial expense	9	**(1,149)**	(1,373)
Profit before tax		**18,032**	16,308
Taxation	10	**(3,753)**	(3,151)
Profit for the year after tax attributable to equity holders of the parent		**14,279**	13,157
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
- Revaluation of other investments		**(190)**	-
- Exchange differences on foreign branch		**58**	(87)
Profit for the financial year and total comprehensive income all attributable to equity holders of the parent		**14,147**	13,070
Statutory Earnings per share			
Basic	11	**12.00p**	11.18p
Diluted	11	**11.71p**	11.10p

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

The accompanying notes on pages 65 to 118 form an integral part of these financial statements.

Consolidated statement of financial position
at 30 April 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	13	**1,334**	1,323
Right of use asset	13	**24,627**	27,007
Investment property	14	**164**	164
Intangible assets & goodwill	15	**32,590**	15,765
Other intangible assets	17	**564**	282
Other investments	18	**173**	363
		59,452	44,904
Total non-current assets			
Current assets			
Contract assets	19	**17,239**	13,900
Trade and other receivables	20	**56,168**	43,093
Deferred tax asset	23	**638**	138
Cash and cash equivalents	25	**16,105**	19,605
Total current assets		**90,150**	76,736
Total assets		**149,602**	121,640
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**(5,715)**	-
Lease liability	29	**(25,207)**	(27,702)
Other payables	22	**(5,360)**	(120)
Deferred tax liability	23	**(3,089)**	(772)
Provisions	24	**(863)**	(763)
Total non-current liabilities		**(40,234)**	(29,357)
Current liabilities			
Trade and other payables	22	**(31,793)**	(29,032)
Lease liability	29	**(3,719)**	(2,743)
Provisions	24	**(101)**	(176)
Current tax liabilities		**(842)**	(1,066)
Total current liabilities		**(36,455)**	(33,017)
Total liabilities		**(76,689)**	(62,374)
NET ASSETS		**72,913**	59,266
EQUITY			
Share capital	26	**12,456**	11,792
Share premium		**11,342**	9,421
Merger reserve		**(9,950)**	(9,950)
Other reserve		**14,465**	6,815
Treasury reserve		**(261)**	(312)
Translation reserve		**(2)**	(60)
Retained earnings		**44,863**	41,560
TOTAL EQUITY		**72,913**	59,266

These financial statements were approved by the directors on 12 September 2022 and were signed and authorised for issue on their behalf by:

R. R. Waldie

Rodrick R Waldie
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078

The accompanying notes on pages 65 to 118 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 2020	11,761	9,153	(9,950)	6,815	(417)	27,447	27	44,836
Comprehensive income:								
Profit for the year	-	-	-	-	-	13,157	-	13,157
Exchange rate differences	-	-	-	-	-	-	(87)	(87)
Total comprehensive income	-	-	-	-	-	13,157	(87)	13,070
Transactions with owners recognised directly in equity:								
Issue of share capital	31	550	-	-	-	-	-	581
Sale of treasury shares	-	(282)	-	-	400	-	-	118
Purchase of treasury shares	-	-	-	-	(295)	-	-	(295)
Share based payment transactions	-	-	-	-	-	956	-	956
Total equity at 30 April 2021	11,792	9,421	(9,950)	6,815	(312)	41,560	(60)	59,266
At 1 May 2021	11,792	9,421	(9,950)	6,815	(312)	41,560	(60)	59,266
Comprehensive income:								
Profit for the year	-	-	-	-	-	14,279	-	14,279
Revaluation of other investments	-	-	-	-	-	(190)	-	(190)
Exchange rate differences	-	-	-	-	-	-	58	58
Total comprehensive income	-	-	-	-	-	14,089	58	14,147
Transactions with owners recognised directly in equity:								
Issue of share capital	664	1,921	-	7,650	-	-	-	10,235
Purchase of own shares at nominal value	-	-	-	-	-	(132)	-	(132)
Sale of treasury shares	-	-	-	-	127	-	-	127
Purchase of treasury shares	-	-	-	-	(76)	-	-	(76)
Recognition of tax benefit on gain from equity settled share options	-	-	-	-	-	563	-	563
Dividend paid	-	-	-	-	-	(12,430)	-	(12,430)
Share based payment transactions	-	-	-	-	-	1,213	-	1,213
Total equity at 30 April 2022	**12,456**	**11,342**	**(9,950)**	**14,465**	**(261)**	**44,863**	**(2)**	**72,913**

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 65 to 118 form an integral part of these financial statements.

Consolidated cash flow statement
for year ended 30 April 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the year after tax		**14,279**	13,157
Adjustments for:			
Depreciation and amortisation	13/15/17	**6,215**	6,869
Financial income	9	**(194)**	(176)
Financial expense	9	**201**	416
Release of contingent consideration	6	**(135)**	-
Interest charge on capitalised leases	9	**948**	957
Equity settled share-based payments	7	**1,213**	956
Loss/(profit) on disposal of property, plant and equipment	6	**16**	(3)
Tax expense	10	**3,753**	3,151
		26,296	25,327
Increase in trade and other receivables		**(10,233)**	(5,312)
Increase in trade and other payables		**758**	9,216
Increase in provisions	24	**25**	226
Cash generated from operations		**16,846**	29,457
Tax paid		**(4,497)**	(4,039)
Net cash flows from operating activities		**12,349**	25,418
Investing activities			
Acquisition of property, plant and equipment	13	**(775)**	(503)
Acquisition of other intangible assets	17	**(319)**	(10)
Cash received on disposal of property, plant and equipment		-	11
Acquisition of other investments	18	-	(134)
Contingent consideration paid - acquisition of subsidiary		-	(363)
Consideration paid on acquisitions, net of cash acquired		**(5,982)**	-
Interest received	9	**194**	176
Net cash used in investing activities		***(6,882)***	*(823)*
Financing activities			
Interest and other financial income paid	9	**(201)**	(416)
Lease repayments		**(3,870)**	(3,847)
Receipt of new revolving credit facility, net of refinancing costs	21	**5,715**	-
Repayment of term bank loans	21	-	(3,077)
Repayment of loans from former members of GCL Solicitors & Directors of IIS	21	-	(729)
Proceeds from sale of own shares		**90**	145
Acquisition of own shares		**(39)**	(288)
Cash received for shares issued on exercise of SAYE/CSOP options		**1,768**	299
Dividends paid	12	**(12,430)**	-
Net cash used in financing activities		**(8,967)**	(7,913)
Net (decrease)/increase in cash and cash equivalents		**(3,500)**	16,682
Cash and cash equivalents at beginning of year		**19,605**	2,923
Cash and cash equivalents at end of year	25	**16,105**	19,605

The accompanying notes on pages 65 to 118 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 Parent Company's acquisition of Gateley Plc and its acquisition of Gateley LLP have been assessed as being business combinations under common control which are scoped out of IFRS 3 'Business Combinations'. In accordance with the requirements of IAS 8 the Directors have selected an appropriate accounting policy to reflect the substance of this transaction. The Directors have chosen to apply merger accounting as outlined in UKGAAP (FRS102). This requires the Group to be consolidated at the date of the business combinations as though the Group structure has always been in place. No Goodwill has been recognised on this transaction.

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 financial statements of Gateley (Holdings) Plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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 24 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 continued impact of Covid-19 the Group expects to be able to operate within the Group's financing facilities.

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.

Notes *(continued)*

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

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.

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
Gateley Omega Limited	13367322
Kiddy & Partners Limited	11379755
International Investment Services Limited	08597472
T-Three Consulting Limited	03959623
T-Three Group Limited	06495180
T-Three Holdings Limited	04579021
Gateley Vinden Limited	03830233
Matsa Holdings Limited	08293396
Thomas Alexander Holdings Limited	02280956
TVP Holdings Limited	06548795
SP 2018 Limited	11344448
Byrom Clark Roberts Limited	02390547
Smithers Purslow Limited	01402539
Smithers Purslow Group Limited	05508205
Ainsley Stokes Limited	03219786
Adamson Jones Holdings Limited	10698979
Adamson Jones IP Limited	07188937
GEG Services Limited	12374579

Notes *(continued)*

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

1.3 Basis of consolidation (continued)

The outstanding liabilities at 30 April 2022 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 at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting 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 reporting 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 foreign currency reserve.

1.5 Classification of financial instruments issued by the Group

IFRS 9 *'Financial Instruments'* 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 introduced an impairment model that is to be applied to debt instruments measured at amortised cost or fair value through other comprehensive income, as well as trade receivables and contract assets. Under the model, expected credit losses are to be recognised against financial assets. Expected credit losses have been calculated in relation to debt securities and over the life time of trade and other receivables in line with the 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.

Notes *(continued)*

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

1.5 Classification of financial instruments issued by the Group (continued)

To the extent that this definition is not met, the financial instruments (including members' capital of subsidiary LLP's) 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 equity securities held by the Group that were previously classified as being available-for-sale and are stated at fair value, 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 price and carried at amortised cost under IFRS 9.

In line with IFRS 9, the Group recognises as disclosed in note 19 and 20 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 under IAS 32 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

Notes *(continued)*

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

1.6 Non derivative financial instruments *(continued)*

i) Bank borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

Financial expenses comprise interest expense on borrowings.

ii) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

iii) Contingent consideration

Contingent consideration is initially recognised and carried at the fair value. Following the end of the measurement period contingent consideration is continually remeasured to fair value with changes in fair value being reflected in profit or loss. Any interest payable on the balance is reflected in the value of the liability and charged to 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	term of the lease (between 1 and 10 years)

Notes *(continued)*

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

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 when new). 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.

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;

Notes *(continued)*

1.8 Leases (continued)

- 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.

In May 2020 the International Accounting Standards Board issued COVID-19-Related Rent Concessions (the 2020 amendments) which amended IFRS 16 *Leases.* These amendments introduced an optional practical expedient providing lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The Group has applied this practical expedient where applicable, the impact of this election and any COVID-19 related rent concession have not had a material impact on the closing value of the right-of-use asset or lease liability at 30 April 2022.

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. 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. Further detail on contingent consideration is disclosed in note 16.

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.

Notes *(continued)*

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

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.

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 computer 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.

Notes *(continued)*

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

1.10 Intangible assets and goodwill (continued)

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each statement of financial position date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer lists and brands	3 to 15 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 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. *Intangibles and property, plant and equipment (non-financial assets)*

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 (non-financial asset)

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

Notes *(continued)*

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

1.13 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 several 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.

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 Provisions

Professional indemnity provision

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 probable 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.

Notes *(continued)*

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

1.15 Provisions (continued)

Dilapidations provision

The Group recognise a provision for the future costs of dilapidations on leased office space. The provision is an estimate of the total cost to return applicable office space to its original condition at the end of the lease term, spread over the term of the lease. The estimated total cost is based on previous dilapidation expense per square foot of office space.

1.16 Revenue recognition

IFRS 15 *Revenue from contracts with customers*

Under IFRS 15 *Revenue from contracts with customers*, 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 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 contracts

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.

Recognition of accrued revenue

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

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.

Other income

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 amounts received in relation to the termination of a software development contract and government supported income from its Coronavirus Job Retention scheme. Income is recognised in the same period as the corresponding employee costs.

Notes *(continued)*

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

1.16 Revenue recognition (continued)

Government grant income

The Group applies the performance model to government grant income, grants are recognised as income once all of the performance conditions have been met.

In the year ended 30 April 2021, the Group utilised the Coronavirus Job Retention Scheme (CJRS) which meets the criteria of a government grant under IAS 20. CJRS allowed the Group to place staff on temporary leave (furlough) and claim the cost of 80% of employee's payroll costs from the government. Under the performance model the Group has recognised the income on a straight line basis over the period of the furlough. This income has been recognised in other income within the statement of profit and loss. The Group has not utilised the CJRS during the year ended 30 April 2022.

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.

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.

Notes *(continued)*

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

1.20 Non-underlying items

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

- Share based payment charges: such charges are treated as non-underlying as the gain realised on the options granted is settled in shares not cash and therefore does not impact the income statement. The IFRS 2 charge is taken to the income statement, 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 Statement of Profit and Loss 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 6 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.

2 Accounting developments

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*
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	1 January 2022

Notes *(continued)*

2 Accounting developments *(continued)*

New and revised IFRS in issue but not yet effective *(continued)*

Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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.

Estimates

Impairment assessment of trade receivables (note 20) and unbilled revenue (note 19)

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.

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

	(Decrease)/increase in value of trade receivables £'000
+1% increase in in ECL	(502)
-1% decrease in ECL	502

Notes *(continued)*

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

Impairment assessment of trade receivables (note 20) and unbilled revenue (note 19) *(continued)*

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:

	(Decrease)/increase in value of contract assets £'000
+1% increase in ECL rate	(172)
-1% decrease in ECL rate	172

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 19)

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 reliably.

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 15)

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. 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.

Notes *(continued)*

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

Judgements

Application of IFRS 3 *Business Combinations* – contingent consideration, remuneration vs consideration (note 15)

Accounting for contingent consideration under IFRS 3 requires significant judgement to be exercised where selling shareholders remain in employment, post-acquisition. A detailed understanding of key acquisition agreements is required in order to assess the substance of the transaction against the requirements included within Appendix B of IFRS 3, in order to substantiate whether contingent consideration should be included within the initial acquisition accounting or charged to profit or loss as a remuneration expense over the period of the earn out.

In the current year two acquisitions included contingent consideration arrangements with selling shareholders who have remained in continuing employment within the Group. Management has performed a detailed review of the acquisition agreements and concluded that whilst judgement is required, the employment clauses are not substantive and thus, the arrangements are deemed to be additional consideration. The effect on these financial statements if the arrangements were to be accounted for as remuneration rather than additional consideration would be a reduction in profit of £123k.

Notes *(continued)*

4 Revenue and operating segments

The Chief Operating Decision Maker ("CODM") is the Strategic Board. The Group have the following four strategic divisions, which are its reportable segments. These divisions offer a mixture of legal and consultancy services to clients. With effect from 1 May 2021 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 2022 and also the new service lines:

Reportable segment	Legal service lines (Gateley Legal)	Consultancy service lines (Gateley Consultancy)
Corporate	Banking Corporate Restructuring advisory Taxation	GEG Services International Investment Services
Business services	Commercial Commercial Dispute Resolution/Litigation Tweed (reputation, media and privacy law)	Adamson Jones
People	Employment Pension Private client	Entrust Pension Kiddy and Partners T-three
Property	Real Estate Real Estate Dispute Resolution Residential Development *Construction* *Planning*	Capitus Hamer/Persona Smithers Purslow Vinden/Tozer Gallagher

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

	2022 **£'000**	2021 £'000
United Kingdom	**127,386**	109,934
Europe	**5,336**	6,231
Middle East	**923**	937
North and South America	**692**	1,045
Asia	**1,501**	802
Other	**1,411**	2,426
	137,249	121,375

The Group has no individual customers that represent more than 10% of revenue in either the 2022 or 2021 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 Group assets of £0.08m (2021: Net Group assets of £0.07m) are located in the Group's Dubai subsidiary. Revenue generated by the Group's Dubai subsidiary to customers in the UAE totalled £0.92m (2021: £0.94m) as disclosed above as due from the customers in the Middle East.

Notes *(continued)*

4 Revenue and operating segments *(continued)*

2022

	Corporate	**Business Services**	**People**	**Property**	**Total segments**	**Other expense and movement in unbilled revenue**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Segment revenue from services transferred at a point in time	10,175	3,467	5,901	10,994	30,537	305	**30,842**
Segment revenue from services transferred over time	27,889	14,490	13,264	50,426	106,069	338	**106,407**
Total Segment revenue	38,064	17,957	19,165	61,420	136,606	643	**137,249**
Segment contribution (as reported internally)	15,373	5,733	6,919	22,956	50,981	643	**51,624**
Costs not allocated to segments:							
Other operating income							**-**
Personnel costs							**(10,487)**
Depreciation and amortisation							**(6,215)**
Other operating expenses							**(13,852)**
Share based payment charges							**(1,213)**
Exceptional costs							**(870)**
Net financial expense							**(955)**
Profit for the financial year before taxation							**18,032**

Notes *(continued)*

4 Revenue and operating segments *(continued)*

2021

	Banking and Financial Services	Corporate	Business Services	Employee Pensions and Benefits	Property	*Total segments*	*Other expenses and movement in unbilled revenue*	*Total*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue from services transferred at a point in time	3,239	7,437	1,357	3,780	13,289	29,102	1,361	**30,463**
Segment revenue from services transferred over time	12,774	14,450	11,996	10,472	39,654	89,346	1,566	**90,912**
Total segmental revenue	16,013	21,887	13,353	14,252	52,943	118,448	2,927	**121,375**
Segment contribution (as reported internally)	5,291	7,100	5,688	4,597	24,406	47,082	2,927	**50,009**
Costs not allocated to segments:								
Other operating income								**2,448**
Personnel costs								**(8,240)**
Depreciation and amortisation								**(6,869)**
Other operating expenses								**(18,887)**
Share based payment charge								**(956)**
Exceptional costs								**-**
Net financial expense								**(1,197)**
Profit for the financial year before taxation								**16,308**

Notes *(continued)*

4 Revenue and operating segments *(continued)*

Group entities may be engaged on a contingent basis; in such cases the Group considers 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 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. £9.2 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 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, T-three Consulting Limited and GEG Services 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.

Notes *(continued)*

5 Other operating income

	2022 £'000	2021 £'000
Rental and service charge income	-	2
COVID-19 Job retention scheme income	-	1,945
Cash incentives – Bank account switching income	-	1
Profit on sale of fixed assets	-	3
Amounts received against terminated contract	-	500
	-	2,451

6 Expenses and auditor's remuneration

Included in operating profit are the following:

	2022 £'000	2021 £'000
Depreciation on tangible assets (see note 13)	851	1,045
Depreciation on right-of-use asset (see notes 13 and 29)	3,783	3,751
Short term and low value lease payments (see note 29)	75	40
Operating lease costs on property (see note 29)	-	26
Other operating income – rent received	-	(2)
Foreign exchange (gains)/losses	(58)	87
Loss/(profit) on sale of fixed assets	16	(3)

	2022 £'000	2021 £'000
Non-underlying items		
Amortisation of intangible assets (see notes 15 and 17)	1,581	2,073
Share based payment charges – Gateley Plc	1,100	956
Share based payment charges – Gateley Smithers Purslow Limited	113	-
Release of contingent consideration – International Investment Services Limited	(135)	-
	2,659	3,029
Exceptional items		
Acquisition costs	373	-
One off remuneration charge – Gateley Smithers Purslow Limited	497	-
Total non-underlying and exceptional items	3,529	3,029

Notes *(continued)*

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

Acquisition costs in the 2022 financial year represent professional fees in respect of the acquisition of SP 2018 Limited, Adamson Jones Holdings Limited and the business and assets of Tozer Gallagher LLP.

Share based payment charges in Gateley Plc represent charges in accordance with IFRS 2 in respect of unexercised SAYE, CSOP, LTIP and RSA schemes (See note 8).

Share based payment charges in Gateley Smithers Purslow Limited represent shares awarded to staff following the successful acquisition of SP 2018 Limited (See note 7 and 8).

Auditor's remuneration

	2022	2021
	£'000	£'000
Fees payable to the Company's Auditor in respect of audit services:		
Audit of these financial statements	**85**	73
Audit of financial statements of subsidiaries of the Company	**20**	15
	105	88
Amounts receivable by the Company's auditor and its associates in respect of:		
Other assurance services	**31**	44

Other assurance services relate to Solicitors Accounts Rules review with associated reporting to legal regulators. This work is entirely assurance focused.

Notes *(continued)*

7 Personnel costs

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

	Number of employees	
	2022	2021
Legal and professional staff	**800**	770
Administrative staff	**350**	343
	1,150	1,113

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	**76,672**	68,020
Social security costs	**7,769**	7,736
Pension costs	**2,076**	1,704
	86,517	77,460
Non-underlying items (see note 6)		
Share based payment expense – Gateley Plc	**1,100**	956
Share based payment expense – Gateley Smithers Purslow Limited	**113**	-
	87,730	78,416

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 43.

8 Share based payments

Group

At the year end the Group has nine share based payment schemes 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 64,549 SAYE 17/18 options were exercised and the remaining 193,063 had lapsed by 30 April 2022. The accumulated IFRS2 charge of £155,381 was recycled through retained earnings in the prior period.

During the year 407,963 SAYE 18/19 options vested with 237,450 being exercised by 30 April 2022 leaving 170,513 options still to be exercised. New shares were issued to satisfy these options being 237,450 10p shares with a nominal value of £23,745. The accumulated IFRS2 charge of £135,078 has been recycled through retained earnings.

Notes *(continued)*

8 Share based payments *(continued)*

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 401,542 CSOPS 17/18 options were exercised and the remaining 26,603 had lapsed by 30 April 2022. New shares were issued to satisfy these options being 410,632 10p shares with a nominal value of £41,063. The accrued IFRS2 charge of £95,780 was recycled through retained earnings in the prior period.

During the year 631,580 CSOPS 18/19 options vested with 447,494 being exercised by 30 April 2022 leaving 184,086 options still to be exercised. New shares were issued to satisfy these options being 447,494 10p shares with a nominal value of £44,749. The accumulated IFRS2 charge of £108,421 has been recycled through retained earnings.

Long Term Incentive Plan ('LTIP')

The Group operates 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 2023/2025	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 granted options on 27 April 2022 based on performance conditions commencing on 1 May 2022. In total, 1,115,000 options have been granted which, subject to satisfying the above performance conditions, will vest in the year ending 30 April 2025.

Notes *(continued)*

8 Share based payments *(continued)*

Restricted Share Award Plan ('RSA')

The Group has introduced during the year an RSA for the benefit of Senior Management. Awards under the RSA entitle the option holder to participate in dividends however, the shares are restricted for a period of 5 years from issue, such that they cannot be traded.

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 2021	At 1 May 2021	Granted during the year	Lapsed during year	Exercised in the year	At 30 April 2022
			Number	Number	Number	Number	Number	Number	Number
SAYE									
SAYE 17/18- 15 September 2017	0 years	£1.33	556,296	(298,684)	257,612	-	(193,063)	(64,549)	-
SAYE 18/19 – 21 September 2018	0 years	£1.27	620,432	(168,463)	451,969	-	(44,006)	(237,450)	170,513
SAYE 19/20 – 30 September 2019	0.4 years	£1.28	822,625	(125,652)	696,973	-	(92,760)	-	604,213
SAYE 20/21 – 6 November 2020	1.5 years	£1.02	2,337,197	(47,113)	2,290,084	-	(172,713)	-	2,117,371
SAYE 21/22 – 25 August 2022	2.3 years	£1.70	-	-	-	673,077	(14,925)	-	658,152
			4,336,550	(639,912)	3,696,638	673,077	(517,467)	(301,999)	3,550,249
CSOPS									
CSOPS 17/18 – 3 October 2017	0 years	£1.65	581,162	(153,017)	428,145	-	(26,603)	(401,542)	-
CSOPS 18/19 – 24 October 2018	0 years	£1.44	812,131	(127,774)	684,357	-	(52,777)	(447,494)	184,086
CSOPS 20/21 – 7 July 2020	1.2 years	£1.35	976,797	(57,411)	919,386	-	(89,634)	-	829,752
			2,370,090	(338,202)	2,031,888	-	(169,014)	(849,036)	1,013,838
LTIPS									
LTIPS 20/21 – 22 July 2020	1.2 years	£0.00	1,405,766	(38,339)	1,367,427	-	(130,992)	-	1,236,435
LTIPS 27 April 2022	3.0 years	£0.00	-	-	-	1,115,000	-	-	1,115,000
			1,405,766	(38,339)	1,367,427	1,115,000	(130,992))	-	2,351,435
RSA									
RSA 27 April 2022	5.0 years	£0.00	-	-	-	1,422,560	-	-	1,422,560
			-	-	-	1,422,560	-	-	1,422,560

Notes *(continued)*

8 Share based payments *(continued)*

Fair value calculations

The award is accounted for as equity-settled under IFRS 2. The fair value of awards which are subject to non-market based performance conditions is calculated using the Black Scholes option pricing model. The inputs to this model for awards granted during the financial year are detailed below:

	SAYE	LTIP	RSA
Grant date	25/8/21	27/4/22	27/4/22
Share price at date of grant	£2.115	£2.175	£2.175
Exercise price	£1.70	n/a	n/a
Volatility	29%	33%	33%
Expected life (years)	3.3	3.3	5.0
Risk free rate	0.227%	1.522%	1.575%
Dividend yield	4.53%	4.53%	0%
Fair value per share			
Market based performance condition	-	-	-
Non-market based performance condition/no performance condition	£0.44	£1.87	£2.175

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 on Management's expectation of the minimum and maximum exercise period of each of the options granted.

The total charge to the income statement for all schemes now in place, included within non-underlying items, is £1,213,000 (2021: £956,000).

9 Financial income and expense

Recognised in profit and loss

	2022 £'000	2021 £'000
Financial income		
Interest income	**194**	176
Total financial income	**194**	176
Financial expense		
Interest expense on bank borrowings measured at amortised cost	**(201)**	(416)
Interest on lease liability	**(948)**	(957)
Total financial expense	**(1,149)**	(1,373)
Net financial expense	**(955)**	(1,197)

Notes *(continued)*

10 Taxation

	2022 £'000	2021 £'000
Current tax expense		
Current tax on profits for the year	**3,949**	3,749
Under/(over) provision of taxation in previous period	**15**	(43)
Total current tax	**3,964**	3,706
Deferred tax expense		
Origination and reversal of temporary differences	**(211)**	(436)
Under provision on share-based payment charges	**-**	(119)
Total deferred tax expense	**(211)**	(555)
Total tax expense	**3,753**	3,151

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:

	2022 £'000	2021 £'000
Profit for the year (subject to corporation tax)	**18,032**	16,308
Tax using the Company's domestic tax rate of 19%	**3,426**	3,099
Expenses not deductible for tax purposes	**312**	214
Under/(over) provision of taxation in previous period	**15**	(43)
Under provision on share-based payment charges	**-**	(119)
Total tax expense	**3,753**	3,151

The Finance Act 2021 increased the main rate of corporation tax to 25% from 1 April 2023. Closing deferred tax balances have therefore been valued at 19% or 25% (2021: 19%) depending on the date they expect to fully unwind.

Notes *(continued)*

11 Earnings per share

Statutory earnings per share

	2022 Number	2021 Number
Weighted average number of ordinary shares in issue, being weighted average number of shares for calculating basic earnings per share	**118,961,047**	117,685,265
Shares deemed to be issued for no consideration in respect of share based payments	**2,932,191**	823,568
Weighted average number of ordinary shares for calculating diluted earnings per share	**121,893,238**	118,508,833

	2022 £'000	2021 £'000
Profit for the year and basic earnings attributable to ordinary equity shareholders	**14,279**	13,157
Non-underlying and exceptional items (see note 6)		
Operating expenses	**3,529**	3,029
Tax on non-underlying and exceptional items	**(370)**	(576)
Underlying earnings before non-underlying and exceptional items	**17,438**	15,604

Earnings per share is calculated as follows:

	2022 Pence	2021 Pence
Basic earnings per ordinary share	**12.00**	11.18
Diluted earnings per ordinary share	**11.71**	11.10
Basic earnings per ordinary share before non-underlying and exceptional items	**14.66**	13.26
Diluted earnings per ordinary share before non-underlying and exceptional items	**14.31**	13.17

12 Dividends

	2022 £'000	2021 £'000
Equity shares:		
Interim dividend in respect of 2021 (2.5p per share) - 28 June 2021	**2,940**	-
Final dividend in respect of 2021 (5p per share) - 8 October 2021	**5,908**	-
Interim dividend in respect of 2022 (3p per share) - 31 March 2022	**3,582**	-
	12,430	-

The board proposes to recommend a final dividend of 5.5p (2021: 5p) per share at the AGM. If approved, this dividend will be paid in mid October 2022 to shareholders on the register at the close of business on 23 September 2022. The shares will go ex-dividend on 22 September 2022. This dividend has not been recognised as a liability in these final statements.

Notes *(continued)*

12 Dividends *(continued)*

Breach of Companies Acts requirements in respect of historic dividend payments - circular to shareholders

The board has become aware of a technical issue in respect of the payment of a number of historic dividends paid by the Company.

The Company has always filed its statutory annual accounts on time in accordance with the requirements of the Companies Act 2006 (the "Act"), and at all times had sufficient profits and other distributable reserves to justify the payment of dividends.

However, the Company has not satisfied certain procedural requirements of the Act before paying certain of the dividends in the years since the Company's IPO (the "Relevant Distributions"). These procedural requirements relate to the failure to file interim accounts at Companies House which justified the payment of interim dividends or the payment of final dividends before the circulation to members of the audited accounts of the Company in respect of the relevant financial year.

The Company has been advised that, as a consequence of the above distributions being made otherwise than in accordance with the Act, it may have claims against past and present shareholders who were recipients of the Relevant Distributions and against those persons who were directors of the Company at the time of the Relevant Distributions.

The Company wishes to put all potentially affected parties so far as possible in the position in which they were always intended to be had the Relevant Distributions been made in accordance with the procedural requirements of the Act.

Accordingly, a resolution will be proposed at the upcoming annual general meeting, which will, if passed, give the board authority to enter into deeds of release to discharge these parties from any obligation to repay any amount to the Company in connection with the Relevant Distributions.

The proposed ratification of the Relevant Distributions, and the entry by the Company into the Shareholders' Deed of Release and Directors' Deed of Release will not have any effect on the Company's financial position.

A circular to shareholders to convene the annual general meeting and giving more information about the Relevant Distributions will be sent to shareholders shortly.

Notes *(continued)*

13 Property, plant and equipment

	Leasehold **improvements** **£'000**	*Equipment* **£'000**	*Fixtures and* **Fittings** **£'000**	*Right-of-use* **assets** **£'000**	*Total* **£'000**
Cost					
Balance at 1 May 2020	462	6,207	5,226	26,146	38,041
Additions	-	302	201	9,238	9,741
Disposal	*(145)*	*(16)*	*(31)*	*(1,359)*	*(1,551)*
As at 30 April 2021	**317**	**6,493**	**5,396**	**34,025**	**46,231**
Balance at 1 May 2021	317	6,493	5,396	34,025	46,231
Arising on acquisition after fair value adjustments		266	63	793	1,122
Additions	23	583	169	610	1,385
Disposal	-	(110)	-	-	(110)
As at 30 April 2022	**340**	**7,232**	**5,628**	**35,428**	**48,628**
Depreciation and impairment					
Balance at 1 May 2020	327	5,157	4,538	3,267	13,289
Depreciation charge for the year	23	670	352	3,751	4,796
Eliminated on disposal	(141)	(13)	(30)	-	(184)
Balance at 30 April 2021	**209**	**5,814**	**4,860**	**7,018**	**17,901**
Balance at 1 May 2021	209	5,814	4,860	7,018	17,901
Arising on acquisition after fair value adjustments	-	173	53	-	226
Depreciation charge for the year	22	514	315	3,783	4,634
Eliminated on disposal	-	(94)	-	-	(94)
Balance at 30 April 2022	**231**	**6,407**	**5,228**	**10,801**	**22,667**
Net book value					
At 30 April 2021	108	679	536	27,007	28,330
At 30 April 2022	**109**	**825**	**400**	**24,627**	**25,961**

Notes *(continued)*

14 Investment property

	£'000
Fair value	
Balance at 1 May 2020 and 30 April 2021	164
Balance at 1 May 2021 and 30 April 2022	**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 2022 at £164,000 (2021: £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 (2021: £nil) was received during the year. Services charges of £3,089 (2021: £3,089) were incurred during the year.

15 Intangible assets and goodwill

	Goodwill £'000	Customer lists and brands £'000	Total £'000
Deemed cost			
At 1 May 2020	12,329	9,850	**22,179**
Adjustment	(631)	-	**(631)**
At 30 April 2021	11,698	9,850	**21,548**
Arising through business combinations	8,440	9,929	**18,369**
At 30 April 2022	**20,138**	**19,779**	**39,917**
Amortisation			
At 1 May 2020	-	3,741	**3,741**
Charge for the year	-	2,042	**2,042**
At 30 April 2021	-	5,783	**5,783**
Charge for the year	-	1,544	**1,544**
At 30 April 2022	**-**	**7,327**	**7,327**
Carrying amounts			
At 30 April 2021	11,698	4,067	15,765
At 30 April 2022	**20,138**	**12,452**	**32,590**

Notes *(continued)*

15 Intangible assets and goodwill *(continued)*

Goodwill is allocated to the following cash generating units:

	2022 £'000	2021 £'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**	40
Gateley Vinden Limited	**2,259**	2,259
Tozer Gallagher (acquisition of trade and assets)	**405**	-
Gateley Smithers Purslow Limited	**6,605**	-
	14,885	7,875
Employment , Pensions and Benefits Group		
Kiddy & Partners Limited	**1,600**	1,600
International Investment Services Limited	**338**	338
T-three Consulting Limited	**309**	309
	2,247	2,247
Business services Group		
Gateley Tweed (acquisition of goodwill)	**1,576**	1,576
Adamson Jones IP Limited	**1,430**	-
	3,006	1,576
	20,138	11,698

Notes *(continued)*

15 Intangible assets and goodwill *(continued)*

Impairment testing

The Group tests goodwill annually for impairment. The impairment test involves determining the recoverable amount of the cash generating unit (CGU) to which the goodwill has been allocated. The Directors believe that each operating segment represents a cash generating unit for the business and as a result, impairment is tested for each segment, and all the assets of each segment are considered.

The recoverable amount is based on the present value of expected future cash flows (value in use) which was determined to be higher than the carrying amount of goodwill so no impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing operation of the Group and was based on the following key assumptions:

- A pre-tax discount rate of between 12 and 21% (2021: 12-21%) 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 2% to 10% (2021: -25-10%) 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 2%. 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 Acquisitions

During the year ended 30 April 2022 the Group completed three acquisitions, the table below summarises the consideration paid:

	Total £'000
Total fair value of identifiable assets and liabilities acquired	12,380
Goodwill	8,440
Total consideration	**20,820**
Satisfied by:	
Cash	7,033
Equity instruments	8,335
Contingent cash consideration payable	2,776
Contingent shares consideration payable	2,676
Total consideration	***20,820***
Net cash outflows arising on acquisition	
Cash consideration	(7,033)
Acquisition costs	(373)
Net cash acquired	1,051
Net cash outflow arising on acquisition	**(6,355)**

Details of individual acquisitions are included below:

Acquisition of Tozer Gallagher LLP

On 22 July 2021 Gateley Vinden Limited acquired the business and assets of Tozer Gallagher LLP, a leading practice of chartered quantity surveyors and construction consultants. Tozer Gallagher was founded over 30 years ago and is a nationally recognised and highly respected practice of chartered quantity surveyors and construction consultants based in Manchester and London. The business specialises in built environment consultancy, fund monitoring services, and surety advisory.

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

	Pre-acquisition carrying amount £'000	Policy alignment and fair value adjustments £'000	**Total £'000**
Property, plant and equipment	7	36	**43**
Intangible asset relating to customer list and brand	-	393	**393**
Prepayments	14	-	**14**
Accrued income	101	-	**101**
Total assets	122	429	**551**
Accruals and other payables	(4)	-	**(4)**
Lease liability	-	(36)	**(36)**
Deferred tax	-	(98)	**(98)**
Total liabilities	(4)	(134)	**(138)**
Total identifiable net assets at fair value	118	295	**413**
Goodwill arising on acquisition			**405**
Total consideration			**818**

Notes *(continued)*

16 Acquisitions *(continued)*

Acquisition of Tozer Gallagher LLP *(continued)*

Satisfied by:	
Initial cash consideration paid	**418**
Issue of 142,179 new 10p ordinary shares in Gateley (Holdings) Plc	**300**
Contingent cash consideration payable	**100**
Total consideration	**818**
Net cash outflow arising on acquisition	
Cash consideration	**(418)**
Net cash acquired	**-**
Net cash outflow arising on acquisition	**(418)**

The goodwill of £405,000 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 Tozer Gallagher achieving revenue in excess of £850k in the 12 month period ending 21 July 2022. The sellers will receive £1 of contingent consideration for every £1 they exceed £850k up to a maximum consideration of £0.1m. The contingent consideration totalling £100,000 will be settled during September 2022.

From the date of acquisition Tozer Gallagher has contributed £0.7m of revenue to the Group's Statement of Comprehensive Income. If the acquisition had been completed on the first day of the financial year, Group revenue would have been higher by £0.2m. The profit contributed is not separately identifiable due to its trade and assets being incorporated into Gateley Vinden Limited upon acquisition.

Notes *(continued)*

16 Acquisitions *(continued)*

Acquisition of the Adamson Jones Holdings Limited ("Adamson Jones")

On 7 January 2022 the Company acquired the entire issued share capital of Adamson Jones via the acquisition of the entire issued share capital of Adamson Jones Holdings Limited that owns 100% of the entire issued share capital of Adamson Jones IP Limited. Adamson Jones provides intellectual property (IP) services encompassing patent, design and trademark protection advice in the UK, Europe and around the world.

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

	Pre-acquisition carrying amount £'000	Policy alignment and fair value adjustments £'000	**Total £'000**
Property, plant and equipment	38	-	38
Cash	48	-	48
Intangible asset relating to customer list and brand	-	1,067	1,067
Trade receivables	564	-	564
Total assets	650	1,067	**1,717**
Trade payables	(257)	-	(257)
Deferred income	(11)	-	(11)
Accruals and other payables	(30)	-	(30)
Other tax and social security	(82)	-	(82)
Deferred tax	-	(267)	(267)
Total liabilities	(380)	(267)	**(647)**
Total identifiable net assets at fair value	270	800	1,070
Goodwill arising on acquisition			1,430
Total consideration			**2,500**
Satisfied by:			
Initial cash consideration paid			1,255
Issue of 543,668 new 10p ordinary shares in Gateley (Holdings) Plc			1,245
Total consideration			**2,500**
Net cash outflow arising on acquisition			
Cash paid			(1,255)
Acquisition costs			(36)
Net cash acquired			48
Net cash outflow arising on acquisition			**(1,243)**

The goodwill of £1,430,000 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 Adamson Jones has contributed £1.2m of revenue to the Group's Statement of Comprehensive Income together with after tax profit of £0.1m. If the acquisition had been completed on the first day of the financial year, Group revenue and profit after tax would have been higher by £2.4m and £0.3m respectively.

Notes *(continued)*

16 Acquisitions *(continued)*

Acquisition of Gateley Smithers Purslow Limited (formerly Smithers Purslow Limited) ('Smithers Purslow')

On 19 April 2022 Gateley (Holdings) Plc acquired the entire issued share capital of Gateley Smithers Purslow Limited (formerly Smithers Purslow Limited) via the acquisition of the entire issued share capital of SP 2018 Limited. Smithers Purslow is a specialist business offering corporate advisory, dispute and consultancy to the built environment in the property and construction markets.

	Pre-acquisition carrying amount £'000	Policy alignment and fair value adjustments £'000	**Total £'000**
Property, plant and equipment	69	757	826
Intangible asset relating to customer list and brand	-	8,469	8,469
Work in progress	2,560	-	2,560
Cash	1,003	-	1,003
Trade receivables	2,531	-	2,531
Prepayments and accrued income	411	-	411
Total assets	6,574	9,226	**15,800**
Trade payables	(417)	-	(417)
Accruals and other payables	(559)	-	(559)
Current tax	(406)	-	(406)
Lease liability	-	(757)	(757)
Contingent liability		(50)	(50)
Other tax and social security	(585)	-	(585)
Deferred tax	(12)	(2,117)	(2,129)
Total liabilities	(1,979)	(2,924)	**(4,903)**
Total identifiable net liabilities at fair value	4,595	6,302	10,897
Goodwill arising on acquisition			6,605
Total consideration			**17,502**
Satisfied by:			
Initial cash consideration paid			5,360
Issue of 3,312,322 new 10p ordinary shares in Gateley (Holdings) Plc			6,790
Contingent cash consideration payable			2,676
Contingent share consideration payable			2,676
Total consideration			**17,502**
Net cash outflow arising on acquisition			
Cash paid			(5,360)
Acquisition costs			(192)
Net cash acquired			1,003
Net cash outflow arising on acquisition			**(4,549)**

Notes *(continued)*

16 Acquisitions (continued)

Acquisition of Gateley Smithers Purslow Limited (formerly Smithers Purslow Limited) ('Smithers Purslow') *(continued)*

The goodwill of £6,605,000 arising from the acquisition represents the assembled workforce. None of the goodwill is expected to be deductible for income tax purposes. All the effects of this acquisition on the Group's assets and liabilities are disclosed as provisional due to the proximity of the acquisition to the balance sheet date.

A contingent consideration arrangement was entered into as part of the acquisition. A further £7.85 million could be payable with any payment subject to Smithers Purslow achieving at least £4.5 million of EBITDA over the 24 months to 30 September 2023. Such payment is to be split in shares and cash as agreed between the Sellers and the Company, providing no Seller is entitled to receive more than 50% of their total consideration in cash.

From the date of acquisition Smithers Purslow has contributed £0.6m of revenue to the Group's Statement of Comprehensive Income together with after tax profit (before exceptional items) of £0.2m. If the acquisition had been completed on the first day of the financial year, Group revenue and profit after tax would have been higher by £11.4m and £1.2m respectively.

Notes *(continued)*

17 Other intangible assets

	IT development costs £'000	Computer software £'000	Total £'000
Cost			
Balance at 1 May 2020	258	111	**369**
Additions	-	10	**10**
	-	-	**-**
At 30 April 2021	258	121	**379**
Additions	-	319	**319**
At 30 April 2022	**258**	**440**	**698**
Amortisation			
Balance at 1 May 2020	-	66	**66**
Charge for the year	-	31	**31**
At 30 April 2021	-	97	**97**
Charge for the year	-	37	**37**
At 30 April 2022	**-**	**134**	**134**
Net book amount at 30 April 2021	258	24	282
Net book amount at 30 April 2022	**258**	**306**	**564**

The Group's amortisation policy, as disclosed in note 1.10, is to amortise other intangible assets from the date they are made available for use. As at 30 April 2022 the software relating to the IT development costs was not available for use, therefore no amortisation has been recognised. The software came into use following the period end.

18 Other investments

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

	£'000
Fair value	
Balance at 1 May 2020	229
Additions	134
Balance at 30 April 2021	363
Loss on revaluation - FVOCI	(190)
Balance at 30 April 2022	**173**

£15,000 (2021: £15,000) – Gateley Investments Limited holds a 1.9% investment in the ordinary shares of Manchester Biotech Limited (formerly PeptiGelDesign Ltd).

£157,998 (2021: £347,734) – Gateley Plc holds a 3.0% investment in the ordinary shares in Incanthera Plc, acquired on 26 February 2021.

Notes *(continued)*

19 Contract assets and liabilities

	Contract assets £'000	Trade receivables £'000	Contract liabilities £'000
As at 30 April 2022	**17,239**	**50,201**	**(569)**
As at 30 April 2021	13,900	36,680	(1,243)

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 recognised 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 recognised 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 £2,661,000 (2021: £nil) were acquired in business combinations.

An impairment loss of £108,000 has been recognised in relation to contract assets in the year (2021: gain £89,000). 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% (2021: gain 0.6%) 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.

	2022	2021
	£'000	£'000
Contract asset value at 1 May 2021	**13,900**	11,684
Contract assets arising on acquisition	**2,661**	-
Contract asset value added in the year	**19,237**	17,452
Contract asset value realised in the year	**(18,559)**	(15,236)
Contract asset value at 30 April 2022	**17,239**	13,900

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)*

19 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.

	2022	2021
	£'000	£'000
Contract liabilities at 1 May 2021	**1,243**	70
Contract liabilities gained in the year	**533**	1,207
Contract liabilities credited to P&L in year	**(1,207)**	(34)
Contract liabilities at 30 April 2022	**569**	1,243

20 Trade and other receivables

	2022	2021
	£'000	£'000
Trade receivables	**50,201**	36,680
Prepayments	**5,626**	5,699
Other receivables including insurance receivables	**341**	714
	56,168	43,093

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 loss allowance

	2022	2021
	£'000	£'000
Brought forward provision	**(4,171)**	(2,967)
Recognition of provisions for businesses acquired	**(173)**	-
Provision utilised	**1,161**	719
Charged to statement of profit and loss	**(1,173)**	(2,391)
Provisions released	**415**	468
	(3,941)	(4,171)

Notes *(continued)*

20 Trade and other receivables *(continued)*

The Group applies the simplified approach to providing for the expected credit losses under IFRS 9. Management have also elected to apply an uplift to the IFRS 9 provision in the current year to account for the specific risks in the subsidiary entities where the application of IFRS 9 alone is not considered appropriate. The provision uplift is based on Management's assessment of specific clients and related debts, this is presented separately to the ECL provision detailed below:

	Not passed due	Past due 0-30 days	Past due 31-120 days	Past due greater than 120 days	Total
Expected credit loss rate	3.60%	4.45%	5.11%	18.53%	
Estimated total gross carrying amount £'000	31,544	4,642	5,429	12,526	54,141
Lifetime ECL £'000	1,136	207	277	2,321	3,941

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 £1,173,000 has been recognised in relation to trade receivables in the year (2021: £1,525,000). This is based on the expected credit loss under IFRS 9 of these types of assets. The trade receivables loss is estimated at 2.3% (2021: 3.7%) of the balance.

21 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 27.

	2022 Fair value £'000	**Carrying amount £'000**	2021 Fair value £'000	Carrying amount £'000
Non-Current liabilities				
Bank borrowings	**5,715**	**5,715**	-	-

On 18 April 2022, the Company entered into a revolving credit facility which provides total committed funding of £30m until April 2025. Interest is payable at a margin of 1.95% above the SONIA reference rate. On 19 April 2022 £6m was drawdown against the facility in order to fund the initial cash consideration in the acquisition of SP 2018 Limited.

Notes *(continued)*

21 Other interest-bearing loans and borrowings *(continued)*

As at 30 April 2022, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 April 2022	Current		Non-current	
	Within 6 months £'000	**6 to 12 months £'000**	**1 – 5 years £'000**	**Later than 5 years £'000**
Bank borrowings	-	-	6,000	-
Trade and other payables	8,309	-	-	-
Total	**8,309**	**-**	**6,000**	**-**

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

30 April 2021	Current		Non-current	
	Within 6 months £'000	**6 to 12 months £'000**	**1 – 5 years £'000**	**Later than 5 years £'000**
Trade and other payables	8,130	-	120	-
Total	**8,130**	**-**	**120**	**-**

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

22 Trade and other payables

	2022	*2021*
	£'000	£'000
Current		
Trade payables	**7,935**	6,086
Other taxation and social security payable	**10,122**	9,641
Other payables	**374**	582
Contingent consideration	**100**	135
Accruals	**12,693**	11,345
Deferred income	**569**	1,243
	31,793	29,032
Non-current	**£'000**	£'000
Other payables	**-**	120
Contingent consideration	**5,360**	-
	5,360	120

£100,000 of current contingent consideration represents the earn-out sums payable to the sellers of Tozer Gallagher LLP.

Notes *(continued)*

22 Trade and other payables *(continued)*

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 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. The discount rate applied in determining the present value of contingent consideration is 4.75%.

23 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 2021	138
Credited during the year to retained earnings	563
Debited during the year in the Consolidated income statement	(63)
At 30 April 2022	**638**

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 2020	1,208
Credited during the year in the Consolidated income statement	(436)
At 30 April 2021	**772**
Arising through business combinations – Tozer Gallagher LLP, Adamson Jones Holdings Limited and SP 2018 Limited	2,482
Credited during the year in the Consolidated income statement	(165)
At 30 April 2022	**3,089**

Notes *(continued)*

24 Provisions

	2022 £'000	2021 £'000
Current provision		
Professional indemnity provision	**101**	176
Total current provision	**101**	176
Non-current provision		
Professional indemnity provision	**649**	549
Dilapidations provision	**214**	214
Total non-current provision	**863**	763
Total provisions	**964**	939

Professional indemnity estimated claim cost

	2022 £'000	2021 £'000
Brought forward	**725**	713
Provisions made during the year	**35**	385
Provisions reversed during the year	**(10)**	(373)
At end of year	**750**	725
Non-current	**649**	549
Current	**101**	176
	750	725

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.

Dilapidations provision

The Group has leases for a number of offices, some of which include dilapidation clauses. The Group maintains the office buildings throughout each lease term with regular maintenance, however a cost is likely to arise at the end of the lease term in order to return the space to its original condition. Management have therefore elected to introduce a dilapidations provision to account for the future cost. The provision is based on Management's estimate of the total costs across all applicable lease to be recognised on a straight line basis over the total lease terms.

	2022 £'000	2021 £'000
At 1 May	**214**	-
Provision made in the year	**-**	214
At 30 April	**214**	214

Notes *(continued)*

25 Net debt

	2022 **£'000**	2021 £'000
Cash and cash equivalents	**16,105**	19,605
Debt		
Total loans brought forward	**(30,445)**	(29,262)
Revolving credit facility – due in more than one year	**(5,715)**	-
New lease liability in the year	**(2,351)**	(9,385)
Repayment of loans from former members	**-**	729
Repayment of term loans	**-**	3,077
Termination of lease	**-**	1,359
Repayment of lease liability	**3,870**	3,037
Total loan carried forward	**(34,641)**	(30,445)
Brought forward from previous year	**(10,840)**	(26,339)
Movement during year	**(7,696)**	15,499
Net debt at the year end	**(18,536)**	(10,840)

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

	Long term borrowings £'000	**Short term borrowings £'000**	**Lease liabilities £'000**	**Total £'000**
1 May 2021	-	-	30,445	30,445
Cashflows:				
Repayments	-	-	(3,870)	(3,870)
Receipt of revolving credit facility	5,715	-	-	5,715
Non-cash				
Fair value on acquisition	-	-	793	793
New lease liability in the year	-	-	1,558	1,558
30 April 2022	5,715	-	28,926	34,641

	Long term borrowings £'000	**Short term borrowings £'000**	**Lease liabilities £'000**	**Total £'000**
1 May 2020	3,077	729	25,456	29,262
Cashflows:				
Repayments	(3,077)	(729)	(3,037)	(6,843)
Non-cash				
New lease liability in the year	-	-	8,026	8,026
30 April 2021	-	-	30,445	30,445

Notes *(continued)*

26 Share capital

Authorised, issued and fully paid

	2022 Number	2022 £	2021 Number	2021 £
Ordinary shares of 10p each				
Brought forward	**117,914,205**	**11,791,420**	117,609,094	11,760,909
Issued on acquisition of Tozer Gallagher LLP	**142,179**	**14,218**	-	-
Issued on acquisition of Adamson Jones IP Limited	**543,668**	**54,367**	-	-
Issued on acquisition of Gateley Smithers Purslow Limited	**3,312,322**	**331,232**	-	-
Issued as part of contingent consideration of Gateley Vinden Limited	**-**	**-**	197,368	19,737
Issued on vesting of RSA	**1,477,560**	**147,756**	-	-
Issued on vesting of SAYE	**308,819**	**30,882**	107,743	10,774
Issued on vesting of CSOPS	**858,126**	**85,813**	-	-
At 30 April 2022	**124,556,879**	**12,455,688**	117,914,205	11,791,420

The Company has one class of Ordinary shares which carry no right to fixed income.

On 22 July 2021 the Group acquired the trade and assets of Tozer Gallagher LLP in part for the issue of 142,179 10p ordinary shares.
On 9 January 2022 the Company acquired Adamson Jones IP Limited and dormant group companies in part for the issue of 543,668 10p ordinary shares.
On 19 April 2022 the Company acquired Gateley Smithers Purslow Limited (Formerly Smithers Purslow Limited) and other group companies in part for the issue of 3,312,322 10p ordinary shares.
Between 1 May 2021 and 19 April 2022 308,819 10p ordinary shares were issued upon vesting of the 2018 SAYE schemes to participants.
Between 3 August 2021 and 1 November 2021 858,126 10p ordinary shares were issued upon vesting of the 2018 CSOP schemes to participants.
On 27 April 2022 1,477,560 10p ordinary shares were issued upon vesting of the 2022 RSA scheme to participants.

27 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.

Notes *(continued)*

27 Financial instruments and related disclosures *(continued)*

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 months before 30 April 2022.

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 client's 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 cash generated from operations. The board reviews the projected financing requirements annually when agreeing the Group's budget and, based on this review, sets the value of the future capital requirements of the business. The cash flow forecast for the entire Group is updated regularly and compared to the budget with any significant variance being reported to the board.

Market risk

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

Interest rate risk

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

Notes *(continued)*

27 Financial instruments and related disclosures *(continued)*

Foreign currency risk

The Group has an overseas operation based in Dubai and another in the Republic of Ireland which, therefore, exposes the Group to changes in Sterling/Dirhams and Sterling/Euro 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 and the Republic of Ireland.

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.

Notes *(continued)*

27 Financial instruments and related disclosures *(continued)*

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):

	2022 £'000	2021 £'000
Cash and cash equivalents	**16,105**	19,605
Contract assets	**17,239**	13,900
Trade receivables at amortised cost	**50,201**	36,680
Total financial assets	**83,545**	70,185
Trade and other payables	**(21,002)**	(18,013)
Contingent consideration at FVTPL	**(100)**	(135)
Short-term borrowings	**-**	-
Current financial liabilities	**(21,102)**	(18,148)
Long-term borrowings	**(5,715)**	-
Other payables due after more than one year	**-**	(120)
Contingent consideration at FVTPL	**(5,360)**	-
Total financial liabilities	**(32,177)**	(18,268)

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.

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 4.75% being the applicable weighted average cost of debt. 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 of the acquired business. An increase in the forecasted EBITDA of 1% would result in an increase of £46,000 in contingent consideration, a decrease in the forecasted EBITDA of 1% would result in a decrease of £46,000 in contingent consideration due.

Notes *(continued)*

27 Financial instruments and related disclosures *(continued)*

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

	Contingent consideration	
	2022	2021
	£'000	£'000
Balance at 1 May	**135**	1,149
Arising on business combination	**5,452**	-
Amount of earn-out paid	**-**	(368)
Amount recognised in profit or loss	**(127)**	(646)
Balance at 30 April	**5,460**	135

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:

	2022 Increase/ (decrease) in profit and loss £'000	2021 Increase/ (decrease) in profit and loss £'000
+1 % movement in interest rates	**1**	-
-1 % movement in interest rates	**(1)**	-

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

Foreign exchange rate sensitivity analysis

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

	2022 £'000	2021 £'000
Net currency	**183**	345

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

Notes *(continued)*

28 Capital commitments

In 2021 the Group entered a contract with a provider of legal technology for the development of a new practice management system, with Thomson Reuters for the installation of their market leading practice management system. The cost of the contractual capital commitment was £1.1million and was incurred across calendar years 2021 and 2022. The outstanding obligation at year end is £nil.

29 Leases liabilities – IFRS 16

The Group has leases for offices, vehicles and some IT equipment, with the exception of short-term leases and leases of low-value assets each lease is held on the balance sheet as a right-of-use asset and corresponding lease liability. Property leases have a remaining term of one to ten years. Leases of vehicles and IT equipment have a term of three to five years. Lease payments on all those recognised on the balance sheet are fixed. Unless there is a contractual right for the Group to sublet the asset to a third party, the right of use asset can only be used by the Group.

The table below provides additional information on the right-of-use assets by class of assets:

	Number of leased assets*	**Average length of lease remaining**	**Opening lease asset £'000**	**Net additions £'000**	**Depreciation £'000**	**Closing lease asset £'000**
Office buildings	17	5.9 years	26,986	1,397	(3,767)	24,616
IT equipment	2	2years	21	6	(16)	11

* Where properties within the same building are leased on a floor by floor basis on the same contractual terms, the Group has elected to treat these as a portfolio and are counted as a single leased asset within the table

Lease liabilities are presented in the statement of financial position as follows:

	2022 £'000	2021 £'000
Current lease liability	**3,719**	2,743
Non-current lease liability	**25,207**	27,702

A number of property leases held by the Group include break or termination options. The lease liability has been calculated based on the likelihood of such option being exercised. An option would only be exercised when in line with the Groups wider strategy.

In line with IFRS 16 *Leases* the Group has elected not to recognise a lease liability for leases with a term of 12 months or less, or for leases of low value assets. The payments made under such leases are expensed to the profit and loss on a straight-line basis. Any variable lease payments incurred are expensed as incurred.

Notes *(continued)*

29 Leases liabilities – IFRS 16 *(continued)*

The table below shows amounts recognised in the Statement of Comprehensive Income for short term and low value leases as at 30 April 2022:

	Property £'000	Equipment £'000	**Total £'000**
Expenses relating to short term leases	26	23	**49**
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	-	17	**17**
	26	40	**66**

The total minimum undiscounted lease payments at 30 April 2022 under non-cancellable operating lease rentals were:

	30 April 2022 £'000	30 April 2021 £'000
Within one year	4,645	3,024
In the second to fifth year inclusive	22,435	15,921
After five years	16,606	13,822
	43,686	32,767

30 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 (2021: £120,000) and the amounts outstanding at the year-end are £nil (2021: £80,000).

Mattiolli Woods Plc

The Company's Non-Executive Director, Joanne Lake, was Non-Executive Director and Chairman of Mattiolli Woods Plc during the year (resigned 8 April 2022). 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 £52,009 (2021: £49,046) in respect of employee benefits services provided by Mattiolli Woods Plc. The Group received revenues of £900 (2021: £nil) in respect of legal services provided to Mattiolli Woods Plc and its subsidiaries. No amounts were outstanding at the year-end (2021: £nil).

Compensation paid to key management personnel

At the year end, Directors of Gateley (Holdings) Plc control 4.60% (2021: 5.35%) 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 £4.101m (2021: £3.088m).

Notes *(continued)*

30 Related parties *(continued)*

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

	2022	2021
	£'000	£'000
Wages and salaries	**3,553**	2,713
Social security	**512**	374
Pension costs	**-**	-
Share based payment charges	**36**	1
	4,101	3,088

31 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 £2,076,081 (2021: £1,704,636) and the outstanding balance at the year end was £40,609 (2021: £30,417).

Parent company statement of financial position
at 30 April 2022

	Note	2022	2021
		£'000	£'000
Non-current assets			
Investments	5	**54,242**	33,027
Total non-current assets		**54,242**	33,027
Current assets			
Trade and other receivables	6	**5,913**	6,769
Cash and cash equivalents		**439**	107
Total current assets		**6,352**	6,854
Total assets		**60,594**	39,903
Non-current liabilities			
Other interest-bearing loans and borrowings	8	**(5,715)**	-
Other payables	7	**(5,360)**	-
Total non-current liabilities		**(11,075)**	-
Current liabilities			
Other payables	7	**(27)**	(152)
Total current liabilities		**(27)**	(152)
Total liabilities		**(11,102)**	(152)
Net assets		**49,492**	39,751
Equity			
Share capital	9	**12,456**	11,792
Share premium		**11,342**	9,421
Other reserves		**14,465**	6,815
Retained earnings		**11,229**	11,723
Total equity		**49,492**	39,751

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 2022 was £10,723,499 (2021: £5,131,791).

These financial statements were approved by the directors on 12 September 2022 and were signed and authorised on their behalf by:

R. R. Waldie
Rodrick R Waldie
Chief Executive Officer

Neil A Smith
Finance Director

Company registered number: 09310078. The accompanying notes on pages 122 to 134 form an integral part of these financial statements.

Parent company statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total Equity £'000
At May 2020	11,761	8,938	6,812	5,635	33,146
Comprehensive income:					
Profit for the year	-	-	-	5,132	5,132
Total comprehensive income	-	-	-	5,132	5,132
Transactions with owners:					
Dividend paid	-	-	-	-	-
Issue of share capital	31	483	3	-	517
Share based payment transactions	-	-	-	956	956
Total equity at 30 April 2021	**11,792**	**9,421**	**6,815**	**11,723**	**39,751**
At May 2021	11,792	9,421	6,815	11,723	39,751
Comprehensive income:					
Profit for the year	-	-	-	10,723	10,723
Total comprehensive income	-	-	-	10,723	10,723
Transactions with owners:					
Dividend paid	-	-	-	(12,430)	(12,430)
Issue of share capital	664	1,921	7,650	-	10,235
Share based payment transactions	-	-	-	1,213	1,213
Total equity at 30 April 2022	**12,456**	**11,342**	**14,465**	**11,229**	**49,492**

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 122 to 134 form an integral part of these financial statements.

Parent company cash flow statement
for year ended 30 April 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**10,723**	5,132
Interest expense	**8**	-
Release of contingent consideration	**(135)**	-
Increase/(decrease) in liabilities	**10**	(595)
Decrease/(increase) in trade and other receivables	**856**	(4,541)
Net cash flows from operating activities	**11,462**	(4)
Investing activities		
Consideration paid on acquisitions	**(6,615)**	-
Contingent consideration paid	**-**	(363)
Net cash used in investing activities	**(6,615)**	(363)
Financing activities		
Receipt of funds for issue of SAYE/CSOP/RSA shares	**1,900**	299
Receipt of revolving credit facility, net of refinancing costs	**5,715**	-
Receipt of funds for issue of shares on acquisition of Tozer Gallagher	**300**	-
Dividends paid	**(12,430)**	-
Net cash (used in)/generated from financing activities	**(4,515)**	299
Net increase/(decrease) in cash and cash equivalents	**332**	(68)
Cash and cash equivalents at beginning of the year	**107**	175
Cash and cash equivalents at end of year	**439**	107

The accompanying notes on pages 122 to 134 form an integral part of these financial statements.

Parent company notes to the financial statements

For the period ended 30 April 2022

(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 in accordance with UK-adopted International Accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. 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 13 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 24 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.

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

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

1.2 Classification of financial instruments issued by the Company

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

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

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

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

1.3 Non derivative financial instruments

Financial Assets

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

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

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

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

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 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 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.

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

1.8 *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*
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2023
	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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 (2021: £10,000) have been borne by Gateley Plc. The company does not have any employees (2021: Nil)

3 Investment income

Intercompany dividends to the Company have been received from other Group entities as detailed below:

	2022	2021
	£'000	£'000
Dividend received from Gateley Plc – 29 October 2021	**3,570**	-
Dividend received from Gateley Plc – 29 April 2022	**5,053**	-
Dividend received from T-Three Consulting Limited – 29 April 2022	**800**	-
Dividend received from Gateley Hamer Limited – 29 April 2022	**628**	-
Dividend received from Gateley Vinden Limited – 29 April 2022	**949**	
Dividend received from Gateley Plc – 28 April 2021	**-**	2,950
Dividend received from T-Three Consulting Limited – 28 April 2021	**-**	1,000
Dividend received from Gateley Capitus Limited – 28 April 2021	**-**	825
Dividend received from Gateley Hamer Limited – 28 April 2021	**-**	357
	11,000	5,132

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 2020	32,720
Share based payment charge	956
Adjustment to Kiddy & Partners Limited acquisition cost	(279)
Adjustment to T-three Consulting Limited	(652)
Adjustment to Gateley Vinden Limited (formerly The Vinden Partnership Limited)	282
Balance at 30 April 2021	**33,027**
At 1 May 2021	33,027
Share based payment charge	1,213
Acquisition of Gateley Smithers Purslow Limited	17,502
Acquisition of Adamson Jones IP Limited	2,500
Balance at 30 April 2022	**54,242**

Investments in subsidiaries

The Company has effective control of the following:

	Registered office	Ordinary share proportion held	Nature of business
Gateley Plc	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Legal services
Entrust Pension Limited	Ship Canal House 98, King Street, Manchester, M2 4WU	100%	Pension trustee services
Gateley Capitus Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Tax incentive services
Gateley Hamer Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Specialist property consultancy
Kiddy & Partners Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Human capital consultancy
International Investments Services Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	UK Investment consultancy
Persona Associates Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Dormant
T-Three Consulting Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Human capital consultancy
T-Three Group Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company
T-Three Holdings Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company
Gateley Vinden Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Corporate advisory, dispute resolution and consultancy to the built environment in the property and construction markets
GEG Services Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	UK Investment services provider
Matsa Holdings Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company
Thomas Alexander Holdings Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company

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

5 Investments *(continued)*

	Registered office	Ordinary share proportion held	Nature of business
TVP Holdings Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company
SP 2018 Limited	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company
Smithers Purslow Group Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Intermediate holding company
Gateley Smithers Purslow Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Architecture, building surveyance and civil & structural engineering
Byrom Clark Roberts Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Dormant
Ainsley Stokes Limited*	One Eleven, Edmund Street, Birmingham, B3 2HJ	100%	Architecture, building surveyance and civil & structural engineering
Adamson Jones Holdings Limited	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Intermediate holding company
Adamson Jones IP Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Patent attorney
Gateley EBT Limited	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Employee benefit trust
Gateley Investments Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Corporate investment company
Ensco Trustee Company Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Corporate trustee company
Gateley Secretaries Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Non-trading
Gateley Incorporations Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Non-trading
Gateley Custodian and Nominee Services Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Non-trading
Gateley Custodian and Nominee Services No.2 Limited*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Non-trading
Gateley Omega Limited (formerly Ensco 1413 Limited)	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Non-trading

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

5 Investments *(continued)*

	Registered office	Controlling interest held	Nature of business
Gateley UK LLP**	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Legal services via a branch in Dubai
Gateley Tweed LLP***	Imperial House, 4-10 Donegall Square East, Belfast, Northern Ireland, BT1 5HD	n/a	Legal services in Northern Ireland
Victoria Louise Garrad, Callum Laing Nuttall, Thomas Oliver Durrant and Richard Julian Healey trading as Gateley Tweed***	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	n/a	Legal Services in Ireland
Gateley Heritage LLP*	One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ	100%	Non-trading
Gateley (Manchester) LLP*	Ship Canal House 98, King Street, Manchester, M2 4WU	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

	2022 £'000	2021 £'000
Amounts owed from Gateley Plc	**5,010**	**4,450**
Amounts owed from Gateley EBT Limited	**903**	**1,319**
Amounts owed from T-Three Consulting Limited	**-**	**1,000**
	5,913	**6,769**

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

	2022 £'000	2021 £'000
Contingent consideration due in one year	-	135
Other payables	**27**	17
	27	152

Contingent consideration of £0.135m relating to estimated earn out payments are due to the vendor of IIS have been released in the year as a result of performance against earnout criteria.

	2022 £'000	2021 £'000
Contingent consideration due in more than one year	**5,360**	-

8 Other interest-bearing loans and borrowings

The contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost, are described below. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

	2022 Fair value £'000	**Carrying amount £'000**	2021 Fair value £'000	Carrying amount £'000
Non-Current liabilities				
Bank borrowings	**5,715**	**5,715**	-	-

On 18 April 2022, the Company entered into a revolving credit facility which provides total committed funding of £30m until April 2025. Interest is payable at a margin of 1.95% above the SONIA reference rate. On 19 April 2022 £6m was drawdown against the facility in order to fund the initial cash consideration in the acquisition of SP 2018 Limited.

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

8 Other interest-bearing loans and borrowings (continued)

As at 30 April 2022, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

30 April 2022	**Current**		**Non-current**	
	Within 6 months £'000	**6 to 12 months £'000**	**1 – 5 years £'000**	**Later than 5 years £'000**
Bank borrowings	-	-	*6,000*	-
Total	**-**	**-**	**6,000**	**-**

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

30 April 2021	**Current**		**Non-current**	
	Within 6 months £'000	**6 to 12 months £'000**	**1 – 5 years £'000**	**Later than 5 years £'000**
Bank borrowings	-	-	-	-
Total	-	-	-	-

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

9 Capital and reserves

Authorised, issued and fully paid

	2022 Number	**2022 £**	2021 Number	2021 £
Ordinary shares of 10p each				
Brought forward	**117,914,205**	**11,791,420**	117,609,094	11,760,909
Issued on acquisition of Tozer Gallagher LLP	**142,179**	**14,218**	-	-
Issued on acquisition of Adamson Jones IP Limited	**543,668**	**54,367**	-	-
Issued on acquisition of Gateley Smithers Purslow Limited	**3,312,322**	**331,232**	-	-
Issued as part of contingent consideration of Gateley Vinden Limited	**-**	**-**	**197,368**	**19,737**
Issued on vesting of RSA	**1,477,560**	**147,756**	-	-
Issued on vesting of CSOPS	**858,126**	**85,813**	-	-
Issued on vesting of SAYE	**308,819**	**30,882**	107,743	10,774
	124,556,879	**12,455,688**	117,914,205	11,791,420

The Company has one class of Ordinary shares which carry no right to fixed income.

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

9 Capital and reserves *(continued)*

On 22 July 2021 the Group acquired the trade and assets of Tozer Gallagher LLP in part for the issue of 142,179 10p ordinary shares.
On 9 January 2022 the Company acquired Adamson Jones IP Limited and dormant group companies in part for the issue of 543,668 10p ordinary shares.
On 19 April 2022 the Company acquired Gateley Smithers Purslow Limited (Formerly Smithers Purslow Limited) and other group companies in part for the issue of 3,312,322 10p ordinary shares.
Between 1 May 2021 and 19 April 2022 308,819 10p ordinary shares were issued upon vesting of the 2018 SAYE schemes to participants.
Between 3 August 2021 and 1 November 2021 858,126 10p ordinary shares were issued upon vesting of the 2018 CSOP schemes to participants.
On 27 April 2022 1,477,560 10p ordinary shares were issued upon vesting of the 2022 RSA scheme to participants.

10 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 cash generated from operations. 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)*

10 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 Company's bank borrowings incur variable interest rate charges linked to SONIA 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):

	2022 **£'000**	2021 £'000
Cash and cash equivalents	**439**	107
Group receivables	**5,913**	6,769
Total financial assets	**6,352**	6,876
Contingent consideration - FVTPL	**-**	(135)
Other payables	**(27)**	-
Group payables	**-**	(17)
Current financial liabilities	**(27)**	(152)

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

10 Financial instruments and related disclosures *(continued)*

Long-term borrowings	**(5,715)**	-
Contingent consideration at FVTPL	**(5,360)**	-
Total non-current liabilities	**(11,075)**	-
Total financial liabilities	**(11,102)**	(152)

The company itself does not have any exposure to foreign exchange rates. The Group's exposure is detailed in note 27.

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.

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 4.75% being the applicable weighted average cost of debt. 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 EBITDA 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 of the acquired business. An increase in the forecasted EBITDA of 1% would result in an increase of £46,000 in contingent consideration, a decrease in the forecasted EBITDA of 1% would result in a decrease of £46,000 *in contingent consideration due.*

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

	Contingent consideration	
	2022	2021
	£'000	£'000
Balance at 1 May	**135**	1,149
Arising on business combination	**5,352**	-
Amount of earn-out paid	-	(368)
Amount recognised in profit or loss	**(127)**	(646)
Balance at 30 April	**5,360**	135

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

10 Financial instruments and related disclosures *(continued)*

Financial instruments sensitivity analysis

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

Interest rate sensitivity analysis

The table below shows the Company'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:

	2022 Increase/ (decrease) in profit and loss £'000	2021 Increase/ (decrease) in profit and loss £'000
+1 % movement in interest rates	**1**	-
-1 % movement in interest rates	**(1)**	-

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

11 Share based payments

Details of the Group's share based payment schemes in operation are shown in note 8 of the Group financial statements. All shares are issued by Gateley (Holdings) Plc.

12 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 30.

13 Accounting estimates and judgements

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

Impairment of investments (note 5)

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

14 Contingent liability

A cross guarantee between the company and Gateley Plc exists in respect of all loans and overdrafts. The value of the contingent liability at 30 April 2022 is £5,715,000 (2021: £nil).